



annual report 05/06

ANNUAL REPORT V-VI

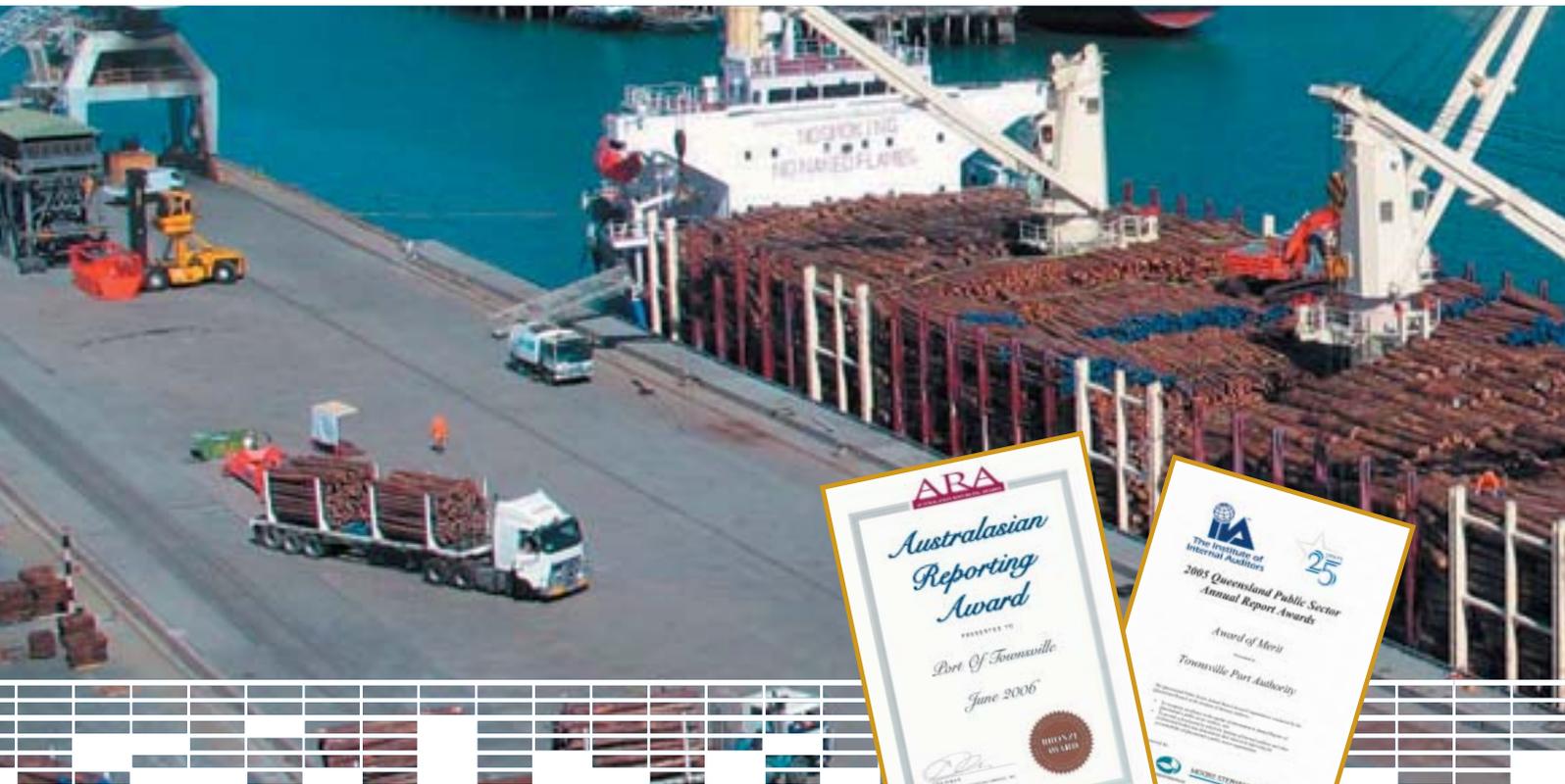


The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade > The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade > The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade > The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade



PORT of TOWNSVILLE

Nexus North Queensland



Report Information

About Our Report

Our financial and business-related activities for the fiscal year from 1 July 2005 to 30 June 2006 form the basis of this Report. This Report complies with statutory requirements.

We aim to communicate a clear and accurate account of Townsville Port Authority's performance during this period and touch on how we see the Port progressing in the coming year.

This Report is geared to a range of different audiences, with our primary target group being our stakeholders, customers, employees, and Government and industry sectors.

It is also a key marketing tool, circulated nationally and internationally to existing and potential customers and other interested parties.

Publication Availability

To minimise production costs and tap into the benefits of internet technology, we have printed a limited number of hard copies of our Annual Report.

An on-line version of this Report, and past Annual Reports, can be found on our website www.townsville-port.com.au.

Compact disc versions of this Report are free on request. If you wish to receive a copy please contact us on (07) 4781 1500 or by email: publicaffairs@townsville-port.com.au.

For the second year we have also published a summary document of our 2005/2006 Annual Report. This is also available from our website and hard copies are available on request.

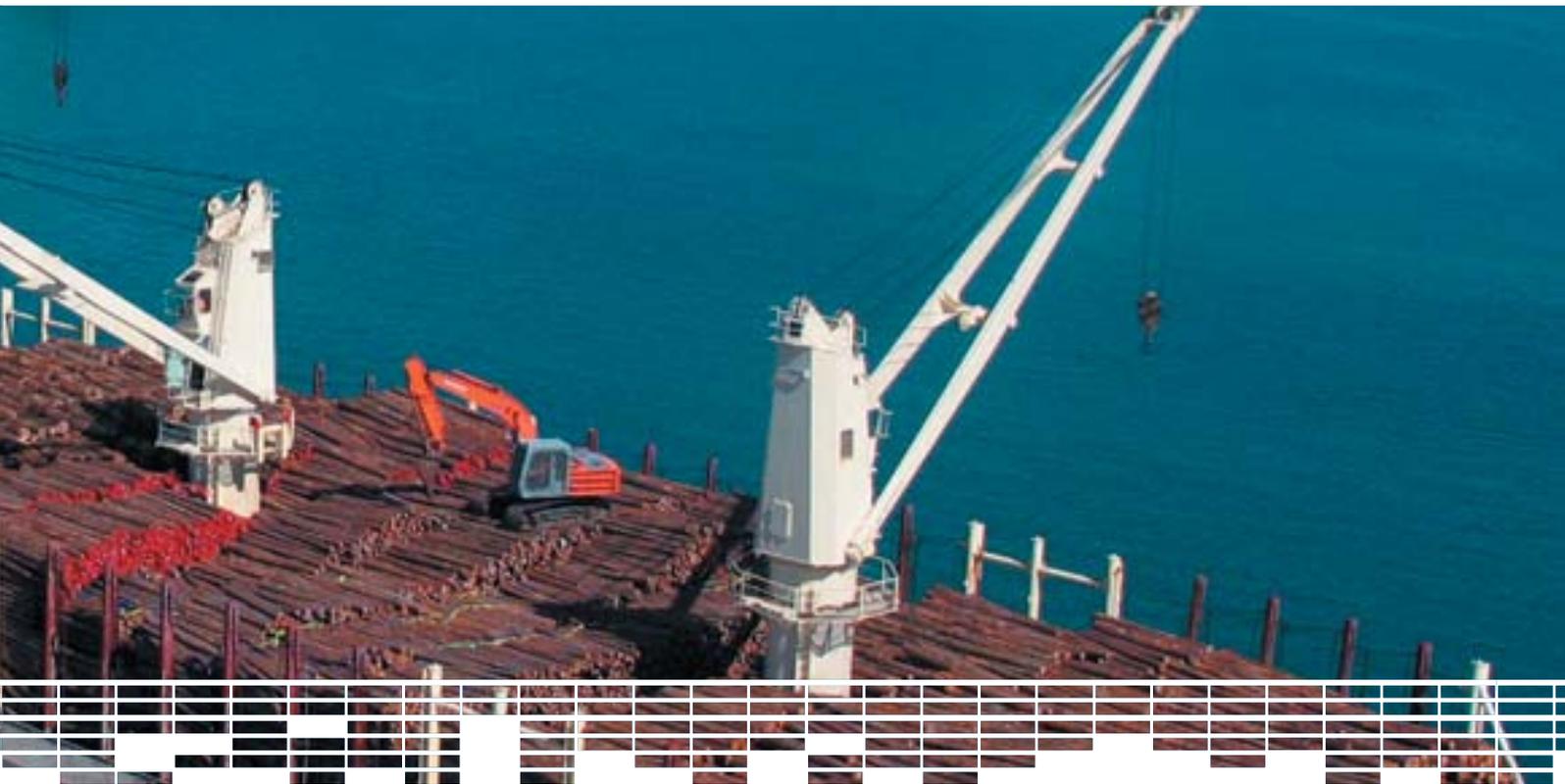
To be included on our database and receive future publications, please complete the appropriate section of the feedback form located at the back of this Report and return to us.

Your Comments are Important to Us

Our 2004/2005 Annual Report received an Award of Merit at the Institute of Internal Auditors Queensland Public Sector Annual Report Awards. It also received a bronze award at the Australasian Reporting Awards.

We continually strive to achieve excellence in our reporting standards by ensuring our Annual Report is accurate, clear, and professional.

Your comments and suggestions on the content and style of our Report are important to us, so we can improve future reporting. These can be made using the feedback form at the back of this report.



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Our Philosophy

Our Vision:

To be the driver of sustainable growth in our region through the delivery of trade, port services and development solutions.

Our Mission:

To provide port and related infrastructure solutions to facilitate regional trade and economic development within a framework of sustained growth and shareholder value.

We will achieve this mission by:

- > providing our current and future customers with facilities, services and technologies that are efficient, competitive, reliable, safe, and secure;
- > understanding market intelligence and customers needs, and actively promoting the Port of Townsville to attract trade and industry to the region;
- > undertaking robust port planning to ensure timely, appropriate and sustainable development and management of the Port; and,
- > acting commercially and competitively to promote a sustainable economic future for the Port, its shareholders, and the region.

Our Corporate Values:

Customers A commitment to serving our customers, present and future, by conducting all of our dealings honestly, professionally, and courteously.

Shareholders A commitment to meeting the performance needs and expectations of our shareholders.

Community Recognising the community as having an integral interest in the Port and our responsibility as a corporate citizen by increasing our responsiveness to community expectations.

Our People Promoting motivation and enthusiasm through open and honest communication, recognition of employee contributions and performance, and creating opportunities for employees and their career development.

Environment A responsible and proactive approach to environmental protection by ensuring that sustainable environmental management is a core component of our operations and port development.

Corporate Governance Operating in a professional, ethical, and fiscally-responsible manner, minimising risk exposure and adhering to the principles of openness and transparency at all times.

Our vision, mission, and values are directed towards ongoing business improvement as a basis for strengthening our competitive position, ensuring customer satisfaction, and continually improving the quality of our products and services.

About Us

The Port of Townsville provides North Queensland with a world-class gateway for commerce and trade. It is one of the world's leading exporters of base metals by variety and Australia's largest exporter of sugar. It is considered a centre for enterprise in north and north-western Queensland.

Since the Port's first wharf was constructed in 1863, the Port of Townsville has been central to the economic development of North Queensland. Direct and flow-on effects of port activity, identified in a recent economic study, account for almost 8,000 full-time jobs – that's 10 per cent of total employment in northern Queensland. We dedicate our efforts to furthering our strong economic and social relationship with the city and the wider region to ensure its continued growth and prosperity.

The Port community is comprised of the Townsville Port Authority, Queensland Government agencies, and privately-owned and operated facilities and functions - making it a vibrant and ever-growing commercial hub.

Customers play a vital role in the Port's development, operations, and continued success. Their needs are met by the provision of safe navigation within the harbour, by ensuring ongoing development opportunities with dredging and reclamation works, and the timely and reliable provision of port services.

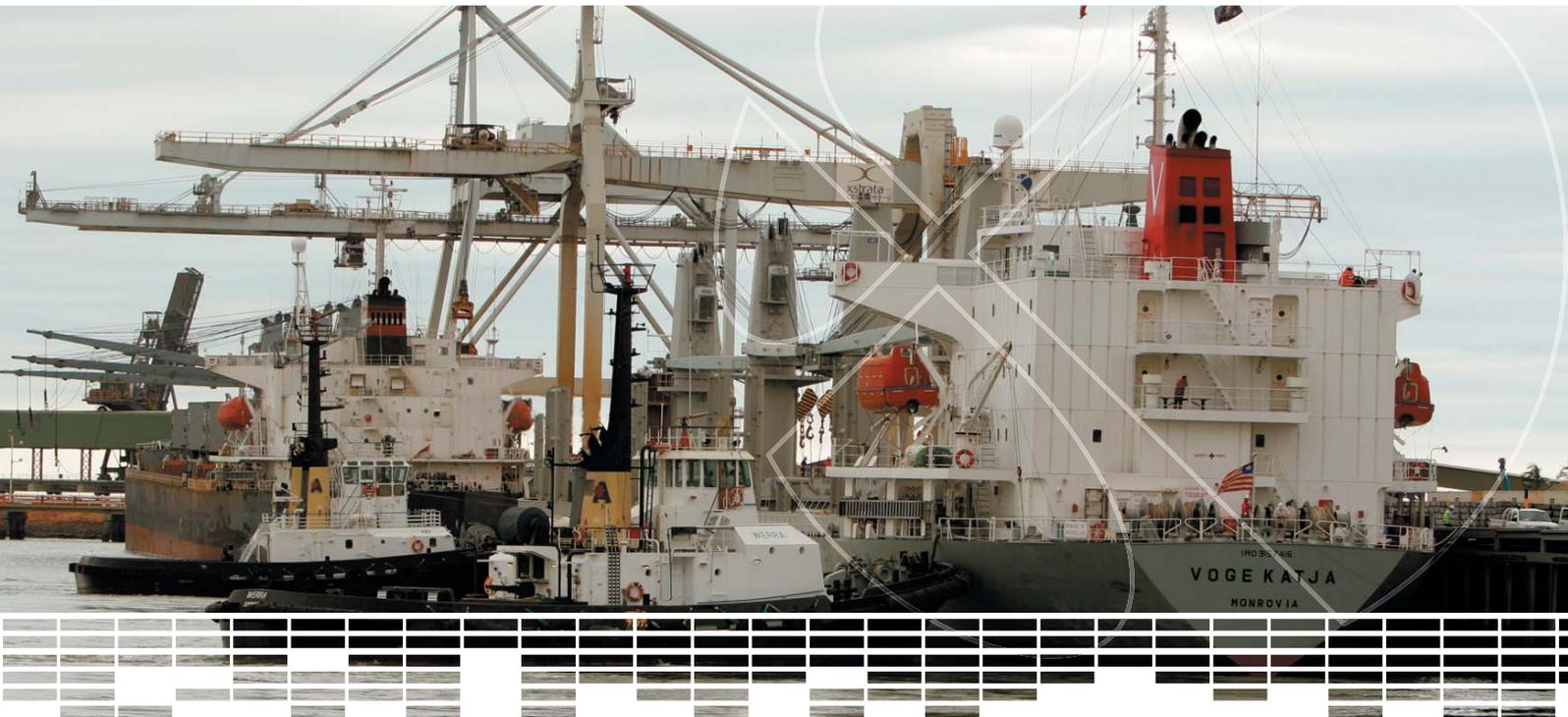
Townsville Port Authority was created in its current form as a statutory Government Owned Corporation on 1 July 1995 under the *Government Owned Corporations Act 1993*. The Authority manages the Port of

Townsville - a breakwater harbour with a land and sea jurisdiction greater than 400 square kilometres.

The Authority has over 75 employees across a broad spectrum of fields including engineering design and supervision, corporate governance, planning and environment, finance, port services, business development, marketing, and maintenance.

Townsville Port Authority is responsible for facilitating trade through the Port by effectively and efficiently managing and operating port facilities and services, and ensuring appropriate levels of safety, security, and availability.

For more information about our history, operations, and current events, visit us online at www.townsville-port.com.au.



Year of Achievements in Brief

Records are Made to be Broken

- > **Import Records** – There were three import records set in 2005/2006. These were: sulphur (112,433 tonnes, an increase of 17.8 per cent on the previous year's results); general purpose oil (807,875 tonnes, an increase of 4.99 per cent); and cement (469,159 tonnes, an increase of 18.7 per cent).
- > **Export Records** – High analysis fertiliser (837,605 tonnes, an increase of 4 per cent) and plantation pine logs (139,315 tonnes, 175.3 per cent increase) also set trade records for the Port of Townsville in 2005/2006.
- > **Largest** – The Port of Townsville is the largest exporter of molasses and sugar in Australia. Southern Cross Fertilisers export the largest volume of high analysis fertiliser from Queensland, through the Port of Townsville.

Maintenance

- > Just over \$10 million was spent on maintenance works at the Port of Townsville during 2005/2006. This figure amounts to the most ever spent on port infrastructure maintenance in the Authority's history. This is the fourth year in a five year program to bring infrastructure up to the highest possible standard.

Commercial Port Operations

- > 666 cargo ships docked at the Port in 2005/2006. The majority (268) were bulk carriers, followed by general cargo vessels (236), tankers (116), bunkers (28), and other vessels (18).
- > The Port welcomed 35 naval ships and three passenger ships during 2005/2006.

Note: The above refers to all vessels greater than 200 GRT that visited the Port during 2005/2006.

Financial Outcomes

Total Revenue:	\$36.17 million
Operating Profit before Interest and Tax:	\$5.62 million
Net Profit:	\$2.18 million
Total Assets:	\$201.3 million
Net Assets:	\$159.4 million
Accounting Return on Assets:	2.86 per cent
Current Ratio:	2.44
Interest Cover:	6.6
Debt to Equity:	0.084

Note: The above includes the effect of revaluation adjustment in compliance with AEIFRS.



Back row from left: Mrs. Melissa Griffith, Mr. John Pennisi, Mr. Ron McLean, Mr. Ken McElligott, and Ms. Beth Keating. Front row from left: Cr. Tony Mooney, Mr. Paul Keehan, and Prof. Stephen Graw.

Meet Our Directors

Mr. Ron McLean, Chairman

Ron retired as Executive Chairman of North Queensland Newspapers Ltd., a division of News Limited, after 37 years in the print media industry. He is an honorary Director of Townsville Enterprise Limited, and has been Chairman of the Board of the Authority since 1 July 1999. Age 70 years.

Ms. Beth Keating, Deputy Chair (Term Expired 30 June 2006)

Beth has extensive knowledge of the Townsville business and community sector. She has a Bachelor of Arts (Hons), Masters of Arts (Hons), and is a Graduate of the Australian Institute of Company Directors. She also has wide public and private sector experience in human resources management including employee relations, rehabilitation, workers compensation, personnel management, and health and safety. She is currently working in the public sector and also as a consultant to the business and community sectors.

Beth is a member of the Australian Institute of Company Directors and the Equal Opportunity Practitioners' Association and enjoys substantial volunteer roles including five years as committee member fundraiser and office bearer of the Aitkenvale State School P&C Association. Age 48 years.

Prof. Stephen Graw, Director (Deputy Chair from 1 July 2006)

Stephen is Professor of Law at James Cook University. He has degrees in Commerce and Law from the University of Queensland and a Doctorate in Juridical Studies from the University of Sydney.

He specialises in corporate, commercial, and taxation law and has written or co-authored five text books on those topics and teaches in those areas both at JCU and in China.

Stephen is currently a member of the UniSuper Consultative Committee and Chairperson of the Council of the Combined Catholic Colleges of St. Raphael and St. Paul. He also holds the rank of Brigadier in the Army Reserve. Age 53 years.

Cr. Tony Mooney, Director

Tony has 22 years experience in local Government, and also serves in senior positions on local authority Boards within Australia. He has been Mayor of the city of Townsville since 1989, is President of the Urban Local Government Association of Queensland and an executive member of the Local Government Association of Queensland. Cr. Mooney is Chairman of the Townsville Breakwater Entertainment Centre Joint Venture. He is a life member of a number of organisations and patron of several sporting and community groups. Age 52 years.

Mr. John Pennisi, Director

John recently retired and sold his paper and cardboard recycling company, Finjon Paper Recyclers. He served in the Queensland Police Service from 1970 to 1995. Prior to his police service he qualified as an electrician. He is also a registered builder with the Queensland Building Services Authority. John has a Diploma in Management and has also served on various community organisations, including two years on the Board of the Housing Industry Association. Age 60 years.

Mr. Paul Keehan, Director

Paul spent 12 years in industry before joining the finance sector in 1985. Since then he has advised across a range of industries.

Before joining InterFinancial Limited as a principal of the company in February 1997, he worked for McIntosh Securities and Merrill Lynch Australia for nine years where he was responsible for its Brisbane investment banking activities, providing a full range of corporate services including acquisitions, valuations, capital raising, and general corporate advice. Age 53 years.

Mrs. Melissa Griffith, Director

Melissa is a civil engineer who has worked in the maritime and coastal engineering sector of the industry. She is currently a consulting engineer in the Brisbane office of Kellogg Brown and Root Pty. Ltd. Melissa holds a Masters in Engineering in Coastal Engineering through Griffith University on the Gold Coast. She was the 2005 Queensland President of Engineers Australia and is also involved with the Engineers Australia national Women in Engineering Committee. Melissa is an active member of Brisbane City Church. Age 28 years.

Mr. Ken McElligott, Director

Ken left Queensland Parliament in 1998 after serving for 15 years including periods in Cabinet as Minister for Health and Minister for Lands. He previously served for seven years as an Alderman on Townsville City Council, at which time he represented the local authority on the then Townsville Harbour Board. Prior to politics, Ken was employed as an Administration Officer at James Cook University. Now retired, Ken is President of Hockey Queensland and a life member of the Townsville Hockey Association and the Townsville Cricket Association. Age 66 years.

Introducing Our New Director

Ms. Debbie Giudes

Appointed from 1 July 2006

Debbie's family group own nine Harvey World Travel agencies and one Jetset Travel Agency in Queensland, including four in Townsville. She is the Managing Director of the Group which has 72 staff and an annual turnover of \$45m. Debbie has won a number of awards, including the 2001 Commonwealth Bank Business Woman of the Year, and the Queensland Westpac Group Business Owner Award at the 2002 Telstra Business Women Awards.

Debbie is also president of the Townsville Business Women's Network, a member of the board of trustees of the Townsville Grammar School, and a Mentor in Townsville City Council's Young Person Mentoring Program. Age: 45 years.



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From left: Mr. Barry Holden, Mr. Len McDougall, Mr. David King, Mr. Larry Hore, Mr. David Young, and Ms. Raneë Crosby.

Meet Our Management Team

Chief Executive Officer Mr. Barry Holden

Barry was appointed Chief Executive Officer on 14 March 2002. Prior to that he worked as the Regional Manager, Western Australian Towage Operations, for Adsteam Harbour Ltd. for four years. Before moving to Western Australia, Barry worked for the Department of the Premier and Cabinet in Townsville.

He was previously employed by the Authority in various managerial and administrative positions from 1974 to 1997. Barry is a member of CPA Australia and a fellow of the Chartered Institute of Logistics and Transport. He has professional qualifications in commerce and specialist shipping and transport fields.

Acting Manager Planning and Environment Ms. Raneë Crosby

Since April 2006, Raneë has been acting in the position of Manager Planning and Environment, overseeing the management of all planning, environmental and business development matters for the Port of Townsville. Raneë is also responsible for the development and review of the Corporate Plan and Statement of Corporate Intent.

Previous to April 2006, Raneë was Manager Corporate Governance.

Raneë has over ten years experience with the Port of Townsville.

She holds a Bachelor of Laws degree and is a Graduate of the Australian Institute of Company Directors.

Manager Finance Mr. Len McDougall

As head of the finance team Len is responsible for all financial, accounting, taxation, and human resources functions of the Authority. His extensive experience in both the manufacturing and Port industries, coupled with his diligent approach to work, sees Len well-placed to oversee and manage this vitally-important area.

Len joined the Authority in 1996 and held two other administrative and accounting positions before being promoted to his current role of Manager Finance.

He has a Bachelor of Business degree and is a Certified Practising Accountant.

Manager Engineering Mr. Larry Hore

Larry has 16 years of professional engineer experience having worked in Canberra, Port Moresby, and at the Port of Townsville since 1996. Larry's focus on outcomes, coupled with broad experience has seen him deliver a diverse range of infrastructure projects including wharf systems, dredging and reclamation works, major plant and equipment, services, buildings, roads, and parklands.

He has a Bachelor of Electrical Engineering and a Master of Business Administration.

Manager Marine Services Mr. David King

With 22 years experience working within the Port of Townsville, David has extensive experience and knowledge of Port operations.

In his present role, David manages the Marine Services Business Unit which is responsible for the delivery of marine services associated with Port control, Port security, pilot transfer, small boat harbours, emergency response and the safe movement of dangerous goods through the Port area.

David also represents the Authority on the Local Disaster Management Group and is the nominated Port Security Officer for the Port of Townsville.

