

PORT OF TOWNSVILLE LIMITED

2020-21 Annual Report



Contents

CHAIR AND CHIEF EXECUTIVE OFFICER - YEAR IN REVIEW	4
KEY PERFORMANCE RESULTS	5
ABOUT US	6
OUR