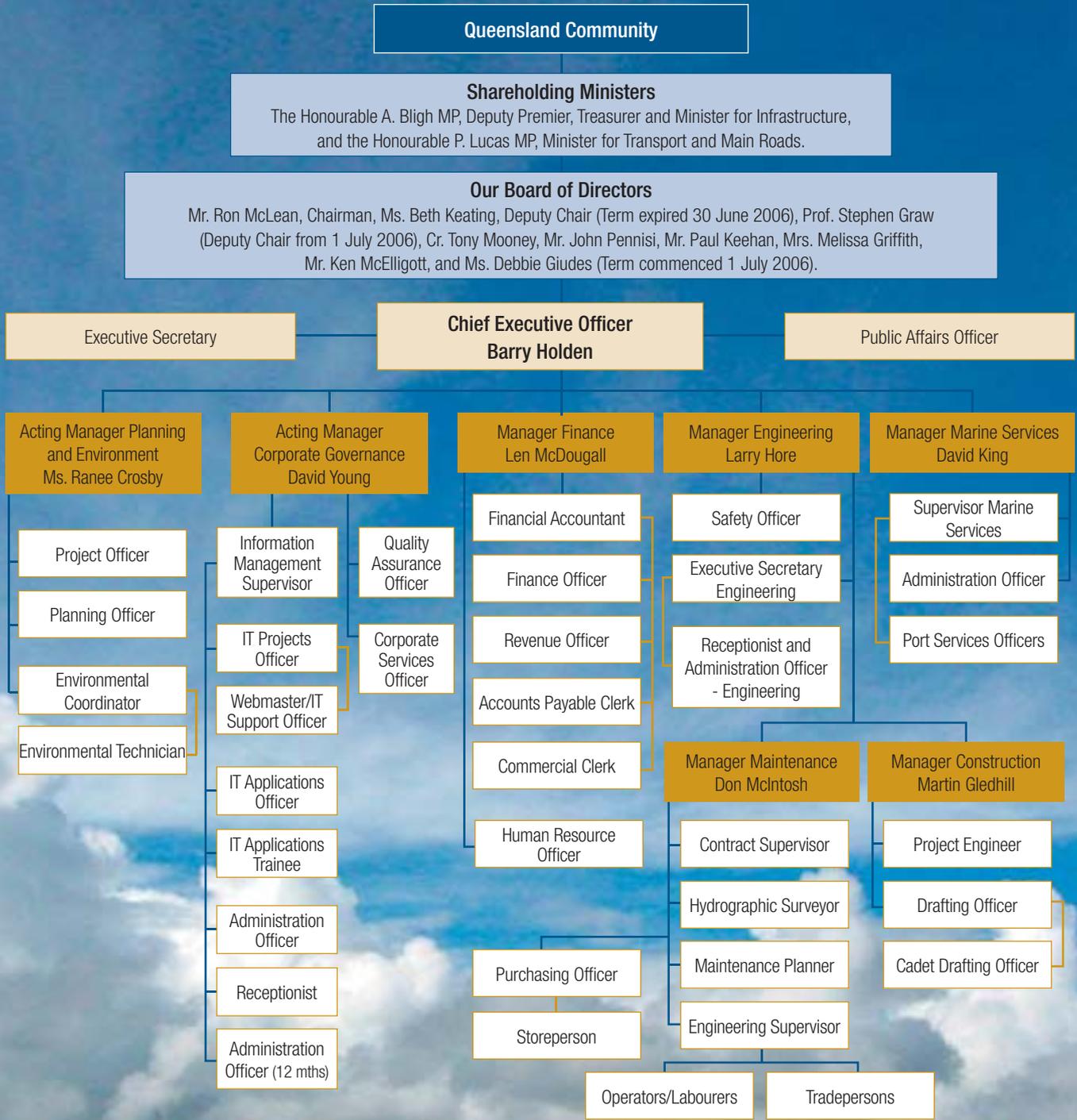
Acting Manager Corporate Governance Mr. David Young

David was appointed Acting Manager Corporate Governance in April 2006. He holds a Bachelor of Laws degree and has been admitted to practice in Queensland. Prior to working for Townsville Port Authority, David worked as a solicitor in a regional law firm.

In his present role, David oversees the Authority's corporate governance framework, business management system, property holdings and tenancy arrangements, information technology, and information management functions.

Our Organisational Structure

As at 30 June 2006





From left: Mr. Ron McLean and Mr. Barry Holden

Report from the Chairman and the CEO

During 2005/2006, 9,930,444 tonnes of cargo passed over the wharves. This is a slight decrease on last year's figure of 9,989,298 tonnes.

The Port of Townsville has increased trade in many key areas, continuing its strong contribution to the regional economy. Three new import records were set for cement, sulphur, and general purpose oil. Two export records were also set for high analysis fertiliser and plantation pine logs.

Townsville Port Authority is actively pursuing a number of opportunities to increase trade through the Port, diversify our revenue base, and increase profitability. This is an exciting time for the Port, with several new trades seeking to take advantage of the Port of Townsville as a major national and international gateway. We are confident that trade through the Port will grow in line with new opportunities and the region's strong economic growth.

Major Maintenance

This is the fourth year in a five year program to bring Port infrastructure up to the highest possible standard. This program will increase our infrastructure's longevity and reliability to meet the requirements of port users.

Just over \$10 million has been spent on maintenance works at the Port of Townsville during 2005/2006. This amount is the highest spent on Port infrastructure maintenance in the Authority's history.

Future Maintenance

The Authority is about to enter into the second of a three-phase program of expansion and optimisation of Port infrastructure.

We are in discussions with Xstrata to transfer the company's ship loading operations from Berth 7 to Berth 8, and the eventual demolition of the Berth 6/7 finger pier. The pier is at the end of its serviceable life, and load and berthing restrictions have been applied to Berth 7.

The proposed works will give panamax-sized vessels the ability to dock on Berths 4 and 8. It is intended that Berth 8 will still be available for other users. Subject to various approvals, the project is due to be completed in approximately two years.

Subject to all requisite approvals being obtained the second phase also includes a seaward extension and upgrade of Berth 10 to accommodate panamax vessels and provide more flexibility to accommodate our growing commercial needs.

The Authority is also planning to upgrade Berth 4 to give it the same quay line and deck level as the adjacent Berth 3. Furthermore, the existing structure will be transformed into one of a continuous concrete wharf deck with a continuous fender wharf system and a deeper berth pocket. When complete, the Berth 4 upgrade will allow the extension of the crane rails so the existing portainer cranes are able to traverse the full length of the facility.

Port Master Planning

A preliminary assessment of the future growth potential of the Port and the region indicates significant growth expectations over the next 10-15 years. A coordinated long-term approach to infrastructure and service provision at the Port of Townsville will be required to manage this growth.

A Port master planning process commenced in May 2006, and is scheduled to be completed by the end of 2006. This project is being undertaken as a joint initiative of Townsville Port Authority and the Department of the Coordinator-General. The Master Plan will provide clear directions for the development and operation of the Port of Townsville over a 25-year horizon and identify the key infrastructure and service requirements to support future growth.

Townsville City-Port Strategic Planning

Townsville is a strategic port and a major regional city. The Authority is examining ways to expand its activities with new and existing industries. However, as the Port is close to the city centre, an expansion of the Port's activities is likely to place additional stress on the city/port interface. In light of this, the Coordinator-General, in conjunction with relevant stakeholders, is developing a strategic plan to guide development.

The areas being considered as part of the strategic plan encompass the Townsville Central Business District, all land under the control of the Townsville Port Authority, the Strand/Casino area, the Eastern Port Access and the Townsville State Development Area.

Townsville Ocean Terminal

Townsville's Ocean Terminal project was endorsed by the State Government in September 2005 and will provide Townsville with a dedicated terminal facility to facilitate visits by cruise ships and naval vessels. A commercial and residential development will be constructed adjacent to the Terminal, with public access to the Breakwater retained.

In June 2006, the Authority signed off on key agreements needed to enable the billion dollar Ocean Terminal project to proceed. This marked the end of over six months of negotiations between Breakwater Island Limited, the developer, the State and Townsville Port Authority.

These agreements enable the sale and development of the land surrounding the casino and marina to proceed. They also ensure that planning and development of these lands take appropriate account of the Port's operations. By signing these agreements we have ensured the best possible protection for the current and future operations of the Port of Townsville.

A port protection agreement and port protection code will also be developed for the future development area to achieve the best possible protections for the Port of Townsville.

During 2005/2006 the Port hosted 35 naval vessels and three passenger ships, again demonstrating that Townsville is the Port of choice for these types of vessels and their personnel.

CHALCO Bid

The Chinese aluminium company, CHALCO, has been chosen by the Queensland Government from a strong international field of bidders for the development of the Aurukun bauxite resource on Cape York.

CHALCO completed its pre-feasibility study and submitted its final bid proposal to the Queensland Government in June 2006.

At the moment, the options for the refinery being considered by CHALCO are Townsville, Abbot Point, and Gladstone.

To educate the community of Townsville on the project we jointly funded a newspaper supplement with Townsville City Council, describing the project and outlining the benefits of CHALCO to Townsville. The publication, which included a number of articles from community and business leaders supporting Townsville as the preferred region for CHALCO to locate its alumina refinery, was inserted into the *Townsville Bulletin* in May. The supplement also addressed environmental concerns and gave a step-by-step account of the refining process.

An alumina refinery is expected to precipitate the construction of a dedicated Port access road which will significantly reduce heavy trucks passing through residential areas.

Proposed Eastern Access Corridor

Townsville Port Authority has continued to work closely with relevant stakeholders including the Department of State Development and Innovation, Townsville Enterprise, the Department of Main Roads, and Queensland Rail to progress the proposed Eastern Access Corridor.

Trade through the Port of Townsville has increased dramatically over the last ten years, and significant growth is anticipated over the next 20-25 years. Maintaining adequate road and rail access to the Port is vital to the future growth and economic development of Townsville and the wider North Queensland region.

PNG Gas Pipeline

During 2005/2006, Townsville Port Authority was represented by the Chief Executive Officer on a trade mission to Papua New Guinea to explore the PNG gas pipeline project and identify further trade opportunities for the Port of Townsville.

The Port of Townsville and Papua New Guinea have shared a long history of trade. Last financial year more than 85,000 tonnes of cargo coming to and from Papua New Guinea was handled over the Port of Townsville's wharves. This comprised of over 30,000 tonnes of imports and almost 55,000 tonnes of exports. While trade volumes with Papua New Guinea are relatively small, the value is significant.

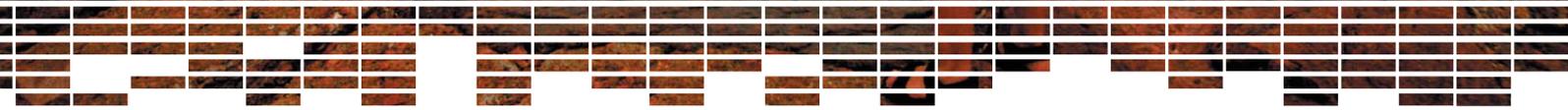
There is a trade imbalance between Australia and Papua New Guinea with a large number of empty containers returning from Papua New Guinea. The trade delegation also provided an opportunity to explore ways to close that trade gap.

The Authority is working to secure the import of gas pipe and associated materials for construction of the pipeline. Land is currently prepared for this purpose. A final decision on the project is expected by the end of 2006. The project has a 2.5 year construction phase, with potential to generate more than 1,000 jobs in regional Queensland.

Consultation and Contributions

We maintained our membership and active involvement with a number of regional development organisations including Townsville Enterprise Limited, Townsville Chamber of Commerce, Burdekin Shire Chamber of Commerce, and Mount Isa to Townsville Economic Zone (MITEZ).

Townsville Port Authority participated in and supported the Mount Isa Mining Expo, the premier event for the Queensland mining industry. Townsville Port Authority is also a major sponsor of the Townsville Maritime Museum where the Port and region's rich maritime history can be enjoyed.



Looking Ahead

Townsville Port Authority aims to ensure the Port continues to move forward by working closely with our port users and customers, looking to expand and tap into overseas markets, and continuing and nurturing relationships in neighbouring nations.

We are working with our bulk customers and service providers to expand trade through the Port of Townsville. Their continued existence, together with the output of other operations coming on stream, is vital to our port operations.

The Port of Townsville - the gateway to Townsville and north west Queensland aims to serve the community as efficiently as it has done in past years.

Appreciation

We would like to thank our Board of Directors for their strong commitment and support over the past year, particularly departing Deputy Chair, Ms. Beth Keating. We would also like to welcome our new Director, Ms. Debbie Giudes.

We thank our customers, agents, service providers and other stakeholders, whose assistance, co-operation, and support have contributed to yet another outstanding year for the Port of Townsville.

Our thanks also go to our shareholding Ministers for their ongoing support.

Finally we would like to thank our management team and employees of the Townsville Port Authority whose efforts ensured the Port was available to our customers when required. We look forward to their continuing support in the coming years.

Mr. Ron McLean,
Chairman

Mr. Barry Holden,
Chief Executive
Officer



Our Objectives and Performance for 2005/2006

Summary Statement of Corporate Intent 2005/2006

Under the *Government Owned Corporations Act 1993* the Authority is required to include a summary of the Statement of Corporate Intent for the relevant financial year in the Annual Report. A full copy of the Statement of Corporate Intent is laid before the Legislative Assembly at the same time as the tabling of the Annual Report.

The information here represents a summary of the information contained in the Statement of Corporate Intent 2005/2006.

Business Performance

Table legend	✓ Achieved	✗ Not Achieved	□ On Target to Achieve during 2006/2007
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Trade

Objective	Strategy	Planned Outcomes	Comments
Increased and diversified trade and revenue - maximising financial and economic return.	Proactive identification and pursuit of trade and business opportunities.	Increase total trade throughput to 10.26 million tonnes.	✗ Actual result 9.93 million tonnes.
		External consultancy to identify market opportunities.	✗ Tenders for Master Plan are underway, with completion expected by November 2006.
		Increase container throughput.	□ Actual result 19,451 TEUs.
		Improve Gross Loading Rate (based on hours at berth) to > 400 tonnes per hour.	✓ 413 tonnes per hour achieved.
		Development of a database to log and monitor trade and business opportunities.	✓ Trade Opportunities Database completed.
		Preparation of a Business Development Strategy as a framework for future directions.	□ Draft Strategy developed. It will be completed in 2006/2007 following completion of the Port Master Plan.
		Development and implementation of a marketing framework including a Marketing Plan.	✓ Marketing and Public Relations Plan adopted by the Board in December 2005. Implementation is taking place in accordance with the Plan.
		Review Port pricing structure.	✓ Pricing review completed by KPMG.
		Commencement of the Townsville Waterways Redevelopment Project - Stage 1 (subject to shareholding Ministers' approval).	□ Coordinator-Generals office is reviewing this project as part of the City-Port Strategic Plan.
		Investigate opportunity for the Authority to undertake pilot transfer operations.	✓ Tender for pilot transfer operations submitted to Maritime Safety Queensland.
Foster stakeholder relations to grow the region.		Formalise and be proactively involved in the Townsville Economic Gateway Forum.	✓ Forum formalised by Townsville City Council. Meetings have commenced.



Operations and Services

Objective	Strategy	Planned Outcomes	Comments	
Reliable, appropriate and competitive infrastructure and services that meet current and future trade and industry requirements.	Capital investment planning for future needs.	Undertake an Infrastructure Demand Analysis.	✓ Preliminary analysis complete. To be incorporated into Master Planning process.	
		Establish Business Case to upgrade Berth 4 (subject to all requisite approvals being obtained).	□ Scope of works completed. Detailed design works are underway. Expect completion of Business Case in 2007.	
	Promote intermodal efficiencies to facilitate the sustainability of the Port.	Development of a Strategic Transport Plan.	✓ Stage 1 complete.	
		Proactive involvement in the Government Stakeholder Group in relation to the proposed Eastern Access Corridor.	✓ Attendance at meetings is ongoing.	
		Revision of Long-Term Dredge Material Disposal Strategy.	✓ Plan reviewed.	
		Development of short-term maintenance plans for critical infrastructure.	✓ All plans successfully recorded in computerised maintenance management software.	
	Critical infrastructure rationalisation, maintenance and flexibility enhancement.	Demolition of a 50 metre section of Berth 6/7.	□ Investigations reveal that this target is not viable. A Board decision has been taken to focus on moving the facility to Berth 8. The Business Case is being developed.	
		Repair remainder of old Berth 6/7 structure.	□ Investigations reveal that this target is not viable. A Board decision has been taken to focus on moving the facility to Berth 8. The Business Case is being developed.	
		Maintain critical infrastructure and services.	Develop an annual maintenance program.	✓ Annual channel dredging under a revised period contract with Port of Brisbane successfully implemented.
			Determine performance criteria for critical infrastructure.	□ Critical infrastructure plans completed. Performance parameters identified. Determination of performance levels planned for 2006/2007.
	Implementation of additional security measures in landside restricted zones, and ensure security measures meet compliance requirements.	Implementation of additional security measures in landside restricted zones, and ensure security measures meet compliance requirements.	✓ External audit completed in July 2005. Additional landside measures implemented.	
		Ensure Emergency Response Plan is aligned with Business Continuity Plan.	✓ Review completed.	

Port Planning

Objective	Strategy	Planned Outcomes	Comments
Sustainable growth and maximum utilisation of the Port.	Adequate planning to ensure appropriate development and flexibility of port lands.	Revision of the Port Development Plan.	□ Deferred to 2006/2007 as it is dependent on completion of Master Planning.
		Revision of the Land Use Plan and development of associated Land Planning Scheme.	□ Statement of Proposals completed. Land Use Plan will be completed in 2006/2007.
		Establishment of Development Guidance Manual.	✓ IDAS Manual completed.

Social Performance

Our Community

Objective	Strategy	Planned Outcomes	Comments
A responsible corporate citizen that is responsive to the needs and expectations of the community.	Communicate honestly and transparently to improve mutual understanding.	Develop strategies for improving community understanding of the Authority's role and functions based on the results of the community feedback surveys.	✓ Strategies incorporated into the Marketing and Public Relations Plan.
		Regular Port Community Partnerships Forum meetings held.	✓ Quarterly meetings held.
		Compile data and information and publish and disseminate reports and information relating to activities, developments and performance of the Port.	✓ Annual Report was tabled by due date and has been distributed.
			✓ Bi-monthly newsletters maintained.
A responsive business partner that consistently meets the expectations of port customers.	Improve understanding of customer needs and expectations. Identify synergies and facilitate coordination.	Develop strategies for improving customer satisfaction based on the results of the customer feedback surveys.	✓ Presentation to Port Advisory Body. Implementation ongoing as per the Marketing and Public Relations Plan.
		Regular Port Advisory and Consultative Committee meetings (e.g. Port Advisory Body, Environmental Working Group, etc).	✓ All meetings have been held.

Our People

Objective	Strategy	Planned Outcomes	Comments
Highly productive, enthusiastic and appropriately skilled employees.	Actively promote a culture based on honesty, transparency and respect.	Develop and implement an internal communications process.	✓ Process developed and located on business excellence.
		Promote and encourage employee development.	<input type="checkbox"/> The competency framework has been developed. Determination of employee competencies and implementation of the framework will progress in 2006/2007 in conjunction with the implementation of the Qudos Training Module. <input type="checkbox"/>
	Recognise and reward performance (in accordance with government guidelines).	Establish a remuneration structure based on competencies and position requirements. Establish a reward and recognition scheme.	<input checked="" type="checkbox"/> JEMS system adopted. Evaluations completed. <input type="checkbox"/> Draft scheme developed, currently under review. To be implemented early in 2006/2007.

Environmental Performance

Objective	Strategy	Planned Outcomes	Comments
Environmental excellence recognising sensitivity and amenity of the port and its surrounds.	Proactively promote integrated and cooperative environmental management.	Development of Dredge Management Plan.	✓ Draft Plan completed.
		Development of Integrated Environmental Management Strategy.	✓ Draft EMS completed.
		Develop and implement environmental data gathering and monitoring programs.	✓ Monitoring programs undertaken. Public reporting undertaken.



Financial Performance

Objectives for 2005/2006	Achieved	Comments
Annual accounting rate of return on total assets 2.07 per cent.	✓	Actual result 2.86 per cent.
EBIT \$2.90m.	✓	Actual achieved \$5.62m.
Quick ratio > 1.00 (average over 12 months).	✓	Actual achieved 2.44.
Interest cover ratio > 3.00.	✓	Actual was 6.6.
Payback period < 7.0.	✓	Actual was 6.0.
Debt/equity ratio < 1.0.	✓	0.084.
To achieve tonnage throughput of 10.26 million tonnes.	✗	9.93 million tonnes.
Increase container throughput to greater than 20,000 TEUs.	✗	19,451 TEUs.
Gross loading rate (based on hours at berth) > 400 tonnes per hour.	✓	413 tonnes per hour.

Strategies to Improve Core Profitability

- > Containment of administrative costs and discretionary expenses by focusing on core activities.
- > Critical review of asset valuations, particularly with respect to infrastructure asset values and useful life assumptions.
- > Ensure new asset acquisitions will meet hurdle rates for profitability.
- > Progressive increases in commercial shipping prices (tonnage rates and harbour dues) to restore profitability to commercial shipping activities.
- > Increased leasing of available Port lands (issued in accordance with the *Transport Infrastructure Act 1994*) to broaden the Authority's revenue base.
- > Vertical integration of activities where opportunities arise.
- > Examination of alternative dredging strategies.
- > Proactive encouragement and development of trade and industry opportunities (as opposed to solely a facilitative role) and ensuring the Port remains flexible to promote the growth and sustainability of the Port, the region and the state.
- > Review of Port pricing structures to ensure that appropriate returns are being achieved.

Core Activities

- > Operational management of the Port to ensure efficient, effective, safe and secure operations.
- > Strategic planning for the optimum development and management of the Port.
- > Promotion and marketing of the Port to new and potential users and developers.
- > Trade and industry facilitation in association with key government and business alliances, e.g. Department of State Development and Innovation, Department of Primary Industries and Fisheries, Townsville Enterprise Ltd., etc.
- > Management of Port lands including provision of land and facilities for Port operations and development.
- > Land planning for Strategic Port Lands.
- > Environmental compliance and management to ensure protection of the environment within the Port and its surrounds.



Business Performance

Trade

In Review: Our Performance

Objective	Strategy	Planned Outcomes	Comments
Increased and diversified trade and revenue - maximising financial and economic return.	Proactive identification and pursuit of trade and business opportunities.	Increase total trade throughput to 10.26 million tonnes.	✗ Actual result 9.93 million tonnes.
		External consultancy to identify market opportunities.	☐ Tenders for Master Plan are underway, with completion expected by November 2006.
		Increase container throughput.	✗ Actual result 19,451 TEUs.
		Improve Gross Loading Rate (based on hours at berth) to > 400 tonnes per hour.	✓ 413 tonnes per hour achieved.
		Development of a database to log and monitor trade and business opportunities.	✓ Trade Opportunities Database completed.
		Preparation of a Business Development Strategy as a framework for future directions.	☐ Draft Strategy developed. It will be completed in 2006/2007 following completion of the Port Master Plan.
		Development and implementation of a marketing framework including a Marketing Plan.	✓ Marketing and Public Relations Plan adopted by the Board in December 2005. Implementation is taking place in accordance with the Plan.
		Review Port pricing structure.	✓ Pricing review completed by KPMG.
		Commencement of the Townsville Waterways Redevelopment Project - Stage 1 (subject to shareholding Ministers' approval).	☐ Coordinator-Generals office is reviewing this project as part of the City-Port Strategic Plan.
		Investigate opportunity for the Authority to undertake pilot transfer operations.	✓ Tender for pilot transfer operations submitted to Maritime Safety Queensland.
Foster stakeholder relations to grow the region.	Formalise and be proactively involved in the Townsville Economic Gateway Forum.	✓ Forum formalised by Townsville City Council. Meetings have commenced.	

Port Master Planning

The Port of Townsville has traditionally experienced steady trade growth with some 'stepped' trade development experienced over the past 15 years. However, a preliminary assessment of the future growth potential of the Port and Townsville region indicates significant growth expectations over the next 10-15 years. This significant trade growth potential demonstrates a need to adopt a coordinated long-term approach to infrastructure and service provision at the Port of Townsville.

A Port Master Planning process commenced in May 2006, and is expected to be completed by the end of 2006. The Port of Townsville Master Plan project is being undertaken as a joint initiative of Townsville Port Authority and the Coordinator-General. It is intended that the Master Plan will provide clear directions for the development and operation of the Port of Townsville over a 25-year planning horizon and identify the key infrastructure and service requirements to support future growth.

Townsville City-Port Strategic Planning

Townsville is a strategic port and a major regional city in Queensland. The Authority is examining ways to expand its activities with new and existing industries. However, as the Port is close to the city centre, an expansion of the Port's activities is likely to place additional stress on the city-port interface. In light of this, the Coordinator-General, in conjunction with relevant stakeholders, is developing a strategic plan to guide development.

The purpose of the Townsville City-Port Strategic Plan is to examine these interface development and infrastructure issues and provide a vision for the future development of this part of Townsville. The areas being considered as part of the strategic plan encompass the Townsville Central Business District, all land under the control of Townsville Port Authority, the Casino area, the Eastern Port Access and the Townsville State Development Area.

Townsville Ocean Terminal

In February 2006, the Queensland Government announced its approval for the development agreement for the \$1 billion Townsville Ocean Terminal project, a joint venture between Tabcorp Holdings and Consolidated Properties Group.

The project will provide Townsville with:

- > a dedicated cruise terminal and wharf to attract cruise ships and naval vessels, located on the Western Breakwater, adjacent to the Port of Townsville;
- > an integrated commercial and residential development for the land surrounding the casino; and,
- > a landscaped residential development, providing public access to the Breakwater and future green areas.

The Queensland Government will contribute \$15 million towards the project. The Ocean Terminal facility has the potential to cater for up to 40,000 visitors each year.

Construction of the terminal could commence as early as 2007 and it could be operational by 2009.

Proposed Eastern Access Corridor

Trade through the Port of Townsville has increased dramatically over the last ten years, and significant growth is anticipated over the next 10-15 years. Maintaining adequate road and rail access to the Port is vital to the future growth and economic development of Townsville and the wider North Queensland region.

During 2005/2006, the Authority has continued to work closely with relevant stakeholders to actively promote the proposed Eastern Access Corridor as a vital project of regional significance.

The Queensland Government continues to work with the federal government to resolve funding issues. Joint funding has been sought to cover the project's planning, design and construction costs.

The Queensland Government has committed approximately \$8 million towards planning works to ensure that

the project's design and construction will be able to proceed quickly once funding negotiations are resolved.

Corridor location planning work was completed by Main Roads in early 2006. A detailed cadastral survey of the corridor commenced in early May 2006 and was expected to be completed in July 2006. This survey work was being carried out contemporaneously with Powerlink's transmission easement survey. The Department of Main Roads also commenced consultation with affected freehold landowners in June 2006.

CHALCO Proposed Alumina Refinery

The Authority continues to actively promote Townsville as the preferred location for the proposed CHALCO alumina refinery. The \$3 billion deal between the Queensland Government and CHALCO would see 7.5 million tonnes of bauxite from the Aurukun deposit in Cape York extracted each year and converted into more than 2 million tonnes of alumina at the refinery.

Three possible locations have been identified for the refinery – Townsville, Abbot Point and Gladstone. An alumina refinery in the twin cities of Townsville and Thuringowa, which is already home to three major refineries, would cement Townsville's reputation as a major growth hub for the minerals processing industry.

New Trade and Business Opportunities

> A number of new potential trade opportunities were identified during 2005/2006. These development opportunities represent significant growth potential for the Port of Townsville and, if secured, will act to enhance the long-term sustainability of the Port through cargo diversification and capital investment. The Authority is working closely with the relevant proponents to facilitate these development opportunities.

- > Birla Minerals, who commenced exporting copper concentrates from the Mount Gordon Copper Mine through the Port of Townsville last year, exported 100,394 tonnes of copper concentrates during 2005/2006.
- > The Authority entered into a number of new tenancy arrangements. These include: Riverside Coal Transport Company, Queensland Police Service, Australian Volunteer Coastguard, Patrick Stevedores, Simsmetal, Origin Energy, Sunferries, Pacific Marine Group, Patrick Logistics, Australian Marshalling Services, Vaudrey Transport Pty. Ltd., and Townsville Thuringowa Indigenous Peoples Community Employment Enterprise Development Aboriginal Corporation.
- > During 2005/2006 the Port was represented by the Chief Executive Officer on a trade mission to Papua New Guinea. The aim was to investigate trade opportunities and enhance business ties with Papua New Guinea.

Pilot Transfer Operations

A review of the Port of Lucinda pilot transfer operation was undertaken during the year to determine the viability of Townsville Port Authority providing the service.

Key considerations included:

- > vessel requirement;
- > number of ship movements (Lucinda);
- > vessel manning; and,
- > cost per transfer.

The review determined that the Authority would require a second vessel capable of delivering a pilot transfer service to adequately cover Lucinda and to provide adequate backup coverage of the Townsville service.

It was considered essential that the second vessel would be a dual purpose vessel incorporating the functions of hydrographic survey and pilot transfer. The dual purpose role would also facilitate the sale of the Authority's existing hydrographic vessel thereby not increasing the number of vessels in the fleet.

The review resulted in the Authority submitting a tender for the service in Lucinda which, at 30 June 2006, had not been awarded.



Looking Ahead

The future year will be focused on:

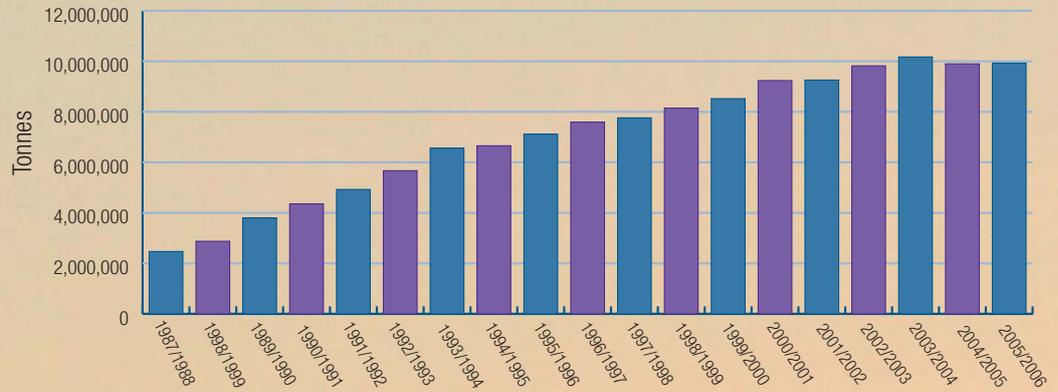
- > Completion of the Port Master Plan to identify trade growth potential and infrastructure investment triggers for the next 25 years. This information will enable the development of a new Port Development Plan, which will provide the blue-print for future development of the Port, and a Strategic Infrastructure Investment Plan to guide investment planning to ensure Port infrastructure capacity is capable of meeting future demand.

- > Identifying and pursuing trade growth opportunities and diversification through improved market intelligence and Port promotion efforts, and by maintaining close liaisons with customers and relevant Government and industry groups.
- > Continued support and active participation in the development of the proposed Eastern Access Corridor and the Townsville State Development Area.

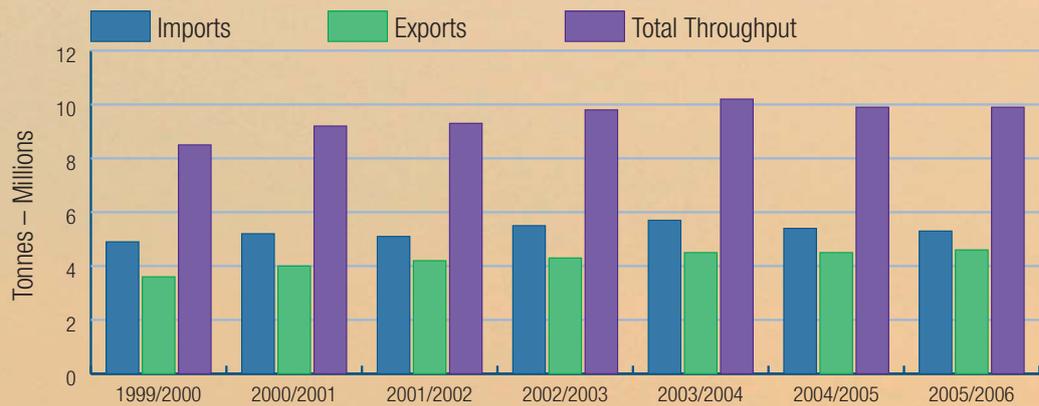
- > Actively pursuing opportunities to maximise the potential of Port-owned land and infrastructure to diversify the Authority's revenue base and increase its revenue streams to maximise financial and economic return.
- > Implementing changes to the Authority's pricing structure and further developing competitive pricing to maximise returns to shareholders.

Trade Statistics

Total Trade Throughput 1987/1988 to 2005/2006

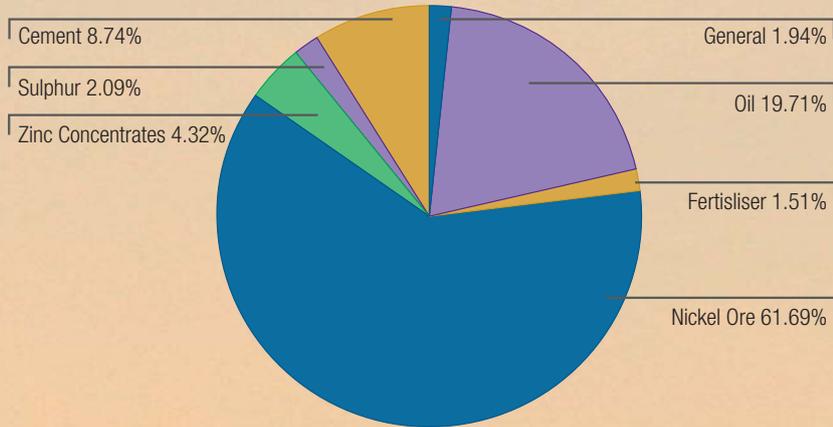


Trade Throughput 1999/2000 to 2005/2006



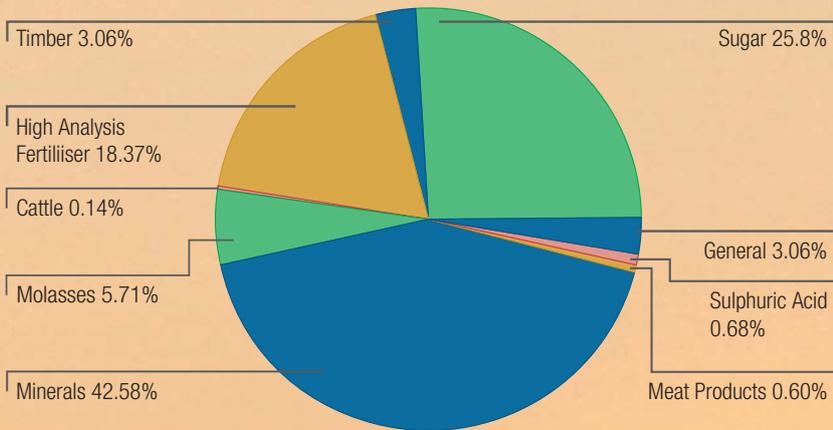
Imports through the Port of Townsville 2005/2006

Total Imports: 5,370,721 tonnes

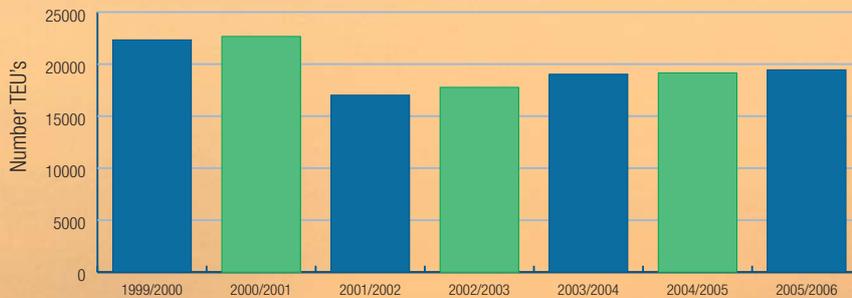


Exports through the Port of Townsville 2005/2006

Total Exports: 4,559,723 tonnes



Container Trade – TEUs 1999/2000 to 2005/2006



Statistics – Export Countries

Exports	Cattle	Concentrates - Copper	Concentrates - Lead	Concentrates - Zinc	Copper - Refined	General Cargo	High Analysis Fertiliser	Lead Ingots	Meat Products	Molasses	Nickel - Refined	Oil	Sugar	Sulphuric Acid	Timber	Zinc Ingots	Grand Total
Bangladesh	-	-	-	-	-	-	53,025	-	-	-	-	-	-	-	-	-	53,025
Belgium	-	-	46,906	-	-	94	-	-	-	-	-	-	-	-	-	-	47,000
Canada	-	-	-	-	-	-	-	-	-	-	-	-	22,000	-	-	-	22,000
China	-	234,822	120,227	16,171	-	11,552	-	-	4,891	-	338	-	-	68,700	35,547	-	492,248
East Timor	-	-	-	-	-	761	-	-	-	-	-	-	-	-	-	-	761
Germany	-	-	-	29,569	11,267	423	-	-	-	-	-	-	-	-	-	-	41,259
Hong Kong	-	-	-	-	301	5,571	-	-	1,825	-	-	-	-	-	-	8,495	16,192
India	-	323,109	-	30,007	-	-	141,732	-	-	-	21	-	25,000	-	-	1,013	520,882
Indonesia	5,778	-	-	-	18,110	6,293	-	-	-	-	18	-	95,000	-	-	1,184	126,383
Iran, Islamic Republic of	-	-	-	-	-	-	-	-	-	-	-	-	162,000	-	-	-	162,000
Japan	-	-	68,693	120,374	8,117	39	-	-	-	-	177	-	301,090	-	28,164	-	526,654
Korea, Democratic People's Republic	-	18,191	111,796	93,521	-	-	-	-	-	-	-	-	-	-	-	-	223,508
Korea, Republic of	-	10,002	-	55,506	10,182	2,469	-	-	-	73,654	7,034	-	208,500	-	40,220	2,333	409,900
Malaysia	600	-	-	-	10,258	10,458	3,302	-	-	-	-	-	210,890	-	-	24,918	260,426
New Caledonia	-	-	-	-	-	1,618	-	-	-	-	-	-	-	-	-	-	1,618
New Zealand	-	-	-	-	-	882	43,004	-	-	29,363	-	-	-	9,203	-	-	82,452
Oman	-	10,803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,803
Pakistan	-	-	-	-	-	-	82,018	-	-	-	-	-	-	-	-	-	82,018
Papua New Guinea	-	-	-	-	-	53,077	-	-	-	-	-	1,704	-	-	-	-	54,781
Philippines	-	37,803	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,803
Singapore	-	-	-	4,432	4,432	4,521	-	-	-	-	358	-	-	-	-	761	10,072
South Africa	-	-	-	157	157	23	-	-	-	-	-	-	-	-	-	-	180
Spain	-	-	138,065	-	-	-	-	-	-	-	-	-	-	-	-	-	138,065
Taiwan	-	-	-	49,894	49,894	8,472	-	-	9,881	-	2,834	-	102,000	-	-	32,907	205,988
Thailand	-	-	-	10,022	10,022	11,284	-	-	-	-	-	-	-	-	-	874	22,180
United Arab Emirates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,230	12,000	14,230
United Kingdom	-	-	-	-	-	8	-	137,619	-	-	-	-	-	-	-	-	137,627
United States of America	-	-	-	-	-	-	-	-	10,941	130,320	-	-	50,300	-	-	10,000	201,560
Vietnam	-	-	-	-	1,229	69	-	-	-	-	-	-	-	-	-	-	1,298
Overseas Total	6,378	634,730	347,622	483,213	123,969	117,614	323,081	137,619	27,538	233,337	10,780	1,704	1,176,780	9,203	139,314	130,032	3,902,914

All measurements indicated in tonnes.

Statistics – Import Countries

Imports	Concentrates - Zinc	Fertiliser	General Cargo	Motor Vehicles	Nickel Ore	Oil	Sulphur	Grand Total
Bahrain		15,040						15,040
Belgium			1,291					1,291
Canada		2,523					102,063	104,586
China		912	11,567					12,479
East Timor			90					90
Germany			159					159
India	10,793		187					10,980
Indonesia			229		953,227			953,456
Italy			9					9
Japan			9,249	13,937		21,716		44,902
Korea, Democratic People's Republic						7,008		7,008
Korea, Republic of			3,060	617		41,459		45,136
New Caledonia					1,680,450			1,680,450
New Zealand			12,913					12,913
Papua New Guinea		119	30,440					30,559
Peru	14,108							14,108
Philippines					679,473			679,473
Portugal			399					399
Qatar		25,379						25,379
Singapore		118	1,687			718,924		720,729
South Africa			3,226					3,226
Taiwan			157			11,865		12,022
Thailand			469	1,924				2,393
United Kingdom			78					78
Venezuela			10					10
United States of America	86,852	20,611					10,370	117,833
Vietnam			15					15
Overseas Total	111,753	64,702	75,235	16,478	3,313,150	800,972	112,433	4,494,723

All measurements indicated in tonnes.

Statistics – Export Australia

EXPORTS	Concentrates - Lead	General Cargo	High Analysis Fertiliser	Molasses	Oil	Sulphuric Acid	Grand Total
Intrastate		4,132	32,912	4,850		21,834	63,728
Interstate							
New South Wales		221	73,810				74,031
Northern Territory		847					847
South Australia	73,394	6,574	218,781				298,749
Tasmania			20,248				20,248
Victoria			158,545	22,221	8,211		188,977
Western Australia			10,228				10,228
Interstate Total	73,394	7,642	481,612	22,221	8,211	-	593,080
Australian Exports Total	73,394	11,774	514,524	27,071	8,211	21,834	656,808

All measurements indicated in tonnes.

Statistics – Imports Australia

Imports	Cement	Concentrates - Zinc	Fertiliser	General Cargo	Oil	Grand Total
Intrastate	469,159	85,394	5,594	5,279	201,713	767,139
Interstate						
New South Wales	-	-	10,541	5,675	4,190	20,406
South Australia	-	18,580	-	174	-	18,754
Victoria	-	-	-	1,260	51,934	53,193
Western Australia	-	16,509	-	-	-	16,509
Interstate Total	-	35,089	10,541	7,109	56,124	108,863
Australian Imports Total	469,159	120,483	16,135	12,388	257,837	876,002

All measurements indicated in tonnes.



Operations and Services

In Review: Our Performance

Objective	Strategy	Planned Outcomes	Comments
Reliable, appropriate and competitive infrastructure and services that meet current and future trade and industry requirements.	Capital investment planning for future needs.	Undertake an Infrastructure Demand Analysis.	✓ Preliminary analysis complete. To be incorporated into Master Planning process.
		Establish Business Case to upgrade Berth 4 (subject to all requisite approvals being obtained).	□ Scope of works completed. Detailed design works are underway. Expect completion of Business Case in 2007.
	Promote intermodal efficiencies to facilitate the sustainability of the Port.	Development of a Strategic Transport Plan.	✓ Stage 1 complete.
		Proactive involvement in the Government Stakeholder Group in relation to the proposed Eastern Access Corridor.	✓ Attendance at meetings is ongoing.
		Revision of Long-Term Dredge Material Disposal Strategy.	✓ Plan reviewed.
	Critical infrastructure rationalisation, maintenance and flexibility enhancement.	Development of short-term maintenance plans for critical infrastructure.	✓ All plans successfully recorded in computerised maintenance management software.
		Demolition of a 50 metre section of Berth 6/7.	□ Investigations reveal that this target is not viable. A Board decision has been taken to focus on moving the facility to Berth 8. The Business Case is being developed.
		Repair remainder of old Berth 6/7 structure.	□ Investigations reveal that this target is not viable. A Board decision has been taken to focus on moving the facility to Berth 8. The Business Case is being developed.
		Develop an annual maintenance program.	✓ Annual channel dredging under a revised period contract with Port of Brisbane successfully implemented.
	Maintain critical infrastructure and services.	Determine performance criteria for critical infrastructure.	□ Critical infrastructure plans completed. Performance parameters identified. Determination of performance levels planned for 2006/2007.
		Implementation of additional security measures in landside restricted zones, and ensure security measures meet compliance requirements.	✓ External audit completed in July 2005. Additional landside measures implemented.
		Ensure Emergency Response Plan is aligned with Business Continuity Plan.	✓ Review completed.



Port Security

Maritime Security Identification Card

In accordance with the requirements of the *Maritime Transport and Offshore Security Act 2003 and Regulations*, the Authority has been working through a programme in preparation for the introduction of the Maritime Security Identification Card (MSIC).

The MSIC is the next phase of security to be introduced into the maritime security zones and will take effect on 1 January 2007. It will provide a means of identification for all persons entering security zones unless continuously monitored and/or escorted by a current MSIC holder. Milestones achieved include:

- > signed authorised agency agreement with the Port of Brisbane Corporation. This resulted in no increased costs to port users, as the Authority was not classified an issuing body and therefore had all the necessary infrastructure and resources already in place;
- > integration of the MSIC induction onto the Authority's website, providing a seamless service for our customers;
- > development of the Port MSIC requirements and incorporation into the Port Security Plan;
- > rollout of an MSIC education programme for the port community; and,
- > successful MSIC application and issue process.

Major Critical Infrastructure

Townsville Port Authority's assets have been classified by the Queensland State Government as major critical infrastructure. This resulted in the Authority developing and implementing a number of new plans to ensure adequate protection. They include:

- > business continuity;
- > channel blockage;
- > crisis management; and,
- > incident command structure.

The second phase of this project will be to ensure the plans are aligned with the Authority's Emergency Response Plan. The review is currently underway.

Looking Ahead: Our Objectives

Security will continue to be an important corporate and operational issue for Townsville Port Authority and the Port community. Major milestones for 2006/2007 include:

- > submission of all identified MSIC applications by 31 July 2006;
- > compliance with the legislated MSIC display date of 31 August 2006;
- > 100 per cent MSIC compliance by 1 January 2007;
- > minimum disruption to shipping and trade throughput as a result of the introduction of the MSIC; and,
- > zero security incidents as defined under legislation.

Engineering Works

During 2005/2006, the Authority undertook infrastructure works consisting of just over \$10 million of maintenance works and \$1.4 million of capital improvements. The maintenance expenditure represented the largest ever Board-approved maintenance works program in the Authority's history.

Channel and Harbour Dredging

The dredge vessel, the *Brisbane*, arrived in Townsville on 17 September 2005 to undertake annual maintenance dredging. It completed works on the 17 October 2005. A summary of outcomes is shown in Table 1.

Ross River Dredging

The Authority undertook cutter suction dredging of Ross River Channel and in areas adjacent to upstream pile moorings. The Environmental Protection Agency granted approval to relocate 200,000m³ of sand and silts to the Authority's reclamation area.

After public tender, an agreement was entered into with Hall Contracting. Approximately 3,000m³ was dredged each day, with operations working on a 24-hour basis. The total cost of this dredging campaign was approximately \$1.75 million.

Channel and Harbour Dredging - Summary of Outcome - Table 1

Dredge Location	Surveyed Quantity (m ³)	Approximate Cost
Platypus Channel	172,175	\$1,100,000
Sea Channel	7,640	\$50,000
Outer Harbour	120,970	\$750,000
TOTAL	300,785	\$1,900,000

Port Roads

The maintenance program included road and pavement maintenance valued at just under \$500,000. The main areas of focus included the entrance gates on Benwell Road, Archer Street, Lennon Drive and Centenary Drive.

In a cooperative arrangement with Citiworks, a local Government agency, the Authority undertook the task of laying high quality bitumen to busy Port roads in an ambitious six-week program. The project was successfully implemented with minimal traffic disruptions and nil safety incidents.

Survey and Back-up Pilot Delivery Vessel

The Authority provides sea pilot delivery services, under contract to Maritime Safety Queensland, with its purpose-built and dedicated vessel, *Petrel II*.

In a move to ensure adequate backup to *Petrel II*, and deliver maximum vessel utilisation, the Authority purchased a dual-purpose vessel to undertake hydrographic survey, as its primary role, and pilot delivery back-up when required.

Subsequently, the Authority commenced an Australia-wide search for suitable second-hand vessels that could fill this role. After purchase, the vessel *Brolga* has undergone significant refit and repowering to guarantee service delivery levels. The capital cost of this project was approximately \$300,000.

Looking Ahead: Our Objectives

During 2006/2007, some of the areas we will be focussing on include approximately \$10.5 million in maintenance and up to \$19 million in capital investment.

Berth 6/7

The Berth 6/7 structure supports the Xstrata shiploader and is mainly used to out-load bulk concentrates and fertiliser. It was built in 1911 with additions being made in the mid 1960's to accommodate larger ships. Both sides of this wharf are open-piled structures with a concrete deck of varying thickness supported on concrete piles. The older area of Berth 6/7 has passed its design life of 50 years and continued maintenance of the structure is not now economic.

Detailed investigations and designs have commenced, including the possibility of relocating shiploading activities to Berth 8 and demolishing the Berth 6/7 finger pier.

Negotiations with Xstrata are ongoing and a business case is being developed for submission to Government.

Port Industrial Park

The construction of a light industrial subdivision including roadworks, earthworks, associated stormwater drainage, sewerage, and the provision for electrical supply at the proposed industrial park area at the corner of Archer Street and Benwell Road within the Port of Townsville is expected to be completed in 2006/2007. The ten-hectare industrial park will provide a premier location for port-related business. The initial budget for this project is \$3.6 million.

Electrical Upgrade Work

The Authority plans to carry out major upgrade work in the high voltage and low voltage electricity distribution networks at

the Port to maintain the service reliability to our customers.

Most of this work was postponed from the previous financial year due to the proposed HV feeder system upgrade to the Port by Ergon Energy.

The Authority is in a position to complete this electrical upgrade work now that Ergon energy upgrades are finalised. The work, which will focus on switchgear and cable replacement, has a budget of \$2.3 million.

Channel and Harbour Dredging

An allowance has been made to remove 200,000m³ of material from the Outer Harbour and 160,000m³ from the Platypus Channel during 2006/2007. The total funds required for dredging in 2006/2007 is approximately \$2.5 million.



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Port Planning

In Review: Our Performance

Objective	Strategy	Planned Outcomes	Comments
Sustainable growth and maximum utilisation of the Port.	Adequate planning to ensure appropriate development and flexibility of port lands.	Revision of the Port Development Plan.	X Deferred to 2006/2007 as it is dependent on completion of Master Planning.
		Revision of the Land Use Plan and development of associated Land Planning Scheme.	X Statement of Proposals completed. Land Use Plan will be completed in 2006/2007.
		Establishment of Development Guidance Manual.	✓ IDAS Manual completed.

The Port of Townsville immediately adjoins the central business district of the city of Townsville. The Authority and Port customers have made large-scale investments in assets that cannot be moved – assets that provide significant economic benefit to the city and region. As the region and the city have prospered and grown, land values have increased and land uses surrounding the Port's assets have been changing. These land use changes are imposing greater challenges with respect to Land Use Planning to ensure the long-term viability and growth of commercial core Port operations whilst minimising conflicts with adjacent land uses.

The development of port lands for suitable and compatible activities in a commercial and planned manner whilst taking into account the sustainability of the development is a challenge the Authority actively embraces. With such exciting growth potential within the Port and the wider region, the Authority has focused on the development and implementation of a sound land use and development planning framework to ensure the sustainable development of the Port of Townsville.

Port Planning

Townsville Port Authority continuously monitors trade growth potential in an effort to ensure infrastructure capacity is capable of meeting demand. One of the Authority's core roles is ensuring that the facilities and services at the Port of Townsville are efficient, reliable and adequately meet the needs and expectations of existing and future customers.

The Authority's assessment of infrastructure demand and trade potential are an integral component of strategic planning for the future growth and development of the Port of Townsville.

The Port Master Planning process aims to:

- > protect the integrity of the Port of Townsville as a thriving working port and world class gateway for trade and commerce;
- > ensure that planning is based on an agreed understanding of realistic business growth opportunities over a 25-year time horizon;
- > identify the infrastructure, and the optimum timing of the provision of the infrastructure, required to support

strategic growth opportunities, including rail and road interfaces with the Port;

- > serve as a framework for future capital investment which will provide the Port of Townsville's shareholding Ministers with assurance of future capacity to optimise assets, deliver commercial returns, and effectively manage business risks;
- > inform future land use and environmental decision-makers about existing and future Port activities and guide their decision-making;
- > generate management tools which will enhance the Port's capacity to plan and respond to changes in demand for marine operations and land-based resources;
- > ensure the future development and operations of the Port, as far as possible, align with Townsville City Council's vision and management requirements for the future growth of the city, as articulated in City Plan 2005 planning scheme; and,
- > affirm the Port of Townsville's commitment to sustainable port development and operation, and responsible environmental management.



Social Performance

Our Community

In Review: Our Performance

Objective	Strategy	Planned Outcomes	Comments
A responsible corporate citizen that is responsive to the needs and expectations of the community.	Communicate honestly and transparently to improve mutual understanding.	Develop strategies for improving community understanding of the Authority's role and functions based on the results of the community feedback surveys.	✓ Strategies incorporated into the Marketing and Public Relations Plan.
		Regular Port Community Partnerships Forum meetings held.	✓ Quarterly meetings held.
		Compile data and information and publish and disseminate reports and information relating to activities, developments and performance of the Port.	✓ Annual Report was tabled by due date and has been distributed.
			✓ Bi-monthly newsletters maintained.
A responsive business partner that consistently meets the expectations of port customers.	Improve understanding of customer needs and expectations. Identify synergies and facilitate coordination.	Develop strategies for improving customer satisfaction based on the results of the customer feedback surveys.	✓ Presentation to Port Advisory Body. Implementation ongoing as per the Marketing and Public Relations Plan.
		Regular Port Advisory and Consultative Committee meetings (e.g. Port Advisory Body, Environmental Working Group, etc).	✓ All meetings have been held.

Keeping Customers and the Community Informed

Internal and external publications play an integral part in how we communicate information to our employees and the wider community.

Our monthly employee newsletter 'High Tidings' aims to build cohesion and idea-sharing amongst our employees who, often because of the nature or location of their job, do not interact face-to-face.

The Authority introduced a new e-bulletin for Port customers and stakeholders called 'E-updates'. This ensures that Port customers and stakeholders receive up-to-date information quickly.

Our external website and bi-monthly external newsletter, 'rapPORT', form the basis of our interaction with outside audiences, including everyone from port users to the general public.

Website Redevelopment

In February 2006, Townsville Port Authority unveiled its updated and restyled website. Since its launch, the website has become an excellent resource for Port customers and the community as a whole, attracting over 1,000,000 hits in the first six months of 2006.

The website serves as one of the Port's primary marketing tools for communicating with marine and industrial customers, as

well as the local community, with fresh and in-depth information about the Port of Townsville.

Members of the community can read about the history of the Port and the city of Townsville, check out the main products and trade destinations, provide feedback online, and read about what the Port is doing to protect our environment.

It also addresses the Port's commitment to customer service and developing customer relationships. View our A-Z list of Port customers, current shipping lines, future plans for the Port, trade statistics, harbour depths, real-time updates of ship and cruise schedules, and much more at the Port of Townville.

Visitors to the website can also comment on the new-look website by completing an online feedback form via the 'Tell us what you think' quick link at www.townsville-port.com.au.

Meeting the Needs of Port Customers

Townsville Port Authority actively facilitates and/or participates in a number of scheduled Port customer meetings during 2005/2006. Some of these include the Port Advisory Body, Port Security Committee, and the Environmental Working Group.

These meetings provide the Authority with a comprehensive understanding of our customer requirements. This has ensured that issues are considered and resolved quickly and efficiently.

Marketing and Public Relations Plan

In December 2005, Townsville Port Authority's Board approved a three-year Marketing and Public Relations Plan, incorporating a one-year action plan.

This plan articulates the overall vision, positioning, and marketing objectives of Townsville Port Authority – the cornerstone from which all future marketing collateral and activities relate.

The one-year action plan is a practical tool in ensuring that details are not forgotten. The impacts and effectiveness of the strategies are measured against a number of performance mechanisms.

The Plan is designed to meet Townsville Port Authority's overall objectives in accordance with the Corporate Plan and Statement of Corporate Intent, and does so within the capabilities of the organisation's financial and employee resources.

Customer and Community Feedback Surveys

In March 2006 the Authority conducted its second annual customer and community feedback surveys. The results of these surveys are used by the Authority to identify issues and develop strategies to address these issues.

> Customers and Stakeholders

The Authority conducted a survey of 51 key stakeholders including Government agencies and customers.

Overall, the Authority was rated positively by its customers and stakeholders. For almost all key performance criteria, the Authority received performance ratings in excess of seven (out of ten, where

ten meant 'excellent'); and of these, over seventy per cent of respondents rated the Authority's performance seven or above, indicating that they believed that the Authority's performance was good-to-excellent.

Overall quality of the services provided by the Authority was rated at 7.13 by approximately 75 per cent of respondents.

The Authority was rated 6.5 in terms of the costs of its services, and 6.65 for overall value (worth what you pay for). Fifty per cent of respondents rated the Authority, seven or more on its costs and charges, of which 11 per cent rated the performance as excellent (nine and ten).

In the eyes of its customers, the Authority is a solid performer that provides a good level and quality of services and is satisfactory in terms of its costs.

Detailed analysis found that Port customers value the services they receive over the price/costs they incur i.e., quality of service was a stronger driver of perceptions of overall 'value for money' than were considerations of costs.

For overall image and reputation the Authority was rated 7.32. For scope of services it was rated 7.25, and for its environmental management practices was rated 7.68. It was rated 6.67 for its overall performance in relation to doing business with them, and 6.8 for its performance in helping to resolve issues.

Image and reputation factors were the most important drivers of perceived quality, followed by helping to resolve an issue and overall scope of services. The Authority's strengths lie in its friendliness and willingness to treat customers as individuals. Its ability to have clear information about terms and conditions was also strongly rated by customers.

Three main areas for strategic focus were identified, where importance to customers is higher than performance ratings. These are:

- > provision of space for loading and unloading of cargo and storage of cargo;
- > resolving issues speedily; and,
- > following up with clients to ensure issues were resolved satisfactorily.

In all these areas, the Authority's performance was rated in the six's, indicating that customers generally saw Port performance as satisfactory.

> Community

Four hundred respondents from the Townsville city area completed our annual feedback survey questionnaires. Over 90 per cent of respondents knew of Townsville Port Authority and almost the same number believed the Port contributed significantly to the local economy.

85 per cent saw the Port as being part of the fabric of Townsville and the same number stated the Port helps attract business to the region. 62 per cent believed the Port contributes positively to the quality of life and work of Townsville residents and the same number believed that Townsville Port Authority develops the Port area in a responsible manner.

Over 80 per cent were aware of proposals to develop the Ocean Terminal, and 75 per cent supported the proposal. Almost 70 per cent were aware of proposals to develop the Eastern Access Corridor, of whom 86 per cent were in favour.

70 per cent of respondents supported the Authority's community involvement. Those events and initiatives for which awareness of Townsville Port Authority's financial support was highest were the Maritime Museum, Townsville Enterprise and the VP60 Commemorations.

More than one-third of all respondents were unsure or could not name an organisation operating out of the Port of Townsville. Of those that could name an organisation, the most frequently named were Queensland Sugar, Sunferries, Queensland Nickel and BHP Billiton.

Over 44 per cent of all respondents either were unsure or could not name an import into the Port of Townsville. The most frequently named import was motor vehicles, followed by nickel ore and oil.

Approximately 21 per cent of all respondents either were unsure or could not name an export from the Port of Townsville. The most frequently named export was sugar, followed by copper products, zinc products, cattle and refined nickel.

Port Community Partnerships Forum

Townsville Port Authority continued its Port Community Partnerships Forum. It provides a means through which community-based groups provide comment on Port-related policies, development plans, management programs, ongoing operations, and future development activities at the Port of Townsville that may impact on specific community interests.





The forum, which meets quarterly, has proven to be an excellent opportunity for the Authority to work with local community viewpoints – thereby ensuring operations at the Port of Townsville remain sensitive to the interests and expectations of the community.

Complaints

42 formal complaints were registered this year comprising:

Noise and vehicles	5
Rubbish	7
Boat ramps	7
Boat ramp parking tickets	4
Environmental – general	6
Safety	3
Other	10

All of these complaints were addressed and resolved during 2005/2006.

Reef HQ Aquarium Exhibition

In September 2005, Townsville Port Authority joined forces with Reef HQ Aquarium to launch a new exhibit in Reef HQ in an effort to educate the public about the important links between our waterways and the Great Barrier Reef.

The exhibit contained decaying items recovered by the Authority's dredging program in Ross Creek. It shows a range of items including shopping trolleys, plastic bags and bottles, and communicates through a graveyard theme the length of time each product takes to break down.

Donations and Sponsorships

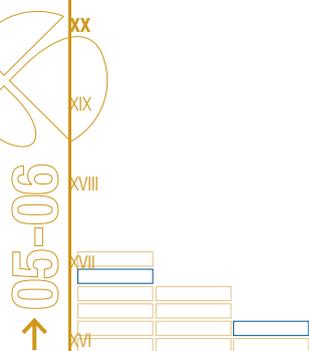
The worth of an organisation is reflected in a number of ways, one of which can be measured by its impact on the community. At the Port of Townsville, our philosophy is simple: we understand that the impact of our actions and operations affect our customers, clients, employees, and the broader community. We take our commitment as a corporate citizen seriously and participate in community activities to build relationships with our stakeholders.

Financial sponsorships and donations are assessed in accordance with our Sponsorship and Donation Policy, which incorporates elements of, and is consistent with, the Queensland Government Sponsorship Policy (August 2003).

In 2005/2006 the Authority spent almost \$300,000 on donations and sponsorships to local charities, local business activities, regional development bureaux, cultural events, trade events, tourism, and mining activities. Some of these are detailed in the table here.

Summary of 2005/2006 Donations and Sponsorships

Australia on the Map Inc. sponsorship of the Duyfken voyage to Townsville	\$5,000
Townsville Art Society awards sponsorship	\$1,500
James Cook University academic prizes	\$1,800
Townsville Magnetic Island Swim Association sponsorship	\$6,000
Townsville Region Export Awards sponsorship	\$10,000
Queensland Cancer Society 'Relay for Life' sponsorship	\$2,500
The Salvation Army 'Red Shield Appeal' donation	\$5,000
Townsville Enterprise Limited annual sponsorship/ membership fee	\$99,000
Townsville Enterprise Limited contribution to base metal processing investment	\$30,000
Townsville Maritime Museum annual sponsorship and in-kind contribution	\$88,688
Townsville City Council Christmas appeal	\$500
Mission to Seafarers donation and in-kind contribution	\$19,295
2006 Mount Isa Mining Expo sponsorship	\$10,000
Foodbank donation from corporate golf day	\$8,177
Other	\$3,500
TOTAL	\$290,960



Maritime Museum

The Authority is a major benefactor/sponsor of the Townsville Maritime Museum. In 2005/2006, the Authority contributed both financially and in-kind support of \$88,688 to the museum.

Townsville Enterprise

Townsville Port Authority is a major sponsor of Townsville Enterprise Ltd., an organisation which promotes economic growth in Townsville. In 2005/2006 the Authority contributed \$99,000 to Townsville Enterprise Ltd., and a further \$30,000 contribution towards attracting a base metal processing initiative.

Corporate Golf Day

In August 2005, the Port community joined together in a fundraising effort that provided Foodbank in Townsville with almost \$9,000. Foodbank Townsville is a not-for-profit organisation that supplies food and goods to registered charity groups in the community. The funds were raised through hole sponsorships and team nomination fees at the Port's annual Corporate Golf Day.

Since the golf days began ten years ago, the Authority has raised more than \$60,000 for many deserving causes and projects.

Supporting the Red Cross

The Port community rolled up their sleeves when the Red Cross mobile blood van visited the Port as part of a regular and ongoing donation program. The Port community plays host to the Red Cross on a quarterly basis, with employees and members of the Port community taking time to assist the Red Cross in its blood drive.

Swim Association

Townsville Port Authority came to the aid of the annual Magnetic Island to Townsville Swim by donating \$6,000 to the association to run the event. Until the Authority stepped in the future of the event was tenuous, with fears of collapse and concerns about sponsorships.

The Authority has always been a supporter of the swim and, this year and in previous years, donated the use of one of its vessels, the *Arthur Titley*, and the time of its employees to tow the swimmers in their cages. The Authority also stores on its land the cages in which the swimmers use to race.

The first swim was conducted in 1954 and has since become famous across Australia and the world. It is a unique event in that it is the only race where swimmers race each other in shark-proof cages towed behind boats. The distance is 8 kilometres from Picnic Bay beach on Magnetic Island to Strand Park beach.

Open water distance swimming is widely-recognised and is now an Olympic Games event.

Port Tours

The Authority actively promotes Port tours and educational programs for local and regional schools, community groups, and business partners.

During 2005/2006, the Authority began using a professional tour operator, Ironbark Tours, to conduct a number of Port tours. The Authority also developed a Port tours brochure and sent it to all schools in the region. Over thirty Port tours were carried out during 2005/2006.



Some members of the Port Community Partnerships Forum take a tour of the Southern Cross Fertilisers facility.

Looking Ahead

> In 2006/2007, the Port will commence an educational alliance with a local school called the 'Port of Townsville School Education Program'.

This will be a long-term program of co-operation and education regarding Port operations and the marine environment integrated into the school curriculum. The program aims to improve students' understanding of the commercial Port environment including

Port operations, shipping activities and Port development, whilst also providing an opportunity to promote awareness of marine environmental matters.

> The Authority will identify and promote synergies amongst our port communities through regular group meetings including the Port Advisory Body, the Environmental Working Group, the Port Safety Committee, Port Community Partnerships Forum, and the Port Security Committee.



Our People

In Review: Our Performance

Highly productive, enthusiastic and appropriately skilled employees.	Actively promote a culture based on honesty, transparency and respect.	Develop and implement an internal communications process.	✓	Process developed and located on business excellence.
	Promote and encourage employee development.	Establish existing and required competency levels for all employees. Develop and implement a competency framework.	X X	The Competency framework has been developed. Determination of employee competencies and implementation of the framework will progress in 2006/2007 in conjunction with the implementation of the Qudos Training Module.
	Recognise and reward performance (in accordance with government guidelines).	Establish a remuneration structure based on competencies and position requirements. Establish a reward and recognition scheme.	✓ X	JEMS system adopted. Evaluations completed. Draft scheme developed, currently under review. To be implemented early in 2006/2007.

Townsville Port Authority promotes employee commitment and job satisfaction through the provision of an appropriate and stable organisational structure. The Authority has policies and procedures in place for employee consultation and communication, and for the provision of adequate training and development. This assists the personal and career development of employees, and broadens the Authority's skill base to meet the needs of an expanding port.

The Board of the Authority has an active Human Resources Committee with a charter to assist the Board in fulfilling its corporate governance responsibilities by reviewing, monitoring, and establishing Human Resources policy frameworks.

Authority Employees – Facts and Figures

- > Average age is 41.62 years.
- > Oldest employee is 64 years of age.
- > Youngest employee is 17 years old.
- > 11 employees were born overseas.
- > 58 employees are male, 18 are female.

Human Resources Manual

The Authority has implemented a comprehensive manual covering all policies and procedures in operation at the Authority. A hard copy of this manual is distributed throughout the Authority, and is also available on the Authority's intranet.

Employee Feedback Surveys

In March 2006 the Authority conducted our second annual employee feedback surveys. The results of these surveys are used by the Authority to identify issues and develop strategies to address these issues.

The employee feedback surveys were carried out to gauge the level of satisfaction of all employees in various areas, including job satisfaction; remuneration arrangements; work/life balance; communication efficiencies; management and Board leadership and direction; organisational effectiveness; and opportunities for training and career development.

Out of the 74 employees at the Authority, 51 completed the survey – ten more than the previous year.

Over 93 per cent of respondents believed the Authority was a good place to work. This represents a significant increase from the previous year's results where only 66 per cent of employees believed the Authority was a good place to work.

There was near universal recognition of the important role the Authority played within the regional economy (97 per cent). Three-in-four (75 per cent) believed they were valued at work, and a similar proportion were proud of being an employee (78 per cent). Ninety per cent were motivated to see the Authority succeed.

Almost 80 per cent indicated that they were satisfied with their personal morale levels. A little less than three-in-four believed the Authority was doing a good job. Almost 85 per cent were satisfied with the performance of their manager/supervisor.

Employees were positive in their appraisal of the customer focus of the Authority, rating it strongly in terms of focus on customer satisfaction.

Overall, employees are satisfied with their positions at the Authority (81.5 per cent). This figure has increased from 73 per cent in 2004/2005. However, the survey highlighted that internal communications was an area where satisfaction levels were lower. In terms of communications, 45 per cent of respondents were satisfied with a further 29.5 per cent neutral.

Training and Professional Development

The Authority is committed to ongoing training and professional development of its employees. In early 2006, extensive training for all supervisors and managers on legislation, supervisory skills, grievance management, performance management and related HR/IR matters was held in-house, delivered by Workplace Consulting Queensland. Similarly, in-house professional development and training will continue to be a focus for the organisation.

At 30 June 2006, four Authority employees were undertaking further studies supported by Townsville Port Authority. These studies include a Masters of Business Administration (Marketing), Masters of Environment and Business Management, and two Certified Practising Accounting programs.

Communication

The Authority produces and distributes an employee newsletter each month called 'High Tidings'. This newsletter covers all topics relevant to employees; policies, procedures, port and shipping news, outcomes of meetings, port events, staff changes and port history.

Superannuation

Townsville Port Authority employees have two options under the QSuper Scheme, either contributory or non-contributory.

Contributory

Employees may contribute up to 5 per cent of their base wage to the scheme. The Authority then contributes an equivalent amount plus an additional 7.75 per cent of the employee's base wage.

Non-Contributory

Employees who decide not to make contributions (23 employees) will have an amount as determined by superannuation guarantee legislation paid into the Q-Super Accumulation Plan by the Authority. This amount is currently 9 per cent of the base wage.

The Authority continues to actively encourage employees to become contributing members of superannuation and to consider the long-term benefits of salary sacrifice and additional voluntary contributions. QSuper seminars were arranged for employees in work time.

Enterprise Bargaining

The continued evolution of the Authority's existing enterprise agreements, and completion of the inaugural administration agreement, will encourage best practice working conditions and annual wage increases, in line with Queensland Government guidelines.

Enterprise agreements currently in operation are:

- > *AG842872 - Townsville Port Authority Maintenance Employees Certified Agreement 2005* between the Authority and Maritime Union of Australia (MUA) was certified on 23 September 2005, and will remain in force until 30 November 2007. This agreement covers 21 maintenance employees.
- > *AG838926 - Townsville Port Authority Port Services Enterprise Agreement 2004* between the Authority and Australian Maritime Officers Union (AMOU) was certified on 24 February 2005, and remain in force until 30 June 2007. This agreement covers 15 Port Services Officers.
- > *AG840186 - Townsville Port Authority Administrative, Technical, Supervisory and Professional Employees Agreement 2004* between the Authority and Australian Maritime Officers Union (AMOU) was certified on 19 May 2005, and will remain in force until 30 June 2007. This agreement covers 36 employees.





These agreements are operating as prescribed with no problems or issues arising. Any matters that arise are dealt with in accordance with the respective agreements.

Townsville Port Authority continually reviews all employment conditions and policies with the goal of providing a commitment to:

- > supporting a preference for the regulation of employment conditions via collective agreements with unions;
- > no new individual contracts entered into where total fixed remuneration is less than the monetary equivalent of the Public Service Award – State Level A08, pay point four plus 12.75 per cent;
- > in accordance with Section 192(3) of the *Industrial Relations Act 1999*, not entering into Queensland workplace agreements and in accordance with Queensland Government industrial relations policy, not entering into Australian workplace agreements or non-union agreements; and,
- > the Authority will ensure that rates of pay and conditions existing in state awards and/or certified agreements prior to the implementation of Work Choices amendments to the *Workplace Relations Act 1996* are maintained, subject to the requirements of the legislation, or agreement otherwise between the Authority and relevant unions.

Job Evaluation Management System (JEMS)

In accordance with the *Townsville Port Authority Administrative, Technical, Supervisory and Professional Employees Agreement 2004*, the Authority undertook an assessment of each position with the assistance of Workplace Consulting Queensland, utilising the Government-approved Job Evaluation Management System. This job redesign process enabled an appropriate classification structure to be implemented, based on each position's required skills, knowledge and expertise. The results of this process were discussed with the AMOU, and feedback supplied to employees.

Authority employees as at 30 June 2006, and budgeted for 2006/2007:

Departments	Actual 30 June 2006	Budget 2006/2007
CEO and Executive Support	3	4
Finance	7	7
Engineering	8	10
Planning and Environment	4	5
Maintenance	27	28
Corporate Governance	10	10
Marine Services	14	14.5
Pilot Transfer Service	3	3
Major Projects Administration	0	2
TOTAL	76	83.5

Employee number increases will cater for major projects commencing during 2006/2007.

Further increases to employee numbers (beyond 2006/2007) are envisaged to ensure the Authority is appropriately resourced to manage upcoming projects, security requirements and to achieve our objective of realising the significant trade potential arising from regional growth.

Relationship between Townsville Port Authority and Unions

The Authority maintains a productive working relationship with the Maritime Union of Australia (MUA) and the Australian Maritime Officers Union (AMOU) as evidenced by the successful implementation of current agreements. Employee representatives of these unions are consulted on industrial matters affecting their members, in accordance with the certified agreements. The Agreements also provide for regular meetings of consultative committees and other consultation on matters affecting employees.

Redundancy Provisions

In responding to situations of organisational change where a job ceases to exist, the Authority adopts as its prime option a policy of retraining and redeployment in preference to redundancy or retrenchment.

Voluntary redundancy options will be canvassed taking into account the benefits and costs to the Authority in each individual case. Acceptance of voluntary redundancies will be at the discretion of the Authority.

Job Security

The Authority is committed to providing long-term job security to all employees. The Authority has 33 employees with over ten year's service, with eight of these employees having over twenty year's service.

The Authority recognises long and meritorious service with presentations to employees with 15 and 25 years continuous service.

Chief Executive and Senior Executive Remuneration

The Authority's remuneration policy provides for a review of salaries for senior executives during June of each year with any adjustments effective 1 July. Details of senior executive remuneration are included in this Annual Report, and Statement of Corporate Intent, in accordance with legislative and policy requirements.

Any increase in senior executive remuneration will be limited to a maximum advised by shareholding Ministers in accordance with the document *Remuneration Guidelines for Directors and Senior Executives in Government Owned Corporations* (issued September 2000) and advice from shareholding Ministers.

Equal Employment Opportunity and Anti-Discrimination

The Authority has adopted and implemented policies on equal employment opportunities, anti-discrimination, and prevention of harassment and bullying. These policies are included in the Authority's Human Resource Manual and are highlighted during employee inductions and regular awareness briefings. The Authority continues to ensure that the principals of merit and equity are upheld in the processes associated with the recruitment, selection, and promotion of employees.

Women's Initiatives

All female employees at the Port of Townsville are paid in accordance with the relevant enterprise bargaining agreements. There are five females in a supervisory role out of a total of 18 female employees. The board of directors comprises of two female directors out of a total of eight.

The Authority promotes the balancing of work and family responsibilities by having flexible working hours and family leave arrangements.

At 30 June 2006, one employee was on maternity leave.

All employees are encouraged to undertake further studies. Four female employees are currently undertaking further studies. These studies include a Masters of Business Administration (Marketing), Masters of Environment and Business Management, and two Certified Practising Accounting programs.

Employee Departures and Appointments

Six permanent employees left the Authority during 2005/2006. Of these four left Townsville and two joined other local firms.

Eleven new employees joined the Authority in the Engineering, Environment and Planning, Corporate Governance, Finance and Marine Services departments.

The Authority also offered vacation employment to two University students (Civil Engineering and Environmental Science) and unpaid work experience to two high school students (Public Affairs and Maintenance/Plant Operations).



Use of Apprentices and Trainees

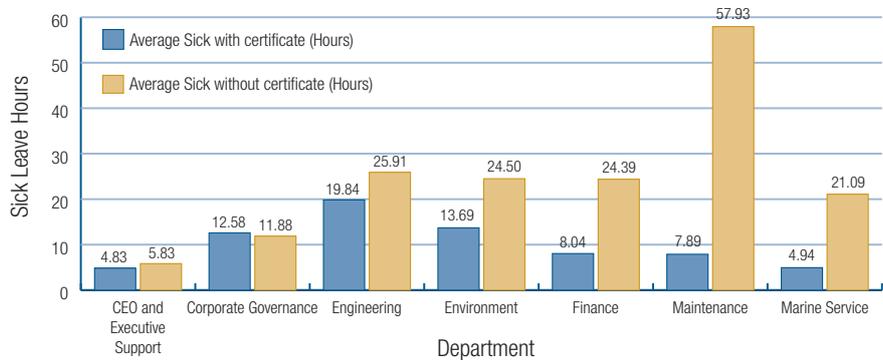
The Authority employs a second year Apprentice Boilermaker and a Cadet Drafting Officer. The Authority has also employed a trainee (Certificate IV in Database Administration). Investigations are underway to confirm that the Authority can accommodate additional apprentices.

Sick Leave

Total sick leave taken during 2005/2006 was 3,241.75 hours (2,534.75 hours without a medical certificate and 707 hours justified with a medical certificate). This compares favourably with the 2004/2005 figure of 3,963.65 hours, and the 2003/2004 figure of 4,060.50 hours.

Average sick leave per employee was 42.65 hours.

Sick Leave Taken 2005/2006 (As at 30/6/2006) Average Hours taken per Employee



Looking Ahead

The key emerging issues for the Authority relating to industrial relations and human resources during 2006/2007 include:

- > the introduction of the federal workplace relations scheme and the impacts this may have on the workplace;
- > the skills shortages being experienced in the region and across Australia; and,
- > the need to align resources towards the achievement of trade growth and infrastructure development.

Over the next 12 months, the Authority will continue to implement strategies aimed at improving workplace relations, encouraging employee development and improving employee satisfaction.

Some of the key actions for 2006/2007 include:

- > annual employee feedback surveys to gauge levels of satisfaction and identify workplace and organisational issues, so that strategies that continually improve the work environment for our people can be formulated and implemented;
- > training and development of employees to ensure that required skill and knowledge bases exist and employees are confident and competent to carry out their duties; and,
- > continued operation under enterprise agreements.

A Workforce Plan that will identify the skills needs and resource requirements to take the Authority into the future will be developed in the coming year. The formulation of this plan will enable us to identify and capitalise on existing employee capabilities, tailor our recruitment activities to specific requirements and ensure the alignment of our human resource strategies with long-term goals.



Managing Occupational Health and Safety

In Review: Our Performance

Townsville Port Authority's safety vision is 'zero injuries'. The Authority is committed to the provision of safe and healthy working conditions for its employees, port users, and contractors, and to the safe custody of visitors to its operations and premises.

To achieve, sustain, and maintain the safest practicable workplace requires a balanced approach. At the Port of Townsville we focus equally on the physical work environment, our systems, and the culture of our business.

We actively pursue our goal of an injury free working environment and support any endeavour to prevent injury and harm at work. The Authority provides ongoing education and training to:

- > ensure an awareness of workplace risks and hazards;
 - > facilitate discussion to identify new or emerging risks and hazards; and,
 - > initiate regular group discussions for continuous improvement in safety within the workplace.
- Safety is a shared responsibility between the Authority and its employees. Every employee has a level of individual accountability for their own safety by adhering to safety systems and procedures, wearing appropriate clothing at all times, being aware, and reporting workplace hazards and risks.
- The Authority works by a number of occupational health and safety objectives:
- > provide safe and secure management of work areas and port waters;
 - > ensure employees have the skills and knowledge to carry out the objectives of the Authority;
 - > employ the world's best practice safety standards;
 - > zero injuries within all port managed work areas; and,
 - > reduce the Lost Time Injury Frequency Rate.

Statistics

Number of lost time injuries incidents	3
Number of other injury incidents	2
Number of contractor incidents	2
Number of near miss/dangerous occurrences	3
Total number of incidents reported	10

Lost Time Injury Frequency Rate

INDICATOR	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Total Number of Employees	75	71	74	72	76
Hours Worked	135,018	120,503	116,975	119,443	125,391.9
Lost Time Incidents	2	5	1	1	3
Lost Time Frequency Rate	14.81	41.49	8.54	8.37	23.92
Average Lost Time Rate	8 days	12.9 days	3 days	4 days	98.67 days*
Incident Rate	25.3	29.5	6.7	4.1	3.95

* The average lost time rate is 98.67 workdays because one lost time injury resulted in 220 days off work, another injury amounted to 65 days, and another injury resulted in 11 workdays off work. The average time lost rate is the average time lost per occurrence of injury/disease. This rate provides a measure of the severity of the occurrences being experienced by workplaces over time. It is calculated by dividing the number of working days lost by the number of occurrences in the period.

Work Cover Claims

Work cover claims for 2005/2006 reduced from the previous period to three. All claims resulted from a lost time injury and all three were accepted by WorkCover.

Training and Awareness

The Workplace Health and Safety Act 1995 (Qld) and other legislative provisions require the Authority to ensure the health and safety of all employees, contractors, and others. The Authority educates and assists individuals in recognising and achieving their workplace health and safety responsibilities.

All new employees are introduced to health and safety procedures and are trained in emergency procedures to enable them to fulfill their responsibilities. This includes a site induction, evacuation training, area familiarisation, and fire extinguisher handling. Fire wardens were given access to training in emergency procedures, including fire safety evacuations and bomb/arson threats. There were two live exercises performed during 2005/2006.

Other training offered includes; unacceptable workplace behaviour, job hazard analysis, risk management, manual handling, senior first aid/CPR, safety representatives, refresher training for plant and equipment, and elements of shipboard safety.

On average each employee participated in at least two training and development sessions during 2005/2006.

Workplace Inspections

The health and safety of our employees and others working on our premises is of paramount importance to us. In 2005/2006 we commenced an annual regime of workplace health and safety inspections and over 150 assessments (including operational sites, buildings and craft) were undertaken.

The inspections require the full support of line managers, safety representatives and staff working in those areas to ensure a meaningful outcome. Any significant findings are openly discussed at the Authority's Health and Safety Representative Committee and Senior Management meeting.

Rehabilitation

Workplace rehabilitation is about getting an injured employee safely back to work as soon as possible, minimising the disruption to the Port of Townsville and to the employee's life. It is our ongoing aim to provide assistance to the injured employee and their family in a manner that will lessen the stress and financial burden.

Three employees participated in our rehabilitation program and are back at work. One employee is still being managed by WorkCover.

The Authority's Rehabilitation Manual has been revised. We are working to attain workplace rehabilitation accreditations through Q-Comp.

Achievements

- > A Wellness and Healthy Lifestyle program was continued to help improve the health and wellbeing of employees - our most valuable asset.
- > Implementation of Berth 1 isolation lock-out procedure. This will ensure fire pumps are effectively isolated when required.
- > In a customer survey conducted during 2005/2006, Townsville Port Authority was rated positively for having sufficient safety measures in place. The Authority received performance ratings in excess of seven out of ten, where ten meant excellent.
- > Almost 2,400 safety, security, and environmental inductions were carried out.

Workplace Health and Safety

The Board and management of the Authority has recently completed a Health and Safety Management Manual that is designed to provide a safe port by encouraging a proactive approach to the prevention of work-related illnesses and/or injury by eliminating workplace hazards. This policy recognises:

- > the importance of people to the Authority;
- > that safety can contribute to business performance by developing human and physical resources;
- > reducing cost and liability;
- > developing appropriate organisational structures and a culture that supports risk control;
- > the need to resource and plan policy implementation adequately;
- > the only effective approach to injury, ill health and loss prevention is one based on the systematic identification and control of risk; and,
- > the need to monitor and review performance to learn from our experience.

The Authority is working towards attaining certification to AS 4801-2001, Occupational Health and Safety Management Systems. It is expected that the certification process will be completed by the end of 2008. External auditors examined the Authority's integrated management systems in January 2006 and commented favourably on progress towards our goal of certification.

Looking Ahead

- > The Authority is working to attain AS 4801-2001 Occupational Health and Safety Management Systems accreditation. The goal is to be ready for assessment by the end of 2008.
- > Following a review completed in January 2006, we are continuing to implement improvements to our Permit to Work system, with extensive training on the system and on associated work permits such as hot work, confined space, abrasive blasting, working on high voltage electrical, diving and many more.
- > We will also continue to develop and implement our port safety and emergency response plans, to ensure there are no restrictions on maintenance or construction delays through lack of safety controls.
- > The Authority is working to attain workplace rehabilitation accreditations through Q-Comp by June 2007.



Environmental Performance

In Review: Our Performance

Objective	Strategy	Planned Outcomes	Comments
Environmental excellence recognising sensitivity and amenity of the Port and its surrounds.	Proactively promote integrated and cooperative environmental management.	Development of Dredge Management Plan.	✓ Draft Plan completed.
		Development of Integrated Environmental Management Strategy.	✓ Draft EMS completed.
		Develop and implement environmental data gathering and monitoring programs.	✓ Monitoring programs undertaken. Public reporting undertaken.

Environmental performance is a key result area for the organisation and the Port as a whole, and the Authority is committed to protecting the environment for a sustainable future. The Authority works closely with Port customers to ensure the continued implementation of a comprehensive environmental management program aimed at understanding and better managing our environment and activities. We continue our commitment to the development of a truly integrated Port community approach to environmental protection and improved environmental performance.

Dredging and Disposal Management Plan

Dredging is critical for the ongoing operations of any Port. Regular maintenance dredging has been conducted at the Port of Townsville once or twice each year over the past century.

Dredging activities must be sustainably managed to avoid or minimise adverse impacts on coastal resources and their values. To ensure the Authority's capacity to continue meeting its obligations to provide effective and efficient port facilities, proactive planning for future operations is critical.

The Authority's current maintenance dredging activities are undertaken in accordance with a five year sea dumping permit issued by the Commonwealth Department of Environment and Heritage under the *Environment Protection (Sea Dumping) Act 1981* (Cwth), which is intended to achieve the objectives of the *Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter 1972* (the London Convention). This sea dumping permit, which was extended by eight months in February 2006, is due to expire in October 2006.

A core component of the Authority's sea dumping permit is the Long-Term Dredge Material Disposal Strategy (LTDMS). This is a dynamic document that is subject to regular review. This document evaluates long-and short-term strategies for managing dredge material at the Port of Townsville and enables the Authority to have a strategic approach to dredging and dredge material disposal.

Changes to the State regime for dredging and dredge material relocation prompted the recent review in 2005/2006 of the current Dredging and Disposal Management Plan. This plan identifies future maintenance dredging requirements for the Port of Townsville and details the Authority's aims and objectives with regard to the management of dredged material. This revised document is intended to satisfy the requirements of State and Commonwealth legislative requirements for approvals.

The Dredging and Disposal Management Plan will form part of the application for new long-term dredging and dredge material disposal permits to be lodged with State and Commonwealth Departments in 2006/2007.

The Technical Advisory and Consultative Committee (TACC) will review and assess the Dredge Disposal Management Plan prior to its submission to the Federal Department of Environment and Heritage and the Queensland Environmental Protection Agency. The TACC comprises representatives from relevant Commonwealth, State and local Government, and non-Government organisations with expertise, responsibilities, or interests in dredging activities at the Port of Townsville.

Integrated Environmental Management Strategy

The Port of Townsville comprises over forty long-term tenants with management of the Port being the responsibility of the Townsville Port Authority. Each leased facility within the Port is independently managed and operated by its respective tenants.

The Authority is committed to achieving an integrated and cooperative approach to environmental management at the Port of Townsville. During 2005/2006, the Port of Townsville Environmental Working Group developed an Environmental Management Strategy (EMS) to provide an overarching, unified environmental direction for the whole Port community, complementing current environmental management practices and providing an environmental performance reporting structure for the whole of the Port. Uptake of the EMS by the Port community and reporting to the Authority is on a voluntary basis.

The strategy is designed to address key environmental aspects at the Port of Townsville, and adopt strategies and key performance indicators (KPI's) that are effective for the various operations at the Port. An annual assessment of the Port's environmental performance will be compiled utilising information provided by the Port community reporting progress on the KPI's. This annual assessment will summarise achievements and opportunities for improvement and will be available to the Port and wider community.

Reporting on KPI's is voluntary and the reporting structure is intended to report on aspects within the entire Port community as an overview. It is anticipated that the Environmental Working Group will sign-off on the Environmental Management Strategy during 2006/2007. The strategy will undergo continual periodic reviews as determined by the Port Environmental Working Group, including updating of legislation and key performance indicators as required.

Environmental Monitoring Programs

Noise Monitoring

The Long-Term Noise Monitoring Program for the Port of Townsville, which was initiated by the Authority in 1998, continued to be implemented. This program assesses the noise impact of Port activities on adjoining and adjacent land uses (including sensitive areas) and assists the Authority with appropriate management and greater direction for future Land Use Planning. This monitoring program also allows the Authority to:

- > assess compliance with internal and external noise quality standards and guidelines;
- > observe long-term trends in noise levels at the Port of Townsville and surrounding areas; and,
- > isolate and identify sources of high noise levels.

This information allows the Port to implement appropriate management strategies and assess the success of existing strategies. Noise sampling was carried out in June 2006 at 24 identified sites within the Port and surrounding residential and commercial areas during weekday and weekend periods. These sites were monitored for 15 minute intervals at various times during the day, evening and night.

This monitoring provides valuable information over a wide area. To ensure a more accurate depiction of variation and average background levels three noise data loggers were set up for over a week in the nearby residential and commercial areas.

Lighting Monitoring

An environmental lighting assessment to measure night time lighting luminance and illuminance was undertaken in and around the Port of Townsville in June 2006. This was the first whole of Port environmental lighting assessment undertaken.

The purpose of the study was to identify major light sources on Port lands, with the data enabling the determination of any lighting impacts on neighbouring areas. These results will allow for the assessment of lighting impacts of future development at the Port. The results of this program will be compared to relevant standards allowing for the identification of any individual light sources at the Port that may need to be adjusted or altered. It allows the Authority to ensure minimal lighting impacts off-site for existing and proposed developments.

Water Quality Monitoring

The Port of Townsville Long-Term Water Quality Monitoring Program was developed and implemented in 2004. This program aims to assess the quality of receiving marine and estuarine waters within and immediately adjacent to the Port of Townsville. This compliments and expands on the existing long-term research and monitoring initiatives at the Port.

As part of this program water samples are collected biannually to consider 'dry' and 'wet' season influences from over thirty locations within the Port area, as well as locations in Ross Creek and Ross River. These samples are analysed for hydrocarbons, heavy metals, suspended solids and phosphorus and nitrogen. The data from these samples is assessed against relevant national, state and local guidelines.

In 2006, the Queensland Water Quality Guidelines 2006 (QWQG) were released and set the values for suspended solids, total nitrogen and total phosphorus. The Australian and New Zealand Environment Conservation Council's (ANZECC) guidelines are still in place for heavy metals and hydrocarbons as no regional guidelines have been developed.

The samples of suspended solids exceeded the QWQG, with the exception of two areas in the post-'wet' season sampling (Figure 1). These may be a reflection of the natural turbulence of Cleveland Bay, a result of large volumes of rainfall preceding sampling events, or by prior ship movement at the site.

Zinc levels within the Port were within the ANZECC guidelines, with the sole exception of Ross Creek during the 'wet' season (Figure 2). The guideline value for this is the ANZECC guidelines as heavy metals are not included in the QWQG.

The samples from the Port area generally came within the QWQG guideline limits for total nitrogen and phosphorus (Figures 3 and 4). However, Ross Creek in the 'wet' season exceeds the guideline level for both nitrogen and phosphorus. Heavy rains were experienced prior to this sampling event and Ross Creek is the discharge location for stormwater from large areas of Townsville city. It is likely that this run-off contained high nutrients which influenced total nitrogen and phosphorus levels in the receiving waters.

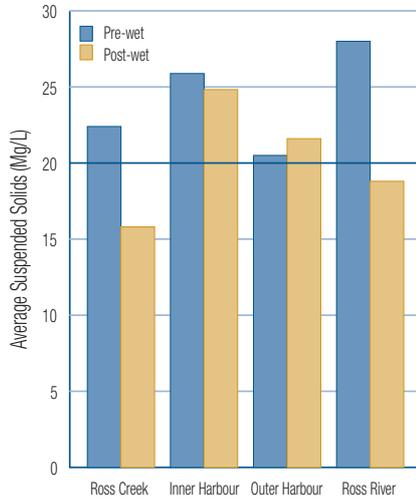


Figure 1. Suspended solid concentrations in marine and estuarine waters within and adjacent to the Port of Townsville during 2005/2006.

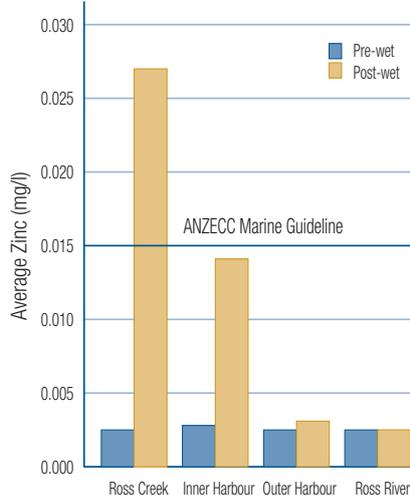


Figure 2. Dissolved zinc concentrations in marine and estuarine waters within and adjacent to the Port of Townsville during 2005/2006.

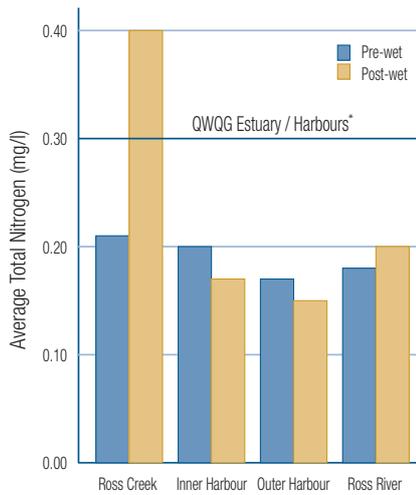


Figure 3. Total nitrogen concentrations in marine and estuarine waters within and adjacent to the Port of Townsville during 2005/2006.

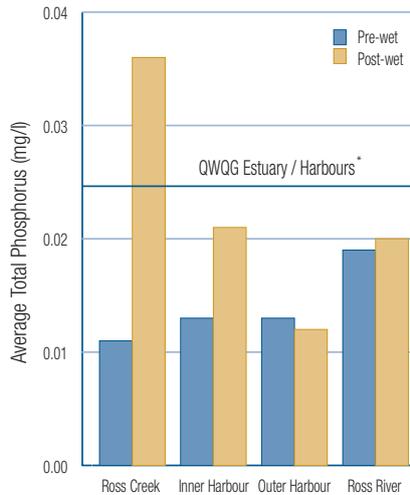


Figure 4. Total phosphorus concentrations in marine and estuarine waters within and adjacent to the Port of Townsville during 2005/2006.

Note: The Port of Townsville is located downstream from Ross Creek and the city of Townsville. Results recorded from Ross Creek are a direct result of natural conditions in the area and storm water runoff from the city. Any impact from Port activities in this area is minimal.

*QWQG Estuary/Harbours: Queensland Water Quality Guidelines for mid-estuarine and tidal canals, constructed estuaries, marinas and boat harbours.

Sediment Monitoring

Townsville Port Authority has been conducting a Long-Term Sediment Monitoring Program since May 1995. This program was implemented to primarily manage dredging operations at the Port of Townsville. The program also assists the port community by acting as a management tool for product handling activities throughout the Port. It provides an effective means to monitor and assess the effects of Port operations on the marine environment and acts as a guide for determining the suitability of dredged material for various disposal or management options.



A bower bird building a nest in the Port of Townsville Environmental Park.





Dust deposition gauge at the Port of Townsville.

The Long-Term Sediment Monitoring Program involves the quarterly collection of 242 samples from the Inner Harbour, Outer Harbour, Ross Creek, Ross River, Platypus Channel and Sea Channel which are analysed for a suite of heavy metals.

A detailed review of the sediment monitoring results over the past decade has revealed that despite an overall increase in tonnages handled through the Port of Townsville, there has been a noticeable decline in heavy metal concentrations within the marine sediments of the Inner Harbour, including Ross Creek (Figure 5). These results clearly demonstrate that there have been significant improvements in product handling practices and management strategies associated with Port operations that have resulted in improved environmental quality.

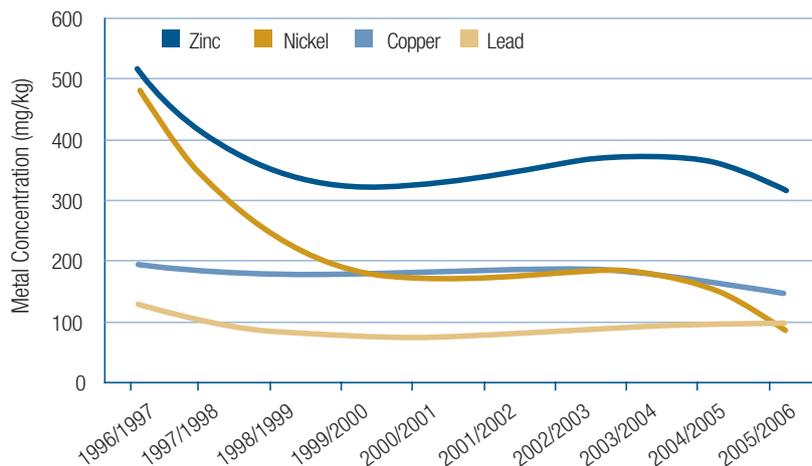


Figure 5: Annual mean zinc, nickel, copper and lead concentrations from the Inner Harbour (including Ross Creek) from 1996 to 2006.

Dust Monitoring

The Port of Townsville Dust Monitoring Program was developed in consultation with the Environmental Protection Agency in 1994. The program is run as a cooperative initiative between Townsville Port Authority, the Environmental Protection Agency, Queensland Nickel, BHP Billiton, Xstrata Copper Australia, Northern Shipping and Stevedoring and Southern Cross Fertilisers. Whilst many members of the Port community undertake site-specific dust monitoring and are involved in dust investigation programs, the Port dust monitoring program allows for a whole-of-Port assessment, incorporating an assessment of Port management practices in relation to air quality. The Port of Townsville Dust Monitoring Program forms part of the Queensland Air Quality Monitoring Network. The data is downloaded directly by the Environmental Protection Agency and can be viewed on their website <http://www.epa.qld.gov.au>.

This program monitors dust emissions from activities within the Port of Townsville to determine if levels remain within acceptable limits and have minimal effect on the environment and surrounding areas.

The program monitors airborne inhalable particulate matter (PM₁₀) which is harmful to human health and aims to detect sources of elevated dust emissions. The results from this program are compared to state and national standards and examined for any trends that may pertain to Port operations. The results are also considered against comparable dust monitoring stations located within the Townsville region. This information assists in the development of appropriate management techniques to prevent any potential problems stemming from identified source activities.

In addition, ten dust deposition gauges are placed in strategic locations throughout the Port to supplement the Long Term Dust Monitoring Program. Dust deposition gauges are very simple yet effective dust monitors, relying on the passive deposition and capture of dust. They provide basic data on dust deposition rates and the relative 'dustiness' of sampling locations. However, they are unable to provide information on dust concentrations or dust relating to wind direction or particular events.

Results from this years' dust monitoring shows that the predominant winds were from a north-easterly through to a southerly direction with the majority of particulate matter recorded below $39\mu\text{g}/\text{m}^3$ (Figure 6). The highest dust concentrations (PM_{10}) were recorded from the north-east to the south-east where the majority of Port activities are located. The highest winds recorded were from the east and were 8-10 meters per second (Figure 7).

The two wind roses (Figures 6 and 7) suggest that PM_{10} concentration was affected by wind speed, with higher wind speeds recording higher dust concentrations.

Environmental Incidents

Environmental incidents are any confirmed event or action occurring within the jurisdiction of the Port, which has an impact or potential impact, on land, water, atmosphere, flora or fauna. Environmental incidents are reported by the Authority's employees, Port customers, members of the public, and regulatory agencies. All reported environmental incidents are recorded in a database, investigated and, if required, action is taken to mitigate the impact and ensure methods are in place to prevent reoccurrence. Quarterly summaries of all environmental incidents are presented to the Port community through the Port Advisory Body and the Environmental Working Group.

The total number of environmental incidents for 2005/2006 has increased slightly compared to the previous year although there has been an overall decrease since 1996/1997 as can be seen in Figure 8 (following page). This long-term decreasing trend is extremely encouraging especially as reporting ethics continue to increase. The Port community or employees of the Authority reported 83 per cent of the environmental incidents which is an increase from last year (66 per cent). This demonstrates that the Port community is committed to environmental reporting and incident management.

In 2005/2006 there were 23 recorded environmental incidents, which fell into seven groupings. These can be seen in Figure 9 on the following page.

The most common environmental incidents reported were discharges to water (defined as any non oil based discharge to water) and faunal incidents, both recording six incidents. An increase in the number of faunal incidents was observed from the previous financial year. However, three of this year's incidents were not a result of port activities (e.g. an injured seagull was found that had been struck by a speed boat).

The number of reported oil spills on land and in water was less than that recorded in 2004/2005. Prompt responses from the Port community and Townsville Port Authority ensured that land-sourced oil spills did not enter the water. There were no dust or odour incidents resulting from port activities recorded this year.



Foliage in the Port of Townsville Environmental Park.

Figure 6. Wind direction and dust concentration.

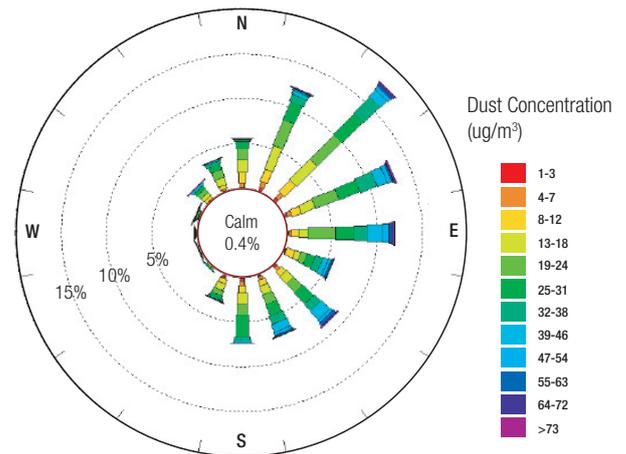


Figure 7. Wind direction and wind speed.

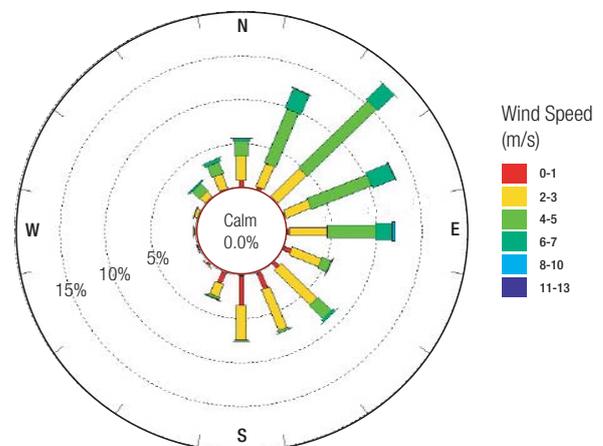


Figure 8. Total environmental incidents.

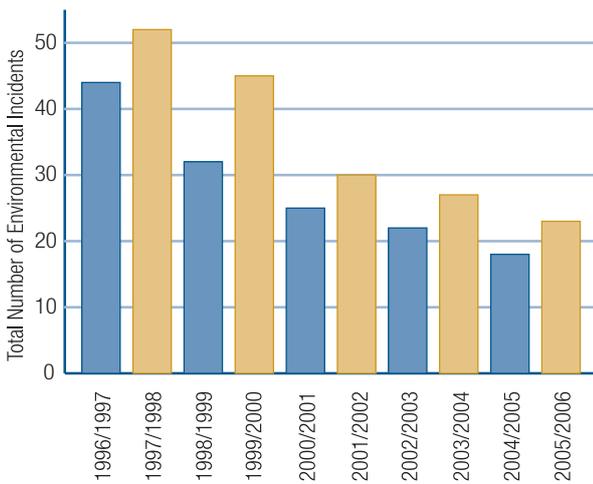
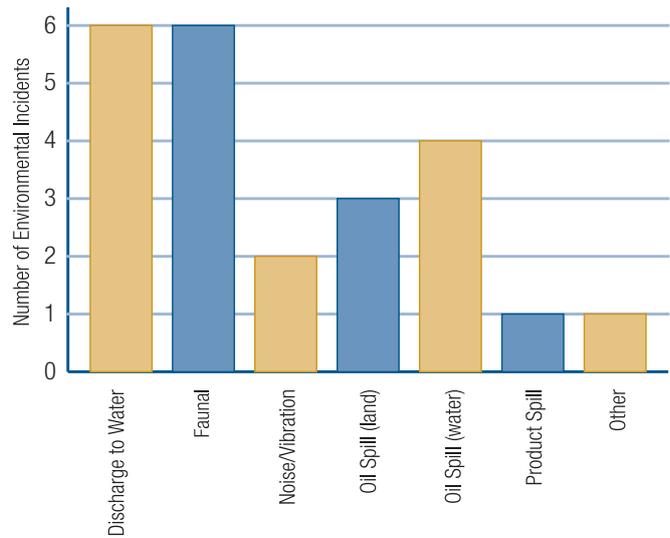


Figure 9. Environmental incidents breakdown for 2005/2006.



Corporate Environmental Events

Tree Day

During July 2005, Townsville Port Authority organised a Tree Day inviting all employees and the Port community to help create an area that provided tangible long-term environmental, social and economic benefits to the Port community and the Authority.

The Tree Day involved planting native species in the shape of the Authority's logo, to act as a living example of plant species that can thrive in our hostile conditions. The number of trees and shrubs planted achieved the objective of offsetting the yearly carbon emissions from the Authority's car fleet.

On this day the Authority also erected an eagle pole to encourage bird nesting away from port infrastructure. Sea Eagles and Osprey often nest in Port infrastructure posing operational concerns and potential dangers for the nesting birds.

Everyone who attended on the day received a free plant to donate to the new garden or take home to plant. This garden will eventually contain information plaques outlining the history of the Port, environmental award information and trade growth statistics.

Business Clean Up Day

The Port community joined forces with thousands of other volunteers across the nation to support Business Clean Up Day.

Fisherman's Wharf, the Port Environmental Park, Ross Creek and Ross River were targeted for this clean up with approximately ten cubic metres of rubbish collected. The rubbish mainly consisted of plastic bottles, bags and glass bottles however a scooter frame was the most unusual find.

Large sections of land owned by the Authority are open for public use, including a dog off-leash area at Benwell Road, areas in Ross River and the Port Environmental Park. The efforts of the Port community demonstrates to the general public the expectation that these areas be maintained in a clean and tidy condition to ensure that the receiving marine environment is protected from rubbish and debris.

Publicly Available Information

The results from the Authority's environmental monitoring programs are publicised in the environmental section of the Authority's website, and are also made available through the Authority's public newsletter, 'rapPORT', and a number of environmental brochures. The publication of these results assists in raising awareness of the environmental management practices and research initiatives throughout the Port of Townsville.

The Authority also supports and participates in local research and monitoring initiatives that develop and enhance understanding of the biological, physical, and chemical interactions of the Port environment.

If you would like a copy of any of these brochures or other information please contact Townsville Port Authority on (07) 4781 1500 or you can view the brochures and other environmental management information on the Authority's website www.townsville-port.com.au.



Financial Performance

In Review: Our Performance

The Authority's financial performance for the 2005/2006 year showed improvements in a number of areas. Excluding the effects on revaluation adjustments on the Income Statement, the following are noteworthy.

	2005/2006 Actual \$m	2005/2006 Budget \$m	2004/2005 Actual \$m
Total revenue	30.60	29.08	28.75
Revenue from shipping	24.37	23.71	23.24
Rentals revenue	3.33	2.65	2.86
Total expenses excluding interest	27.33	26.15	25.53
Earnings before interest and tax	3.27	2.93	3.22

Compliance with International Financial Reporting Standards

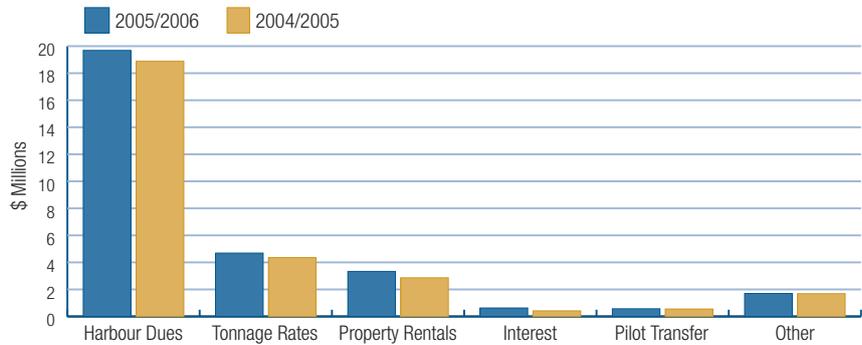
The financial statements included in this annual report are the first Authority financial statements to be prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the Authority until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). When preparing the Authority's financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of the 2004/2005 year have been restated to reflect these adjustments.

Financial Outcomes

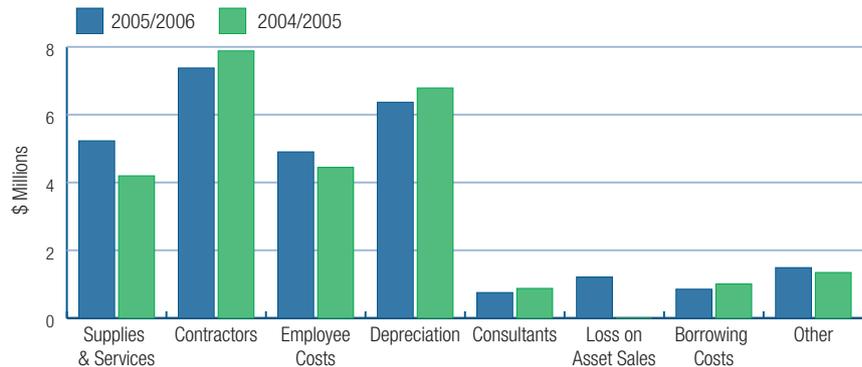
The Authority's operating profit after income tax expense was \$2.18million. The comparative result for 2004/2005 was \$7.54 million however this included a reversal of prior year asset writedowns of \$7.9 million. Excluding the effects on revaluation adjustments the operating profit before interest and tax increased marginally from \$3.22million in 2004/2005 to \$3.27million in 2005/2006.

Revenue



Total operating revenue increased by 6 per cent over the previous year mainly due to a 16 per cent increase in rentals revenue and a 4 per cent increase in shipping revenue. This increase was achieved even though total trade throughput reduced marginally from the previous year. The main shortfall in trade was in a low revenue product which was more than offset in value by increases in higher value trades.

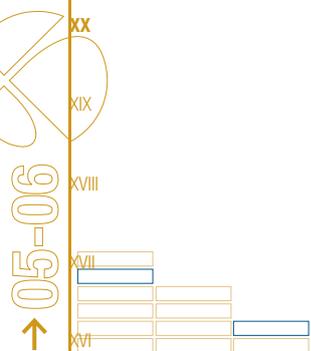
Expenses



Operating expenditures increased by 7 per cent. The continuation of the planned five-year maintenance program to bring essential infrastructure up to the highest possible standard saw \$10.2 million spent on maintenance activities, an increase of 5 per cent over the previous year. Depreciation expense of \$6.4 million was marginally lower than the previous year due to the low levels of capital expenditure over the past two years.

Borrowing costs of \$0.85 million were \$0.15 million below the previous year due to the reduced level of debt in the current year.

A recommendation to shareholding Ministers that a nil dividend be payable for 2005/2006 was accepted, therefore, no provision for dividend has been recorded in the financial statements.



Financial Position

Total assets have increased by \$9.9 million to \$201.3 million. An increase in cash assets of \$5.1 million and an increase in the value of investment properties of \$3.7 million are the major contributors to this increase.

Total liabilities have increased by \$1.6 million primarily due to an increase in deferred tax liabilities of \$3.99 million offset by a reduction in borrowings of \$2.21 million from \$16.67 million in 2004/2005 to \$13.46 million at 30 June 2006.

Cash Flows

Net cash inflows from operating activities amounted to \$10.36 million, up from \$5.1 million in the previous year. Net capital expenditure for the year totalled \$2.13 million which was only slightly higher than the previous years' total of \$1.4 million. Repayments of borrowings and associated interest charges accounted for \$3.06 million - this amount being the same as the previous year.

Objectives and Performance for 2005/2006	Achieved	Comments
Annual accounting rate of return on total assets 2.07%	✓	Actual result 2.86%
EBIT \$2.90m	✓	Actual achieved \$5.62m
Quick ratio > 1.00 (average over 12 months)	✓	Actual achieved 2.44
Interest cover ratio > 3.00	✓	Actual was 6.6
Payback period < 7.0	✓	Actual was 6.0
Debt/equity ratio < 1.0	✓	0.084
To achieve tonnage throughput of 10.26 million tonnes	✗	9.93 million tonnes
Increase container throughput to greater than 20,000 TEUs	✗	19,451 TEUs
Gross loading rate (based on hours at berth) > 400 tonnes per hour	✓	413 tonnes per hour

Financial Performance Ratios Explanatory Notes

Return on Assets is the expression of operating profit as a percentage of average total assets for the financial year. It is a measure of the effectiveness of the Authority's assets in generating profits. The current return on assets is comparatively low due to the programmed high maintenance expenditure incurred as part of the five-year plan to bring the Authority's assets up to maximum standard. This has resulted in low operating profits being achieved for the past four years.

Quick or Current Ratio expresses total current assets as a proportion of total current liabilities and is a measure of short-term liquidity or the ability to meet current financial obligations when due. The high current ratio at 30 June 2006 is the result of a build-up of cash reserves which is to assist in upcoming major infrastructure upgrade projects.

Interest Cover Ratio is a measure of the number of times that interest expense for the year would be covered by operating profit. It is measured by dividing earnings before interest and tax by interest expense.

The Debt to Equity ratio expresses the relationship between capital financed by debt and that contributed by owners. It is measured by dividing total debt by total equity. The Authority's debt to equity ratio has decreased in recent years as the level of debt has reduced. However, it will increase in future years as borrowings are utilised to assist in the financing of berth upgrade projects.



Looking Ahead: Our Objectives for 2006/2007

Corporate Objective	Corporate Strategies	2006/2007 Actions	2006/2007 Targets
Strong growth and diversification in trades providing sustainable value to shareholders.	Improve our understanding of trade and industry markets and proactively identify and pursue new trade and business opportunities.	<ul style="list-style-type: none"> > Market analysis to identify key trade growth areas for the short, medium and long-terms. > Identify, prioritise and plan for key projects that will contribute to sustained growth in trade and revenue. 	<ul style="list-style-type: none"> > Ten per cent increase in trade. > Two new trades. > No loss of existing trades to competitors/other operators. > Ten per cent increase in revenue. > Ten per cent increase in dividend. > EBIT \$4.586m. > EBITDA \$11.046m. > ROA 2.33 per cent.
	Maintain a commitment to customers to retain and grow existing trades.	<ul style="list-style-type: none"> > Establish customer contacts for key trades to ensure customer requirements are appropriately identified and incorporated into business planning. 	
	Maximise resource utilisation to improve return on shareholder investment.	<ul style="list-style-type: none"> > Implementation of Marketing and Public Relations Plan strategies. 	
	Implement strategies that will enhance the Port's value to shareholders and maintain shareholder confidence.	<ul style="list-style-type: none"> > Develop a shareholder communications strategy. 	

Corporate Objective	Corporate Strategies	2006/2007 Actions	2006/2007 Targets
Provision of efficient, competitive, reliable, safe and secure port facilities and services to meet customer requirements.	Improve wharf capabilities, rationalise critical infrastructure, promote flexibility enhancement and promote inter modal efficiencies.	<ul style="list-style-type: none"> > Complete negotiations, submit business case, complete design works and award tender to undertake Berth 8 upgrade and Berth 6/7 demolition works. > Undertake planning for upgrade of Berth 10. 	<ul style="list-style-type: none"> > Berth 6/7 and Berth 8 business case approved by shareholding Ministers and engineering designs complete. > Berth 10 business case developed.
	Establish and implement robust whole-of-life asset maintenance programs and promote asset life extension.	<ul style="list-style-type: none"> > Demolition of Berth 6/7. > Upgrade HV reticulation in the Port. > Undertake dredging of harbour areas. > Review road pavements and load bearing capacity requirements. > Implementation of program maintenance activities. 	<ul style="list-style-type: none"> > Less than ten per cent unplanned maintenance items. > 100 per cent of program maintenance activities completed.
	Demonstrate a commitment to ensuring a safe and secure environment.	<ul style="list-style-type: none"> > Introduction of MSIC. > Development and external certification of an integrated Occupational Health and Safety System. > Implementation of an integrated Risk Management System. 	<ul style="list-style-type: none"> > Nil security incidents. > Nil deaths, nil incidents. > Zero LTIFR/LTIDR/LTIR. > External certification of Occupational Health and Safety system.
Appropriately planned development of the Port to maximise land and infrastructure usage and accommodate future growth in a timely and sustainable manner.	Undertake effective planning for future port growth and development and continually review and investigate new infrastructure requirements.	<ul style="list-style-type: none"> > Undertake port master planning. > Identify and reserve required lands for future developments, transport linkages and services. 	<ul style="list-style-type: none"> > Master Plan completed. > City-Port Interface Strategy developed.
	Adopt proactive management and involvement in the City-Port Interface.		
A responsible business partner and corporate citizen consistently meeting the expectations of stakeholders.	Understand customer requirements, involve customers in decisions that affect their business and be a lead agency for port user groups.	<ul style="list-style-type: none"> > Implementation of strategies and actions identified in the Marketing and Public Relations Plan. 	<ul style="list-style-type: none"> > Greater than 60 per cent satisfaction. > Nil unresolved complaints.
	Understand community expectations and deliver on these expectations where appropriate.	<ul style="list-style-type: none"> > Implementation of strategies and actions identified in the Marketing and Public Relations Plan. 	<ul style="list-style-type: none"> > Greater than 60 per cent positive perception. > Nil unresolved complaints. > Greater than 1.5 per cent of revenue returned to community events and initiatives to raise awareness.
	Proactively promote excellence in environmental management.	<ul style="list-style-type: none"> > Undertake environmental monitoring programs and publicise results. > Fully implement an aspects register for environmental performance. 	<ul style="list-style-type: none"> > Nil compliance breaches. > Greater than 1.5 per cent of revenue returned to environmental management.
A work environment that attracts, develops and retains motivated, capable and high-performing people to meet our objectives.	Actively promote a culture based on honesty, transparency and respect.	<ul style="list-style-type: none"> > Develop a Workforce Plan addressing skill shortages and resource requirements into the future. 	<ul style="list-style-type: none"> > Greater than 60 per cent satisfaction. > Greater than 1.5 per cent of salary per person spent on training.
	Promote and encourage employee training and development and recognise and reward performance.	<ul style="list-style-type: none"> > Implement a Reward and Recognition Scheme. 	<ul style="list-style-type: none"> > Less than ten per cent staff turnover. > 100 per cent vacancies filled. > Implement a reward and recognition scheme.



Corporate Governance

Good corporate governance assists an organisation to achieve its outcomes and obligations through sound planning and risk management. It assists in decision-making and improves accountability. It also provides a framework for establishing and meeting the responsibilities the Authority has to its various stakeholders.

Townsville Port Authority's Board members take their responsibility to pursue efficient, effective, and accountable Port management very seriously. Townsville Port Authority is committed to achieving and demonstrating the highest standard of corporate governance.

Governance Framework

Townsville Port Authority is a statutory Government Owned Corporation established in its current form as a body corporate on 1 July 1995 under the *Government Owned Corporations Act 1993*. There are a number of statutes with which the Authority is required to comply, however, the following set the core legislative framework in which the Authority operates:

- > *Government Owned Corporations Act 1993 (Qld) and Regulations;*
- > *Transport Infrastructure Act 1994 (Qld) and Regulations; and,*
- > *Financial Administration and Audit Act 1977 (Qld) and Financial Management Standard 1997.*

Townsville Port Authority's shareholding Ministers are the Honourable Anna Bligh MP, Deputy Premier, Treasurer and Minister for Infrastructure, and the Honourable Paul Lucas MP, Minister for Transport and Main Roads.

The Authority's corporate governance framework has been developed based on current best practice, including the Corporate Governance Guidelines for Government Owned Corporations (September 2005), the ASX Corporate

Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (where applicable and relevant to Townsville Port Authority as a statutory GOC), and the recommendations contained in the Queensland Auditor-General's Reports No. 2 2002-03 and No. 10 2002-03.

Structure of the Board and Executives

The Board of Directors comprises eight non-executive directors (including the Chairman and Deputy Chair). Directors are appointed by the Governor in Council on the recommendation of shareholding Ministers. Directors hold their office on terms of appointment determined by the shareholding Ministers.

Senior Executives are appointed by the Governor in Council on the recommendation of the Board. Some Senior Executives and other management positions continue to operate under existing enterprise agreements or employment contracts. The Authority will ensure compliance with the Remuneration Guidelines for Chief and Senior Executives in Government Owned Corporations for the recruitment, appointment, and remuneration of Senior Executives.

This table shows our Directors and Senior Executives tenure details.

Board of Directors and Senior Executives

Name	Position	Initial Appointment	Last Re-Appointed	Appointment Expiry	Seperation Arrangements*
Mr. Ron McLean	Chairman	1 July 1999	1 July 2005	30 Sept 2007	-
Ms. Beth Keating	Deputy Chairperson	1 July 1999	1 July 2003	30 June 2006	-
Prof. Stephen Graw	Director	1 July 2001	1 July 2005	30 Sept 2008	-
Cr. Tony Mooney	Director	15 Sept 1990	1 July 2005	30 Sept 2007	-
Mr. John Pennisi	Director	1 July 2001	1 July 2006	30 Sept 2008	-
Mr. Ken McElligott	Director	1 July 2005	1 July 2005	30 Sept 2007	-
Mrs. Melissa Griffith	Director	1 July 2005	1 July 2005	30 Sept 2007	-
Mr. Paul Keehan	Director	1 July 2005	1 July 2005	30 Sept 2007	-
Mr. Barry Holden	Chief Executive Officer	4 Mar 2002	4 Mar 2005	4 Mar 2008	3 months
Mr. Larry Hore	Manager Engineering	2 Feb 1999	Not applicable	Not applicable	1 month

* Other than for misconduct/performance.

Role of Board

The role of the Board includes:

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

Responsibilities of the Board include:

- > oversight of the Authority, including its control and accountability systems;
- > making recommendations to Government for the appointment and removal of the Chief Executive Officer;
- > input into and final approval of the Corporate Plan and Statement of Corporate Intent;
- > reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- > monitoring senior management's performance and implementation of strategy, ensuring appropriate resources are available;

- > approving and monitoring progress of major capital expenditure, acquisitions, and divestures; and,
- > approving and monitoring financial and other reporting.

Board Committees

Audit Committee

Chair	Prof. Stephen Graw
Members	Mr. Paul Keehan, Cr. Tony Mooney, and Ms. Beth Keating

Acting as an advisory service to the Board, the Audit Committee performs the following core functions:

- > ensures compliance with and assists in the discharge of responsibilities prescribed in the *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997*, and other relevant legislation relating to accounting policy and disclosure;
- > assess and contribute to the audit planning processes relating to the risks and threats to the Authority, taking into account the financial and operational environment in which it operates and its performance management framework;
- > assess and enhance the Authority's corporate governance, including its systems of internal control and the internal audit function;
- > evaluate the quality of, and facilitate the practical discharge of, the internal audit function, particularly in respect of planning, monitoring, and reporting; and,

- > through the internal audit function, oversee and appraise the Authority's financial and operational reporting process.

The committee has observed the terms of its charter and has due regard to Queensland Treasury's Audit Committee Guidelines.

Significant Achievements

- > Risk Management Policy developed and Implementation Plan devised – leading to consolidation of all risks into one register.
- > Confirmation of a three-year rolling internal audit plan in line with the Authority's Strategic Risk Register.
- > Improved tender review process.
- > Occupational health and safety risk management audit and gap analysis, leading to response plan.
- > IT Risk Management audit carried out and disaster recovery procedures improved.
- > Ongoing improvements to business excellence system including implementation of Qudos database as a central management tool for all reports, corrective actions, audit outcomes, risks, complaints, etc.
- > Business Continuity Plan updated and live exercises carried out to audit the plan.
- > Development of a Compliance Framework and Policy.
- > Re-appointment of PriceWaterhouseCoopers as the Authority's internal auditors to 30 June 2007.



Human Resources Committee

Chair	Mr. Ron McLean
Members	Mr. Ken McElligott, Ms. Melissa Griffith, and Mr. John Pennisi

The Human Resources Committee assists the Board in fulfilling its corporate governance responsibilities by:

- > reviewing recommendations on human resources issues;
- > ensuring compliance with statutory responsibilities and applicable policies relating to human resources, employment, and industrial relations matters; and,
- > establishing and reviewing proposed plans and policies relating to employment conditions and industrial relations matters, and monitoring their implementation.

Significant Achievements

- > Training program for senior management team carried out on human resource issues including: legislation impacting on supervisors and managers; performance management, discipline and dismissal; managing grievances and disputes; and supervisory skills.
- > Job Evaluation Management System review carried out on all administrative, professional, technical and clerical positions within the Authority to ensure consistent and fair remuneration and clarity of roles.
- > Information and Communication Technology Succession Plan developed and appointment of an IT Applications Trainee for two years.
- > Briefings for all employees by QSuper on superannuation options.
- > Revised policies confirmed for succession planning and military leave.

Board Committee Charters can be viewed at the Authority's website.

Attendances

	Board Meetings		Audit Committee		Human Resources Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. Ron McLean	11	11	1	1	4	4
Ms. Beth Keating	11	9	4	3	4	4
Prof. Stephen Graw	11	10	4	4	0	0
Cr. Tony Mooney	11	7	4	1	0	0
Mr. John Pennisi	11	6	0	0	4	3
Mr. Ken McElligott	11	11	0	0	4	4
Mr. Paul Keehan	11	10	4	4	0	0
Mrs. Melissa Griffith	11	10	0	0	4	3

Three flying minutes were also recorded in 2005/2006.

Independence of Directors

The Board has adopted a Disclosure of Interests Policy to ensure that the independence of Directors is appropriately assessed. All Directors and Executives complete a Statement of Interests on commencement with the Authority, and disclose any interests at relevant Board meetings or as they arise. It is considered that none of the interests of Directors could materially interfere with the ability of those Directors to act in the Authority's best interests. On this basis, all members of the Board are considered to be independent.

Directors are required to declare the nature of any interest they have in business to be dealt with by the Board. Except as permitted by the *Government Owned Corporations Act 1993*, Directors leave Board meetings and do not vote when business in which they are interested in is considered.

Independent Advice

After consultation with the Chairman, Directors may seek independent professional advice at the Authority's expense in furtherance of their duties and responsibilities.

Code of Conduct

A formal Code of Conduct was approved by the Board on 19 August 2003. The code demonstrates to employees expectations of their performance, duties, and responsibilities in the interests of professionalism, compliance with legislative requirements, and respect and appreciation for others. The conduct and ethics expected specifically of Directors are covered within the Corporate Governance Manual. The Corporate Governance Statement and Manual are available on the Authority's website.

Director and Executive Remuneration

Remuneration for Directors is determined by the Governor in Council. Remuneration arrangements for the Chief Executive Officer and Senior Executives are determined by the Board, and advised to shareholding Ministers before any variation is made to remuneration arrangements.

The Authority's remuneration policy provides for a review of executive salaries during June of each year with any adjustments effective 1 July. Details of executive remuneration are included in the Annual Report and Statement of Corporate Intent in accordance with legislative and policy requirements. Increases in Director and Senior Executive remuneration are made and approved in accordance with the document *Remuneration Guidelines for Directors and Senior Executives in Government Owned Corporations* (issued September 2000).

In accordance with the disclosure requirements for Government Owned Corporations, details of Directors remuneration are shown below.

Director Remuneration

Director	Base Fee	Superannuation	Committee Fees	Total
R. McLean	\$26,360	\$1,865	\$1,917	\$30,142
B. Keating	\$11,982	\$1,289	\$2,336	\$15,607
J. Pennisi	\$11,982	\$1,176	\$1,078	\$14,236
M. Griffiths	\$11,982	\$1,176	\$1,078	\$14,236
P. Keehan	\$11,982	\$1,186	\$1,198	\$14,366
S. Graw	\$11,982	\$1,229	\$1,678	\$14,889
K. McElligott	\$11,982	\$1,028	\$1,438	\$14,448
A. Mooney	\$11,982	\$1,132	\$599	\$13,713

Planning

Planning is a critical element of good corporate governance. The Authority is required to develop a five-year Corporate Plan and a 12-month Statement of Corporate Intent under the *Government Owned Corporations Act 1993*, which are submitted to shareholding Ministers annually for approval.

One of the Board's key functions is to monitor the performance of the Authority against identified corporate objectives, strategic business plans, and the legislative and governance framework in which the Authority operates. A summary of the Authority's Statement of Corporate Intent is provided earlier in this Annual Report.

Dividend Policy

The *Government Owned Corporations Act 1993* requires the Board to recommend the payment of a dividend following consultation with shareholding Ministers. Under the Act, the dividend must be paid within six months after the end of the financial year or any further period that the shareholding Ministers allow.



Risk Management and Compliance

During 2005/2006 the Authority commenced the implementation of its Risk Management Plan. A Risk Management Policy was approved by the Board in October 2005.

The policy aims to establish a comprehensive and process-driven approach to the management of risks, threats and opportunities by:

- > an organisational-wide risk management process and database for the identification and effective management of risk, including use of a common risk language;
- > ensuring identified risks are managed through the application of control measures that provide the best outcomes for all stakeholders;
- > ensuring risks are monitored through formal documentation and review with mitigation controls being reported;
- > promoting a risk aware culture throughout the organisation;
- > ensuring risk communication, training and education are provided to employees;
- > ensuring the Authority's culture and processes encourage the identification, assessment and treatment of risks that may affect the organisation's ability to achieve its stated vision and objectives;
- > maintaining an up-to-date risk register;
- > ensuring that, in managing risks, the Authority fully complies with all relevant legislation, standards, regulations, contractual obligations and community requirements and expectations, and that any changes to relevant legislation, regulations and community requirements are promptly cascaded throughout the organisation;
- > ensuring that, where structured, Compliance Programs (AS 3806-1998) are considered to be the most appropriate risk treatment process, that such programs are consistent in their approach, and that effective monitoring and reporting of performance against those programs is regularly conducted;

- > continuously improving the risk management process and compliance performance;
- > ensuring that adequate resources are provided to achieve risk management objectives; and,
- > providing a practical and readily-usable means of processing, prioritising, communicating and presenting risk information in an ongoing way.

To aid in the management of risk the Authority implemented an integrated risk management application in March 2006. Risk management will continue to be a focus in 2006/2007.

The Authority developed a Compliance Policy and Framework (in line with AS3806 – the Australian Standard on Compliance Programs) to appropriately manage compliance within the organisation. The Policy and framework were approved by the Board in March 2006. Implementation of the framework has commenced and will continue in 2006/2007.

Information and Communications Technology

A number of improvements in information and communication technology (ICT) operating practices have been made during 2005/2006.

The Authority investigated two electronic systems to facilitate the efficient and secure management of a number of our business processes. In February the Authority introduced a new electronic-based quality assurance, risk and incident management system called Qudos.

With the steady increase in the use of electronic communications, the Authority also needed to automate and improve its record-keeping practices. The Authority complies with record-keeping legislation and standards, including the *Queensland State Government's Public Records Act 2002*, Information Standards 18, 31, 40, 41 and 42, and ISO 15489.

The Authority has been working on a new Electronic Document Records Management System, which will be implemented by October 2006. It is a knowledge management tool that will manage and deliver timely and accurate corporate information to each employees' desktop. Improvements in e-mail, document control,

workflow, and records management are expected following the implementation. In managing its corporate knowledge base, the Authority will be well-placed to secure future corporate records in whatever format they are created or received.

eBusiness guided the development and implementation of the Authority's ICT Strategy. This strategy sets the direction for investment in ICT capability and provides the context for the governance, sourcing, and delivery of ICT for the Authority.

A range of projects supporting better management of information resources were completed throughout 2005/2006. Key achievements included:

- > a comprehensive redevelopment of the Authority's website providing an updated design and improved usability, resulting in increased user satisfaction;
- > infrastructure security upgrade aligned with industry best practice;
- > upgrade of hardware infrastructure systems resulting in better performance on the network and improved reliability of the finance system;
- > a review of current communications pricing and infrastructure;
- > the formation of an ICT steering committee made up of representatives from all business units. The committee was formed to ensure the ICT strategy remains aligned to the business requirements of the Authority;
- > the review and implementation of a Strategic Recordkeeping Implementation Plan, Records Management Plan, Records Management Procedure, and Privacy Plan; and,
- > the review and implementation of ICT-related policies in accordance with Queensland Government information standards.

Audits

PricewaterhouseCoopers are contracted to carry out the Authority's internal audit services until 30 June 2006. The external audit function is carried out by WHK-TCM Smith Audit Partnership under contract to the Queensland Audit Office.

→ Townsville Port Authority

Annual Financial Report

for the Financial Year ending 30 June 2006

Purpose and Scope

Townsville Port Authority is a Statutory Government Owned Corporation, constituted on 1 July 1995 under the provisions of the *Government Owned Corporations Act 1993* (GOC Act). Under the terms of Section 127 of the GOC Act, the *Financial Administration and Audit Act 1977* applies to the Authority as if it were a Statutory Body.

These Statements have been prepared -

- (i) to satisfy the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements; and
- (ii) to communicate information concerning the Authority's financial performance for the year and its financial position at year end to a variety of information users including -
 - . its shareholding Ministers, the Honourable the Minister for Transport and Minister for Main Roads of Queensland and the Honourable the Treasurer of Queensland;
 - . users and potential users of the Port of Townsville;
 - . the community in general; and
 - . other interested parties.

The statements are general purpose in nature and provide a full presentation of all of the financial activities of Townsville Port Authority.

TOWNSVILLE PORT AUTHORITY

Income Statement

for the Financial Year ended 30 June 2006

	NOTE	2006 \$	2005 \$
REVENUES FROM ORDINARY ACTIVITIES			
Revenue from Operating Activities			
Service Revenue	4	29,878,177	28,109,723
Revenue from Non-Operating Activities			
Interest received		626,689	416,197
Other Revenue	4	98,562	229,374
Reversal of Prior Year Writedowns on Assets		533,428	7,907,181
Changes in Fair Values of Investment Properties		5,032,061	3,245,897
<i>Total Revenue from Ordinary Activities</i>		36,168,917	39,908,372
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS			
Employee Benefits Expense		4,903,072	4,444,212
Depreciation Expense		6,367,683	6,786,815
Other Expenses	4	16,056,014	14,299,870
Asset Revaluation Writedowns		3,220,903	3,734,600
<i>Total Expenses from Ordinary Activities Excluding Borrowing Costs</i>		30,547,672	29,265,497
<i>Borrowing Costs Expense</i>		853,064	1,007,425
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE / (INCOME TAX REVENUE)			
		4,768,181	9,635,450
Income Tax Revenue (Income Tax Expense) relating to Ordinary Activities	6	(2,590,211)	(2,087,082)
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE / (INCOME TAX REVENUE)			
	5	2,177,970	7,548,368
NET PROFIT / (LOSS)			
		2,177,970	7,548,368
Increase / (Decrease) in Asset Revaluation Reserve	7	6,185,669	27,383,637
Total Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity		6,185,669	27,383,637
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS			
	8	\$8,363,639	\$34,932,005

The accompanying notes form part of these financial statements

TOWNSVILLE PORT AUTHORITY

Balance Sheet

as at 30 June 2006

	NOTES	2006 \$	2005 \$
CURRENT ASSETS			
Cash Assets	9	12,698,782	7,522,466
Receivables	10	3,866,060	4,834,369
Other	11	157,587	151,295
TOTAL CURRENT ASSETS		16,722,429	12,508,130
NON-CURRENT ASSETS			
Property, Plant and Equipment	12	150,835,403	149,513,086
Investment Properties	12	18,721,654	15,014,620
Deferred Tax Assets	6(e)	15,059,125	14,337,982
Other	11	1,440	4,510
TOTAL NON-CURRENT ASSETS		184,617,622	178,870,198
TOTAL ASSETS		\$201,340,051	\$191,378,328
CURRENT LIABILITIES			
Payables	13	3,633,372	3,476,073
Interest-bearing Liabilities	14	2,356,390	2,209,939
Current Tax Liabilities		818,495	576,057
Provisions	15	55,554	601,246
TOTAL CURRENT LIABILITIES		6,863,811	6,863,315
NON-CURRENT LIABILITIES			
Payables	16	602,426	553,271
Interest-bearing Liabilities	14	11,109,191	13,465,676
Deferred Tax Liabilities	6(e)	23,145,260	19,160,410
Provisions	15	183,484	263,416
TOTAL NON-CURRENT LIABILITIES		35,040,361	33,442,773
TOTAL LIABILITIES		\$41,904,172	\$40,306,088
NET ASSETS		\$159,435,879	\$151,072,240
EQUITY			
Contributed Equity	17	98,935,028	98,935,028
Retained Earnings	5	14,097,432	11,919,462
Reserves	7	46,403,419	40,217,750
TOTAL EQUITY		\$159,435,879	\$151,072,240

The accompanying notes form part of these financial statements

TOWNSVILLE PORT AUTHORITY

Statement of Changes in Equity for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Total equity at the beginning of the financial year	151,072,240	116,717,555
Gain on revaluation of land and buildings, net of tax	6,185,669	27,383,637
Net income recognised directly in equity	6,185,669	27,383,637
Profit for the year	2,177,970	7,548,368
Total recognised income and expense for the year	8,363,639	34,932,005
Movement in Deferred Tax Balances between June 2004 and June 2005	-	(230)
Transactions with equity holders in their capacity as equity holders: Dividends provided for or paid	-	(577,090)
	-	(577,090)
Total equity at the end of the financial year	159,435,879	151,072,240

The accompanying notes form part of these financial statements

TOWNSVILLE PORT AUTHORITY

Statement of Cash Flows

for the Financial Year ended 30 June 2006

	NOTES	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		30,945,048	26,762,772
Payments to suppliers and employees		(18,695,340)	(19,282,564)
GST collected from sales and services provided		2,889,528	2,853,504
GST paid in respect of acquisitions		(1,417,294)	(1,582,559)
GST paid to Australian Taxation Office		(1,669,208)	(1,215,166)
Interest received		626,689	416,197
Dividend paid		(577,090)	(1,170,250)
Income Tax Equivalents Paid		(1,735,067)	(1,692,156)
Net cash inflow from operating activities	B	\$10,367,266	\$5,089,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(2,153,753)	(1,630,165)
Proceeds from sale of property, plant and equipment		25,900	253,575
Net cash outflow from investing activities		(\$2,127,853)	(\$1,376,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,210,033)	(2,055,672)
Interest paid		(853,064)	(1,007,425)
Net cash inflow (outflow) from financing activities		(\$3,063,097)	(\$3,063,097)
Net (Decrease) / Increase in cash held		5,176,316	650,091
Cash at beginning of the financial year		7,522,466	6,872,375
Cash at end of financial year	A	\$12,698,782	\$7,522,466

TOWNSVILLE PORT AUTHORITY

Notes to the Statement of Cash Flows

for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
A. Reconciliation of Cash		
For the purposes of this statement of cash flows, cash includes cash on hand and at bank and investments, in money market instruments, readily convertible to cash at the investor's option. Cash at the end of the year is shown in the Statement of Financial Position as:		
Cash on Hand	1,450	1,350
Cash at Bank	798,392	955,476
Term Deposits	11,898,940	6,565,640
	\$12,698,782	\$7,522,466
B. Reconciliation of Profit (Loss) from Ordinary Activities After Income Tax Equivalents Expense to Net Cash Inflow from Operating Activities		
Operating (Loss) / Profit after Income Tax Equivalents Expense and Abnormal Items	2,177,970	7,548,368
Depreciation	6,367,683	6,786,815
Interest Expense	853,064	1,007,425
Profit on Disposal of Non-Current Assets	-	(129,290)
Loss on Disposal of Non-Current Assets	1,209,228	-
Net Revaluation Increments - Non-Current Assets	(2,344,586)	(7,418,478)
Income Tax Equivalents Expense	2,590,211	2,087,082
Changes in Assets and Liabilities		
(Increase) Decrease in Trade Debtors	968,309	(1,447,035)
(Increase) Decrease in Utility Deposits	9,807	6,823
(Increase) Decrease in Prepayments	(13,029)	(6,238)
Increase (Decrease) in Operating Trade Creditors	868,562	(485,358)
Increase (Decrease) in Operating Retention	(50,126)	(69,198)
Increase (Decrease) in Other Operating Creditors	28,524	(3,851)
Increase (Decrease) in Provision for Dividend - (Dividend Paid in Year)	(577,090)	(1,170,250)
Increase (Decrease) in Provisions	13,806	75,119
Increase (Decrease) in Provision for Taxation - (Tax Paid in Year)	(1,735,067)	(1,692,156)
Net Cash Inflow from Operating Activities	\$10,367,266	\$5,089,778

C. Financing Facilities

The Authority has available a bank overdraft limit of \$100,000. At 30 June 2006 no amount was drawn on this overdraft. Loan facilities as shown in note 14 to the accounts are provided by the Queensland Treasury Corporation. New borrowings are subject to the approved Loan Programme with the sanction of the Treasurer of Queensland.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS

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

(a) Basis of Preparation of the Accounts

This financial report is a general purpose financial report that has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the *Financial Administration and Audit Act 1977*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Authority financial statements to be prepared in accordance with AIFRSs. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the Authority until 30 June 2005 has been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Authority's financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 30 June 2005 were restated to reflect these adjustments. The Authority has elected to adopt the exemption available under AASB 1 retaining to AASB 132 and AASB 139.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Authority's equity and its net income are given in note 29.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of the available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 29.

The following is a summary of the material accounting policies adopted by the Authority in the preparation of the financial report.

(b) Corporate Status

Townsville Port Authority is a Statutory Government Owned Corporation, constituted on 1 July 1995 under the provisions of the *Government Owned Corporations Act 1993* (GOC Act). Under the terms of Section 127 of the GOC Act, the *Financial Administration and Audit Act 1977* applies to the Authority as if it were a statutory body.

(c) Taxation

As a Government Owned Corporation, the entity is not subject to Commonwealth income tax but as from 1 July 2001 the Authority has been required to pay tax equivalents under the National Tax Equivalents Regime. The Authority, in accordance with Accounting Standard AASB 112 'Income Taxes' is required to adopt tax effect accounting.

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 to unused tax losses.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS (continued)

(c) Taxation (continued)

Deferred tax 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 those 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 recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in transactions, 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 utilise those 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 related to the same taxation authority. Current tax assets and liabilities are offset where the entity 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Revenue Recognition

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. Revenue is recognised for the major business activities as follows:

(i) Harbour Dues/Tonnage Rates

Harbour dues and tonnage revenue rates are recognised as revenue when the vessel has left the berth.

(ii) Rentals

Rental revenue is recognised when entitlement to payment arises under the rental agreement. Monies received in advance at the end of the financial year are recognised as a liability.

(iii) Pilotage Transfer Service Revenue

Pilotage Transfer Service Revenue is recognised on completion of the Marine Pilot transfer operation to / from each vessel.

(iv) Charges for Services

Revenue from rendering of service is recognised on delivery of service to the customer.

(e) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes 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.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition for the Authority's debtors, and no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Authority 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 provision is recognised in the income statement.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS (continued)

(g) Inventories

All stores have been expensed and accounted for in the Income Statement.

(h) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Property Plant and Equipment

(i) Acquisition

The purchase method of accounting is used for all acquisitions of assets, being fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisitions.

Actual cost is used for the initial recording of all acquisition of assets controlled and administered by the Authority. Assets acquired at no cost or for nominal considerations are recognised at their fair value at date of acquisition. Subsequent costs are included in the assets' carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use, including architects' fees and engineering design fees.

Where assets are constructed by the Authority, the cost at which they are recorded includes an appropriate share of fixed and variable overheads. No borrowing costs are included.

Property, plant and equipment items with a cost or value on excess of \$500 and a useful life of more than one year are recognised as an asset. All other items of property, plant and equipment are expensed on acquisition.

(ii) Assets carried at fair value

Channels and swing basins, freehold land, wharves, buildings, land improvements, small boat harbours and facilities, breakwaters, access roads and beacons (except for investment properties refer to note 1 (h)) are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation where applicable. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

It is the policy of the Authority to have assets carried at fair value independently valued and useful lives reassessed every five years, with annual appraisals being made by directors. An independent valuation and reassessment of the useful lives of land, buildings and infrastructure assets was performed as at 1 January 2005 by Edward Rushton Australia Pty Ltd. For the reporting period ended 30 June 2006 the carrying amounts of non-current assets were increased by indices provided by Rushtons (Qld) Pty Ltd.

Increases in the carrying amounts arising on revaluation of channels and swing basins, freehold land, wharves, buildings, land improvements, small boat harbours and facilities, breakwaters, access roads and beacons are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS (continued)

(i) Property Plant and Equipment (continued)

(iii) Assets carried at cost

All property, plant and equipment (other than assets carried at fair value) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

(iv) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Authority commencing from the time the asset is held ready for use. For depreciation purposes, complex assets have been broken down into major components.

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.

Depreciation Rates used for each class of depreciable assets are:

Channels, Swing Basins, and Wharves	2.5%
Plant, Equipment	5.0% - 33.3%
Land Improvements & Small Boat Harbour	2.5% - 10.0%
Buildings	5.0% - 10.0%
Breakwaters	2.0%
Motor Vehicles	25.0%
Access Roads	5.0%
Beacons	10.0%

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is the Authority's policy to transfer the amounts included in the other reserves in respect of those assets to retained earnings.

(j) Investment property

Investment property, principally comprising of freehold buildings and vacant land, is held for either long term rental yields or capital accretion and is not occupied by the Authority. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income.

(k) Trade and Other Payables

Expenditure is recognised when goods are received or services are performed. Usual payment is within 30 days. The carrying amount approximates fair value.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS (continued)

(l) Employees' Provisions

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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.

(ii) Long service leave

The liability for long service leave is recognised in other payables and measured as 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. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Payroll tax, workers compensation and superannuation are included in the total. The current portion of long service leave has been calculated as a proportion of all employees with greater than seven years service. This proportion is based upon long service leave actually taken by employees over a three year period.

(iii) Superannuation

Employees of the Authority are members of QSuper. Employer contributions to QSuper made by the Authority are charged as expenses as the contributions are paid or become payable. For employees in QSuper, the Treasurer of Queensland, based on advice received from the State Actuary, determines employer contributions for superannuation expenses. No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the whole-of-Government financial report prepared pursuant to AAS 31 - Financial Reporting by Governments.

(m) Borrowings

Borrowings are initially recognised at fair value, 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 income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement for the liability for at least 12 months after the balance sheet date.

(n) Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are capitalised. Borrowing costs include interest on borrowings.

(o) Provisions

Provisions are recognised when, the Authority has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

XVII			
XVI			

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS (continued)

(p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(q) Dividends

Provisions is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(r) Computer Software and Hardware

Computer hardware is currently depreciated over its expected useful economic life of three years. Associated communications costs such as cabling and leased lines for the Authority's wide area network are fully expensed in the year the costs are incurred.

(s) 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 Balance Sheet are shown inclusive of GST.

(t) New accounting standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2006 reporting period. The Authority's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 Determining whether an Asset Contains a Lease

The Authority does not have interests in leases. This interpretation will not affect the Authority's financial statements.

(ii) UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Authority does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Authority's financial statements.

(iii) AASB 2005 9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB132]

AASB 2005 9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. This interpretation will not affect the Authority's financial statements.

(iv) AASB 7 Financial Instruments: Disclosures and AASB 2005 10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005 10 are applicable to annual reporting periods beginning on or after 1 January 2007. This interpretation will not affect the Authority's financial statements.

(v) UIG 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. This interpretation will not affect the Authority's financial statements.

(vi) AASB 2005 6 Amendments to Australian Accounting Standards [AASB 121]

AASB 2005 6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. The amendment to AASB 121 will have no impact on the Authority's financial statements.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 2. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Authority's overall risk management program focuses to minimise potential adverse effects on the financial performance of the Authority.

Risk management is carried out covering specific areas, such as mitigating interest rate and credit risks and investing excess liquidity.

(a) Market risk

As the Authority has no significant exposure to foreign exchange risk or price risk, the Authority's income and operating cash flows are not materially exposed to changes in market interest rates.

(b) Credit risk

The Authority has a concentration of credit risk whereby a small group of reputable customers comprise the majority of the trade receivables. The Authority has policies in place to ensure that services are provided to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through access to credit facilities.

A dividend is payable to shareholders, being the shareholding Ministers. The dividend is proposed to the Ministers, for approval, by the Directors. The Directors take into consideration available cash resources to ensure sufficient funding remains available after payment of the dividend.

(d) Cash flow and fair value interest rate risk

As the Authority has interest bearing assets in the form of bank deposits, the Authority's income and operating cash flows are not materially exposed to changes in market interest rates.

The Authority has material interest bearing liabilities. The Authority's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Authority to cash flow interest rate risk. Borrowings issued at fixed rates expose the Authority to fair value interest rate risk. The Authority's income and operating cash flows are not materially exposed to changes in market interest rates.

Note 3. CRITICAL ACCOUNTING ADJUSTMENT ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Authority has made no material critical accounting estimates and judgments causing a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$	2006 \$	2005 \$
Note 4. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (INCOME TAX REVENUE) INCLUDES THE FOLLOWING SPECIFIC REVENUES AND EXPENSES.				
Service Revenue				
Harbour Dues			19,687,705	18,883,467
Tonnage Rates			4,686,920	4,356,236
Rentals			3,332,879	2,860,835
Pilotage Transfer Service Revenue			568,221	551,187
Charges for Services:				
Water Sales	225,366	289,559		
Services to Shipping	306,309	315,997		
Boat Harbour Ross River	197,225	224,436		
Boat Harbour Ross Creek	180,640	180,521		
Electricity Sales	106,365	113,908		
Breakwater Marina - Mooring Fees	67,779	59,986		
Miscellaneous Plant	28,525	14,282		
Breakwater Marina - Fuel Licence	23,200	8,374		
Road Contribution Charge	112,279	69,377		
Port Security	33,965	30,628		
Port Services	17,259	9,546		
Waste Disposal	6,900	6,504		
Port Security Upgrade Charge	296,640	134,880	1,602,452	1,457,998
			\$29,878,177	\$28,109,723
Other Revenue				
Revenue from sale of Plant & Equipment	-	253,573		
Carrying Value of Plant & Equipment Disposed of	-	124,283		
Gain on Sale of Plant & Equipment			-	129,290
Miscellaneous Revenue			98,562	100,084
			\$98,562	\$229,374
Other Expenses				
Supplies & Services			14,539,868	13,957,167
Competitive Neutrality Fee			105,286	120,262
Land Tax			120,873	160,531
Audit Fees			77,225	61,910
Bad Debt Written Off			3,534	-
Carrying Value of Plant & Equipment Disposed of	1,235,129	-		
Revenue from sale of Plant & Equipment	25,901	-		
Loss on Sale of Plant & Equipment			1,209,228	-
			\$16,056,014	\$14,299,870

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 5. RETAINED PROFITS (ACCUMULATED LOSSES)		
Retained profits (accumulated losses) at the beginning of the year	11,919,462	4,906,923
Net Profit (Loss) for the period	2,177,970	7,548,368
Dividend provided for	-	(577,090)
Movement in Deferred Tax Balances between June 2004 and June 2005	-	(231)
Transfers to and from Reserves:		
Berth 11 Reserve Transfer from retained Profits / Depreciation Expense	-	41,492
Retained profits (accumulated losses) at the reporting date	\$14,097,432	\$11,919,462
Note 6. INCOME TAX EQUIVALENTS		
(a) Income tax equivalents expense		
Current tax/(revenue)	1,977,505	1,488,079
Deferred tax/(revenue)	612,706	599,003
	2,590,211	2,087,082
Income tax equivalents expense is attributable to:		
Profit from operations	1,977,505	1,488,079
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	(721,143)	(20,380)
(Decrease)/Increase in deferred tax liabilities	1,333,848	619,383
	612,705	599,003
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from operations before income tax expense	4,768,181	9,635,450
Tax at the rate of 30% (2005 was also 30%)	1,430,454	2,890,635
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible entertainment	6,372	5,343
Non-assessable AIFRS Adjustments - first time adoption	-	-
Non assessable reversal of prior year writedown of assets	(160,028)	(2,372,154)
Non assessable increase in fair values of investment properties	(1,509,618)	(973,769)
Non deductible asset revaluation writedowns	966,271	1,120,380
Non deductible depreciation expense	1,860,331	2,237,468
Non-deductible provisions and accruals	-	(605,612)
Sundry temporary differences	-	(215,209)
	2,593,782	2,087,082
Under/(over) provision in prior years	(3,571)	-
Income Tax Equivalents Expense	2,590,211	2,087,082

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 6. INCOME TAX EQUIVALENTS (continued)		
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity		
Current tax - credited directly to equity	-	-
Net deferred tax - debited/(credited) direct to equity as a result of net increment in ARR	2,651,001	11,686,129
	2,651,001	11,686,129
(d) Tax losses		
Unused tax losses for which a deferred tax asset has been recognised	1,218,750	-
Tax benefit @ 30%	365,625	-
(e) Additional disclosure notes		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Provision for doubtful debts	291	870
Accrued audit fees	17,862	12,990
Accrued superannuation	2,136	1,502
Provision for annual leave	88,695	88,805
Provision for long service leave - current	18,295	14,230
Provision for long service leave - non current	180,728	165,982
Provision for maintenance Picnic Bay Jetty - current	10,800	-
Provision for maintenance Picnic Bay Jetty - non current	55,046	-
Accrued revenue	208,822	199,640
Tax losses	365,625	-
Differences between book value and tax bases of property, plant and equipment	14,110,825	13,853,963
	15,059,125	14,337,982
Movements:		
Opening balance at 1 July	14,337,982	14,317,602
Credited/(charged) to the income statement	721,143	20,380
Credited/(charged) to equity	-	-
Closing balance at 30 June	15,059,125	14,337,982

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 6. INCOME TAX EQUIVALENTS (continued)		
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Prepayments	1,817	1,984
Investment properties	3,256,263	1,922,248
Property, plant and equipment	-	-
	3,258,080	1,924,232
<i>Amounts recognised directly in equity</i>		
Revaluation of property, plant and equipment	19,887,180	17,236,178
	23,145,260	19,160,410
Movements:		
Opening balance at 1 July	19,160,410	6,854,898
Credited/(charged) to the income statement	1,333,849	619,383
Credited/(charged) to equity	2,651,001	11,686,129
	23,145,260	19,160,410
Closing balance at 30 June	23,145,260	19,160,410

Note 7. RESERVES

Asset Revaluation Reserve

Movements During The Year:

Asset Revaluation Reserve -

Amount at beginning of the financial year
Net Asset Revaluation Increment (Decrement)
Tax Effect of Revaluation Increments
Amount at the reporting date

	\$46,403,419	\$40,217,750
Amount at beginning of the financial year	40,217,750	12,834,113
Net Asset Revaluation Increment (Decrement)	8,836,670	39,119,483
Tax Effect of Revaluation Increments	(2,651,001)	(11,735,846)
Amount at the reporting date	46,403,419	40,217,750

Berth 11 Reserve -

Amount at beginning of the financial year
Transfer from Retained Profits
Amount at the reporting date

Amount at beginning of the financial year	-	41,492
Transfer from Retained Profits	-	(41,492)
Amount at the reporting date	-	-

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 8. EQUITY		
Total equity at the beginning of the financial year	151,072,240	116,717,556
Total changes in equity recognised in the Profit and Loss Statement	8,363,639	34,932,005
Movement in Deferred Tax Balances between June 2004 and June 2005	-	(231)
Dividends provided for	-	(577,090)
Total equity at the reporting date	<u>\$159,435,879</u>	<u>\$151,072,240</u>
Note 9. CASH ASSETS		
Cash on Hand	1,450	1,350
Cash at Bank	798,392	955,476
Term Deposits	11,898,940	6,565,640
	<u>\$12,698,782</u>	<u>\$7,522,466</u>
Note 10. RECEIVABLES (CURRENT)		
Trade Debtors	3,867,030	4,837,269
Less Provision for Doubtful Debts**	(970)	(2,900)
	<u>\$3,866,060</u>	<u>\$4,834,369</u>
**There were no bad debts written off against the provision.		
Note 11. OTHER ASSETS		
Current		
Prepayments	157,587	144,558
Utility Deposits	-	6,737
	<u>\$157,587</u>	<u>\$151,295</u>
Non-Current		
Utility Deposits	<u>\$1,440</u>	<u>\$4,510</u>

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

			2006 \$	2005 \$
Note 12. PROPERTY, PLANT & EQUIPMENT				
	Gross \$	Accumulated Depreciation \$	Carrying Amount \$	Carrying Amount \$
Channels and Swing Basins				
At Directors' Valuation - January 2006	74,419,118	39,853,983	34,565,135	37,796,981
Land				
At Directors' Valuation - January 2006	31,659,625	-	31,659,625	25,327,700
Wharves				
At Directors' Valuation - January 2006	154,527,600	130,339,482	-	-
Additions at Cost	2,226,172	39,196	-	-
Total Wharves	156,753,772	130,378,678	26,375,094	23,268,520
Breakwaters				
At Directors' Valuation - January 2006	24,639,373	5,656,719	18,982,654	21,460,279
Improvements (Land)				
At Directors' Valuation - January 2006	18,384,715	6,200,819	-	-
Additions at Cost	85,986	1,298	-	-
Total Improvements (Land)	18,470,701	6,202,117	12,268,584	12,132,017
Buildings				
At Directors' Valuation - January 2006	22,171,890	12,365,140	-	-
Additions at Cost	63,131	1,991	-	-
Total Buildings	22,235,021	12,367,131	9,867,890	9,336,223
Plant and Equipment				
At Cost	31,212,438	22,320,095	8,892,343	8,938,133
Access Roads				
At Directors' Valuation - January 2006	9,275,741	6,279,032	2,996,709	3,248,088
Small Boat Harbours				
At Directors' Valuation - January 2006	7,259,461	4,510,515	2,748,946	2,884,909
Motor Vehicles				
At Cost	211,963	88,133	123,830	174,643
Beacons				
At Directors' Valuation - January 2006	521,200	438,923	82,277	123,559
*Capital Works in Progress at cost	2,272,316	-	2,272,316	4,822,034
	\$378,930,729	\$228,095,326	\$150,835,403	\$149,513,086

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

		2006 \$	2005 \$
Note 12. PROPERTY, PLANT & EQUIPMENT (continued)			
*Capital Works in Progress at cost (continued)			
*Capital Works in Progress			
Harbour Works		802,748	2,675,697
Eastern Port Development		1,183,425	1,183,425
Equipment		286,143	962,912
		<u>\$2,272,316</u>	<u>\$4,822,034</u>
	Gross	Accumulated	
	\$	Depreciation \$	
Investment Properties		Carrying	Carrying
At Directors' Valuation - June 2006	\$18,721,654	Amount \$	Amount \$
	\$-	\$18,721,654	\$15,014,620

	2006 Cost \$	2006 Fair Value \$
Reconciliation of the Carrying Amounts by Class		
Channels and Swing Basins		
Carrying amount at the beginning of the financial year at Fair Value		37,796,981
additions		-
disposals		-
net revaluation increment / (decrement)		1,492,946
recoverable amounts write-downs		(3,808,475)
depreciation expense		(916,317)
Carrying amount at the end of the financial year at Fair Value		<u>34,565,135</u>
Land		
Carrying amount at the beginning of the financial year at Fair Value		25,327,700
additions		-
disposals		-
net revaluation increment / (decrement)		6,331,925
recoverable amounts write-downs		-
depreciation expense		-
Carrying amount at the end of the financial year at Fair Value		<u>31,659,625</u>
Wharves		
Carrying amount at the beginning of the financial year at Fair Value		23,268,520
additions		2,226,172
disposals		-
transfers between asset classes		-
net revaluation increment / (decrement)		1,647,669
recoverable amounts write-downs		586,126
depreciation expense		(1,353,393)
Carrying amount at the end of the financial year at Fair Value		<u>26,375,094</u>

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Reconciliation of the Carrying Amounts by Class (Continued)	2006 Cost \$	2006 Fair Value \$
Breakwaters		
Carrying amount at the beginning of the financial year at Fair Value		21,460,279
additions		-
disposals		-
net revaluation increment / (decrement)		849,209
recoverable amounts write-downs		(2,888,966)
depreciation expense		(437,868)
Carrying amount at the end of the financial year at Fair Value		<u>18,982,654</u>
Improvements (Land)		
Carrying amount at the beginning of the financial year at Fair Value		12,132,017
additions		85,986
disposals		-
transfers between asset classes		-
net revaluation increment / (decrement)		719,264
recoverable amounts write-downs		-
depreciation expense		(668,683)
Carrying amount at the end of the financial year at Fair Value		<u>12,268,584</u>
Buildings		
Carrying amount at the beginning of the financial year at Fair Value		9,336,223
additions		63,131
disposals		-
transfers between asset classes		215,134
net revaluation increment / (decrement)		837,583
recoverable amounts write-downs		-
depreciation expense		(584,181)
Carrying amount at the end of the financial year at Fair Value		<u>9,867,890</u>
Plant & Equipment		
Carrying amount at the beginning of the financial year at Cost	8,938,133	
additions	1,625,338	
disposals	(7,265)	
transfers between asset classes	-	
recoverable amounts write-downs	-	
depreciation expense	(1,663,863)	
Carrying amount at the end of the financial year at Cost	<u>8,892,343</u>	
Access Roads		
Carrying amount at the beginning of the financial year at Fair Value		3,248,088
additions		-
disposals		-
net revaluation increment / (decrement)		211,090
recoverable amounts write-downs		-
depreciation expense		(462,469)
Carrying amount at the end of the financial year at Fair Value		<u>2,996,709</u>

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Reconciliation of the Carrying Amounts by Class (Continued)	2006 Cost \$	2006 Fair Value \$
Small Boat Harbours and Facilities		
Carrying amount at the beginning of the financial year at Fair Value		2,884,909
additions		-
disposals		-
transfers between asset classes		(108,856)
net revaluation increment / (decrement)		170,821
recoverable amounts write-downs		-
depreciation expense		(197,928)
Carrying amount at the end of the financial year at Fair Value		<u>2,748,946</u>
Motor Vehicles		
Carrying amount at the beginning of the financial year at Cost	174,643	
additions	-	
disposals	(9,114)	
net revaluation increment / (decrement)	-	
recoverable amounts write-downs	-	
depreciation expense	(41,700)	
Carrying amount at the end of the financial year at Cost	<u>123,830</u>	
Beacons		
Carrying amount at the beginning of the financial year at Cost		123,559
additions		-
disposals		-
net revaluation increment / (decrement)		-
recoverable amounts write-downs		-
depreciation expense		(41,282)
Carrying amount at the end of the financial year at Fair Value		<u>82,277</u>
*Capital Works in Progress		
Carrying amount at the beginning of the financial year at Cost	4,822,034	
additions	1,450,909	
disposals	(4,000,627)	
net revaluation increment / (decrement)	-	
recoverable amounts write-downs	-	
depreciation expense	-	
Carrying amount at the end of the financial year at Cost	<u>2,272,316</u>	
Investment Properties		
Carrying amount at the beginning of the financial year at Fair Value		15,014,620
additions		-
disposals		(1,218,750)
transfers between asset classes		(106,277)
net revaluation increment / (decrement)		5,032,061
recoverable amounts write-downs		-
depreciation expense		-
Carrying amount at the end of the financial year at Fair Value		<u>18,721,654</u>

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 13. PAYABLES (CURRENT)		
Trade Creditors	2,489,732	2,261,699
Revenue in Advance	696,074	687,465
Retention	19,061	131,502
Accrued Wages	65,839	46,485
Trust Fund Deposits	6,032	5,472
Employees' Long Service Leave	60,984	47,434
Employees' Annual Leave	295,650	296,016
	\$3,633,372	\$3,476,073
Note 14. INTEREST BEARING LIABILITIES		
Current	2,356,390	2,209,939
Non-Current	11,109,191	13,465,676
	\$13,465,581	\$15,675,615

All borrowings are with Queensland Treasury Corporation. The Queensland Treasury Corporation recorded a market value adjustment of (\$156,816), (2005 was \$168,562) principally as a result of past movements in the market value of liabilities in the Debt Pools giving a market debt outstanding of \$13,308,765 (2005 was \$15,884,177).



TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 15. PROVISIONS		
Current		
Dividend	-	577,090
Fringe Benefits Tax	19,554	24,156
Picnic Bay Jetty Maintenance	36,000	-
	\$55,554	\$601,246
Non-Current		
Picnic Bay Jetty Maintenance	\$183,484	\$263,416
Movements During The Year:		
Dividend -		
Amount at beginning of the financial year	577,090	1,170,250
Additional Provision Recognised	-	577,090
Utilised Provision	(577,090)	(1,170,250)
Unused Amount Reversed	-	-
Amount at the reporting date	-	577,090
Fringe Benefits Tax -		
Amount at beginning of the financial year	24,156	21,198
Additional Provision Recognised	19,554	24,156
Utilised Provision	(24,156)	(21,198)
Unused Amount Reversed	-	-
Amount at the reporting date	19,554	24,156
Picnic Bay Jetty Maintenance -		
Amount at beginning of the financial year	263,416	307,475
Additional Provision Recognised	-	-
Utilised Provision	(43,932)	(44,059)
Unused Amount Reversed	-	-
Amount at the reporting date	219,484	263,416
Note 16. PAYABLES (NON-CURRENT)		
Employees' Long Service Leave	602,426	553,271
Note 17. CONTRIBUTED EQUITY		
Authorised capital - 500,000,000 ordinary shares of \$1 each	\$500,000,000	\$500,000,000
Issued capital		
Amount at beginning of the financial year - 98,935,028 ordinary shares of \$1 each fully paid	98,935,028	98,935,028
Amount at the reporting date - 98,935,028 ordinary shares of \$1 each fully paid	\$98,935,028	\$98,935,028

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Notes 18. DIVIDENDS		
(a) Ordinary Shares		
Final Dividend for the year ended	-	\$577,090
(b) Dividends not recognised at year end		
Shareholding Ministers have approved that no dividend is payable in respect of the 30 June 2006 financial year. A dividend has not been recognised as a provision at financial year end or approved subsequent to financial year.		
Note 19. DEVELOPMENT BUREAU & COMMUNITY PROJECTS		
Townsville Port Authority supported Development Bureau and community projects by providing cash and in-kind contributions to the following:-		
Townsville Enterprise Incorporated	127,273	92,000
Townsville Maritime Museum	88,688	97,602
The Missions to Seaman (Townsville)	19,295	16,294
Townsville Magnetic Island Swim Association	5,455	-
The Salvation Army Red Shield Appeal	5,000	5,000
Australia on the Map Inc. - Sponsorship of the Dyfken Voyage	5,000	-
Queensland Cancer Fund - 2006 Relay for Life Sponsorship	2,500	-
James Cook University of North Queensland Academic Prizes	1,800	1,750
Australian Red Cross	-	12,000
	\$255,011	\$224,646
Note 20. CONSULTANCY EXPENDITURE		
Professional/Technical	450,467	685,557
Management	9,829	8,166
Human Resource Management	149,129	84,225
Finance/Accounting	110,847	37,196
Information Technology	31,530	52,816
Communication	46,409	8,312
	\$798,211	\$876,272



TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

	2006 \$	2005 \$
Note 21. COMMITMENTS		
(a) Capital Expenditure Commitments (GST inclusive)		
Plant & Equipment	137,280	49,276
Depending on works performance these commitments are payable not later than one year.		
	\$137,280	\$49,276
(b) Operating Commitments (GST inclusive)		
Operating Expenses	\$41,063	-
Depending on works performance the above commitments are payable within one year.		
(c) Operating leases		
Operating leases in place as at 30 June 2006		
Due within one year	105,870	117,142
Due not earlier than one year and not later than five years	58,849	164,718
	\$164,719	\$281,860
Note 22. CONTINGENT ASSETS/LIABILITIES		
There were no known contingent assets/liabilities of a significant nature at 30 June 2006.		
Note 23. SEGMENT REPORTING		
The Authority operates predominantly in one industry being that of seaport management and control. It operates predominantly in one geographic segment being Townsville.		
Note 24. AUDITORS' REMUNERATION		
Amounts received or due and receivable by the auditors for auditing the accounts.	\$41,250	\$36,630

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 25. DISCLOSURE OF FINANCIAL INSTRUMENTS

(i) Interest Rate Risk

The Authority'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.

Financial Instrument	0-1 Years		Fixed Rate Maturing In 1-5 Years		Over 5 Years		Non Interest Bearing		Carrying Amount as per Balance Sheet		Weighted Average Book Rate	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets												
Cash on Hand	-	-	-	-	-	-	1,450	1,350	1,450	1,350	-	-
Cash at Bank	798,390	955,476	-	-	-	-	-	-	798,390	955,476	4.79%	4.45%
Short Term Deposits	11,898,940	6,565,640	-	-	-	-	-	-	11,898,940	6,565,640	5.93%	5.69%
Receivables - See note 1(j)	-	-	-	-	-	-	3,870,569	4,834,369	3,870,569	4,834,369	-	-
Financial Liabilities												
Payables - See Note 1(k)	-	-	-	-	-	-	3,187,279	3,132,623	3,187,279	3,132,623	-	-
QTC Borrowings	2,356,390	2,209,939			238,879	3,239,145	-	-	13,465,581	15,675,615	5.57%	5.69%
			10,870,312	10,226,531								

In the above Financial Instruments, book value equates to net fair value, with the exception of QTC Borrowings. The market rate of QTC Borrowings as at 30th June 2006 was \$13,308,765 (at 30th June 2005 was \$15,844,177).

(ii) Credit Risk

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

(iii) Net Fair Values

The net fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Authority approximates their carrying value. See note 1(d).



TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 26. SPECIFIED DIRECTORS AND EXECUTIVES REMUNERATION

remuneration of specified directors	year	director fees	committee fees	employer superannuation	total remuneration
R.G. McLean (Chairman)	2005/06	26,360	1,917	1,865	30,142
	2004/05	25,520	3,712	2,631	31,863
B.K. Keating (Deputy Chair)	2005/06	11,982	2,336	1,289	15,607
	2004/05	11,600	3,364	1,347	16,311
S.B. Graw	2005/06	11,982	1,678	1,229	14,889
	2004/05	11,600	580	1,096	13,276
A.J. Mooney	2005/06	11,982	599	1,132	13,713
	2004/05	11,600	-	1,044	12,644
G. Pennisi	2005/06	11,982	1,078	1,176	14,236
	2004/05	11,600	2,436	1,295	15,331
M.J. Griffiths - appointed 1 July 2005	2005/06	11,982	1,078	1,176	14,236
	2004/05	-	-	-	-
P.F. Keehan - appointed 1 July 2005	2005/06	11,982	1,198	1,186	14,366
	2004/05	-	-	-	-
K.V. McElligott - appointed 1 July 2005	2005/06	11,982	1,438	1,028	14,448
	2004/05	-	-	-	-
T.G. Parker - term expired 30 June 2005	2004/05	11,600	2,436	1,263	15,299
T.P. Baxter - term expired 30 June 2005	2004/05	11,600	812	1,117	13,529
J.M. Gleeson - term expired 30 June 2005	2004/05	11,600	290	1,070	12,960
insurance premiums to indemnify liabilities while acting as a director	2005/06	-	-	-	29,514
	2004/05	-	-	-	35,200
Total Remuneration: Specified Directors	2005/06	110,234	11,322	10,081	161,151
	2004/05	106,720	13,630	10,863	166,413

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 26. SPECIFIED DIRECTORS AND EXECUTIVES REMUNERATION (continued)

remuneration of specified executives	year	base salary	employer superannuation	other benefits (incl vehicle)	total remuneration
Chief Executive Officer	2005/06	165,753	21,133	23,341	210,227
	2004/05	160,148	20,018	16,127	196,293
Manager - Engineering	2005/06	106,204	13,300	19,377	138,881
	2004/05	104,210	12,560	16,346	133,116
Manager - Finance	2005/06	84,666	10,795	16,722	112,183
	2004/05	81,803	10,077	12,523	104,403
Manager - Corporate Governance	2005/06	84,637	10,520	16,288	111,445
	2004/05	75,375	9,562	10,525	95,462
Manager - Marine Services	2005/06	83,790	10,520	16,094	110,404
	2004/05	75,375	9,562	11,474	96,411
Manager - Planning & Environment - resigned 21 April 2006	2005/06	83,901	6,745	7,714	98,360
	2004/05	84,591	7,613	13,658	105,862
Total Remuneration: Specified Executives	2005/06	608,951	73,013	99,536	781,500
	2004/05	581,502	69,392	80,653	731,547
aggregate at-risk performance incentive remuneration		Aggregate at-risk performance incentive remuneration paid	Number of employees to whom a performance payment is paid or payable		
	2005/06	nil	nil		
	2004/05	nil	nil		

Note 27. RELATED PARTY INFORMATION

From time-to-time Directors and Director related entities may have commercial dealings with the Authority. These transactions are conducted on arms length terms and conditions. Directors declare their interest on commercial dealings at Board meetings.

Note 28. EVENTS OCCURRING AFTER BALANCE DATE

No events were noted in the previous year's Annual Financial Report as occurring after balance date.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 29. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(a) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(i) At the Date of transition to AIFRS: 1 July 2004

Balance Sheet At the date of 30 June 2004	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
CURRENT ASSETS			
Cash Assets	6,872,375	-	6,872,375
Receivables	3,387,334	-	3,387,334
Current Tax Asset	-	-	-
Other	151,573	-	151,573
TOTAL CURRENT ASSETS	10,411,282	-	10,411,282
NON-CURRENT ASSETS			
Receivables	-	-	-
Property, Plant and Equipment	122,533,930	(11,768,723)	110,765,207
Investment Properties	-	11,768,723	11,768,723
Deferred Tax Assets	453,082	13,864,519	14,317,601
Other	4,817	-	4,817
TOTAL NON-CURRENT ASSETS	122,991,829	13,864,519	136,856,348
TOTAL ASSETS	133,403,111	13,864,519	147,267,630
CURRENT LIABILITIES			
Payables	2,904,565	310,558	3,215,123
Interest-bearing Liabilities	2,065,684	-	2,065,684
Current Tax Liabilities	779,902	-	779,902
Provisions	1,502,006	(310,558)	1,191,448
TOTAL CURRENT LIABILITIES	7,252,157	-	7,252,157
NON-CURRENT LIABILITIES			
Payables	-	469,943	469,943
Interest-bearing Liabilities	15,665,602	-	15,665,602
Deferred Tax Liabilities	1,726,089	5,128,809	6,854,898
Provisions	469,943	(162,468)	307,475
TOTAL NON-CURRENT LIABILITIES	17,861,634	5,436,284	23,297,918
TOTAL LIABILITIES	25,113,791	5,436,284	30,550,075
NET ASSETS	108,289,320	8,428,235	116,717,555

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 29. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(i) At the Date of transition to AIFRS: 1 July 2004 (continued)

Balance Sheet At the date of 30 June 2004	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
EQUITY			
Contributed Equity	98,935,028	-	98,935,028
(Accumulated Losses) / Retained	(11,617,842)	16,524,765	4,906,923
Earnings	-	-	-
Revaluation Reserves	20,664,659	(7,789,055)	12,875,604
Maintenance Reserves	307,475	(307,475)	-
TOTAL EQUITY	108,289,320	8,428,235	116,717,555

(ii) At the end of the last reporting period under previous AGAAP: 30 June 2005

Balance Sheet At the date of 30 June 2005	Previous AGAAP at 30 June 2005 \$	Adjustment to Opening Balance at 1 July 2004	Adjustments for Year Ended 30 June 2005 \$	AIFRS Balance Sheet at 30 June 2005 \$
CURRENT ASSETS				
Cash Assets	7,522,466	-	-	7,522,466
Receivables	4,834,369	-	-	4,834,369
Current Tax Asset	-	-	-	-
Other	151,295	-	-	151,295
TOTAL CURRENT ASSETS	12,508,130	-	-	12,508,130
NON-CURRENT ASSETS				
Receivables	-	-	-	-
Property, Plant and Equipment	164,527,706	(11,768,723)	(3,245,897)	149,513,086
Investment Properties	-	11,768,723	3,245,897	15,014,620
Deferred Tax Assets	484,019	13,864,519	(10,556)	14,337,982
Other	4,510	-	-	4,510
TOTAL NON-CURRENT ASSETS	165,016,235	13,864,519	(10,556)	178,870,198
TOTAL ASSETS	177,524,365	13,864,519	(10,556)	191,378,328

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 29. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(ii) At the end of the last reporting period under previous AGAAP: 30 June 2005 (continued)

CURRENT LIABILITIES				
Payables	3,132,623	310,558	32,892	3,476,073
Interest-bearing Liabilities	2,209,939	-	-	2,209,939
Current Tax Liabilities	576,057	-	-	576,057
Provisions	944,696	(310,558)	(32,892)	601,246
TOTAL CURRENT LIABILITIES	6,863,315	-	-	6,863,315
NON-CURRENT LIABILITIES				
Payables	-	469,943	83,328	553,271
Interest-bearing Liabilities	13,465,676	-	-	13,465,676
Deferred Tax Liabilities	1,720,266	5,128,809	12,311,335	19,160,410
Provisions	553,271	(162,468)	(127,387)	263,416
TOTAL NON-CURRENT LIABILITIES	15,739,213	5,436,284	12,267,276	33,442,773
TOTAL LIABILITIES	22,602,528	5,436,284	12,267,276	40,306,088
NET ASSETS	154,921,837	8,428,235	(12,277,832)	151,072,240
EQUITY				
Contributed Equity	98,935,028	-	-	98,935,028
(Accumulated Losses) / Retained Earnings	(11,388,019)	16,524,765	6,782,716	11,919,462
Revaluation Reserves	67,111,412	(7,789,055)	(19,104,607)	40,217,750
Maintenance Reserves	263,416	(307,475)	44,059	-
TOTAL EQUITY	154,921,837	8,428,235	(12,277,832)	151,072,240

(b) Reconciliation of profit for the year ended 30 June 2005

Profit and Loss Statement At the date of 30 June 2005	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
REVENUES FROM ORDINARY ACTIVITIES			
<i>Revenue from Operating Activities</i>			
Service Revenue	28,109,723	-	28,109,723
<i>Revenue from Non-Operating Activities</i>			
Interest received	416,197	-	416,197
Other Revenue	229,374	-	229,374
Reversal of Prior Year Writedowns on Assets	-	7,907,181	7,907,181
Changes in Fair Values of Investment Properties	-	3,245,897	3,245,897
Total Revenue from Ordinary Activities	28,755,294	11,153,078	39,908,372

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 29. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(b) Reconciliation of profit for the year ended 30 June 2005 (continued)

Profit and Loss Statement At the date of 30 June 2005	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS			
Employee Benefits Expense	4,444,212	-	4,444,212
Depreciation Expense	6,786,815	-	6,786,815
Other Expenses	14,343,929	(44,059)	14,299,870
Asset Revaluation Writedowns	-	3,734,600	3,734,600
<i>Total Expenses from Ordinary Activities Excluding Borrowing Costs</i>	25,574,956	3,690,541	29,265,497
<i>Borrowing Costs Expense</i>	1,007,425	-	1,007,425
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE / (INCOME TAX REVENUE)	2,172,913	7,462,537	9,635,450
Income Tax Revenue (Income Tax Expense) relating to Ordinary Activities	(1,451,551)	(635,531)	(2,087,082)
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE / (INCOME TAX REVENUE)	721,362	6,827,006	7,548,368
NET PROFIT / (LOSS)	721,362	6,827,006	7,548,368
Increase / (Decrease) in Asset Revaluation Reserve	46,488,245	(19,104,608)	27,383,637
Increase / (Decrease) in Picnic Bay Jetty Reserve	-	-	-
Total Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity	46,488,245	(19,104,608)	27,383,637
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	47,209,607	(12,277,602)	34,932,005

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 29. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(c) Reconciliation of cash flow statements for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statements.

(d) Notes to the reconciliations

(i) Investment Property

Under previous AGAAP the Authority measured investment property at fair value with any fair value increments and decrements being offset against one another within a class of non current assets, but not otherwise, and recognised in the asset revaluation reserve. Potential capital gains tax was not taken into account in determining revaluation amounts unless it is expected that a liability for such tax would crystallise.

At the date of transition the Authority made the decision to recognise investment property at fair value in accordance with AASB 140 Investment Property. The effect of this is:

(i.i) At 1 July 2004

There has been a reclassification of \$11,768,723 from property plant and equipment to investment property. To recognise prior year increments, retained earnings have increased by \$1,047,223 and the deferred tax liabilities have increased by \$448,810. The corresponding decrease of \$1,496,034 was recognised against the asset revaluation reserve.

(i.ii) At 30 June 2005

There has been a reclassification of \$3,245,297 from property plant and equipment to investment property. Retained Earnings has increased by \$2,271,528 and deferred tax liabilities have increased by \$973,769. The corresponding decrease of \$3,245,297 was recognised against the asset revaluation reserve.

(i.iii) For the year ended 30 June 2005

Other income for the year has increase by \$3,245,897 and income tax expense increased by \$973,769.

(ii) Revaluations of non current assets

Under previous AGAAP the revaluation increments and decrements were offset against another within a class of non current assets, but not otherwise. Potential capital gains tax was not taken into account in determining revaluation amounts unless it is expected that a liability for such tax would crystallise.

At the date of transition the Authority made the decision to continue to recognise property, plant and equipment at fair value in accordance with AASB 116 Property Plant and Equipment. AASB 116 Property, Plant and Equipment requires asset revaluations to be recognised on an asset-by-asset basis and net of tax. The effect of this is:

(ii.i) At 1 July 2004

There has been an increase in asset revaluation reserve by \$1,006,507. Retained earnings have decreased by \$1,006,507.

(ii.ii) At 30 June 2005

There has been an increase in the asset revaluation reserve of \$3,734,600 to reflect the reversal of downward revaluations of assets where no previous asset specific upwards revaluation had arisen and against which the decrement in fair value could be offset.

Retained earnings have increased by \$2,614,220 and deferred tax liability has decreased by \$1,120,380.

(ii.iii) For the year ended 30 June 2005

Other income for the year has decreased by \$3,734,600 and income tax expense decreased by \$1,120,380.

TOWNSVILLE PORT AUTHORITY

Notes to the Financial Statements for the Financial Year ended 30 June 2006

Note 29. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (continued)

(iii) Maintenance Reserves (continued)

Under previous AGAAP the Authority recognised a maintenance reserve which represented funds received by the Authority and committed to specific utilisation.

At the date of transition the Authority made a decision that a constructive/legal obligation existed to utilise the committed funds and recognised a provision in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The effect of this is:

(iii.i) At 1 July 2004

There has been an increase in non current provisions of \$307,475. The maintenance reserve has decreased by \$307,475.

(iii.ii) At 30 June 2005

There has been an increase in non current provisions of \$44,059. The Maintenance reserve has decreased by \$44,059.

(iii.iii) For the year ended 30 June 2005

There is no effect on the Authority.

(iv) Adjustment to entries made under previous AGAAP

In the 30 June 2000 financial year a write-down on assets totalling \$19,400,000 was recognised by the Authority.

In subsequent financial years any upward revaluations in respect of the same class of assets were recognised in the asset revaluation reserve.

Under previous AGAAP upward revaluations were to be recognised in the income statement to the extent of any previous writedowns recognised in the profit (loss) in respect of that class of asset.

(iv.i) At 1 July 2004

There has been a decrease in the asset revaluation reserve of \$1,527,568. Retained earnings have increased by \$1,527,568.

(iv.ii) At 30 June 2005

There has been a decrease in the asset revaluation reserve of \$7,907,181. Retained earnings have increased by \$2,372,154.

(v) Proceeds on sale of non current assets

Under previous AGAAP, proceeds from the sale of non current assets were included in revenue and the book value of the assets sold was included in other expense. Under AIFRS, net gains on the sale of assets are presented in other income and net losses in other expense.

The effect of this is:

(v.i.) At 1 July 2004 and 30 June 2005

There is no effect on the Authority.

(v.ii) For the year ended 30 June 2005

Revenue has decreased by \$279,474 and other expenses have decreased by \$1,359,412. There is no effect on profit for the year.

CERTIFICATE OF TOWNSVILLE PORT AUTHORITY

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

- (a) the foregoing financial statements and notes to and forming part thereof are in agreement with the accounts and records of Townsville Port Authority; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, the transactions of the Authority for the period 1 July 2005 to 30 June 2006 and of the financial position as at the close of that year.
 - (iii) The Authority has in place a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - (iv) the Authority's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

18th September 2006



L. M. MCDUGALL
Manager - Finance



B. W. HOLDEN
Chief Executive Officer



R. G. MCLEAN
Chairman

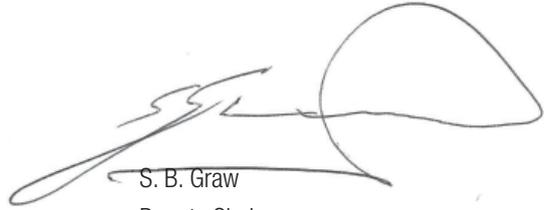
DIRECTORS' STATEMENT

At the date of this statement, in the opinion of the Directors, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors.



R. G. McLean
Chairman



S. B. Graw
Deputy Chairman

18th September 2006

INDEPENDENT AUDIT REPORT

To the Board of the Townsville Port Authority

Scope

The Financial Report

The financial report of Townsville Port Authority consists of the income statement, balance sheet, cash flow statement, statement of changes in equity, notes to and forming part of the financial report and certificates given by the Board and officer responsible for the financial administration of Townsville Port Authority, for the year ended 30 June 2006.

The Board's Responsibility

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

Audit Approach

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

Audit procedures included –

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

Independence

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

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

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

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

Audit Opinion

In accordance with s.46G of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Townsville Port Authority for the financial year 1 July 2005 to 30 June 2006 and of the financial position as at the end of that year.



K THOMAS CPA

(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office

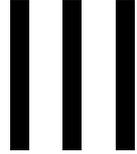
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Corporate Information

Chairman

Mr. Ron McLean

Deputy Chairperson

Ms. Beth Keating
(Term expired 30 June 2006)

Board Directors

Prof. Stephen Graw
(Deputy Chairperson from 1 July 2006)

Cr. Tony Mooney

Mr. John Pennisi

Mr. Ken McElligott

Mr. Paul Keehan

Mrs. Melissa Griffith

Ms. Debbie Giudes
(Appointed from 1 July 2006)

Chief Executive Officer

Mr. Barry Holden

Acting Manager Corporate Governance

Mr. David Young

Acting Manager Planning and Environment

Ms. Ranee Crosby

Manager Engineering

Mr. Larry Hore

Manager Finance

Mr. Len McDougall

Manager Marine Services

Mr. David King

Manager Construction

Mr. Martin Gledhill

Manager Maintenance

Mr. Don McIntosh

Bankers

Commonwealth Bank of Australia

Solicitors

Roberts Nehmer McKee

MacDonnells Law

Clayton Utz

Auditor

Auditor-General of Queensland

Internal Auditors

PricewaterhouseCoopers

External Auditors

WHK-TCM Smith Audit Partnership

ABN

44 411 774 236



annualreport

The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade > The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade > The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland with a world-class gateway for commerce and trade > The Port of Townsville is Queensland's third largest multicargo port, providing all north Queensland The Port of



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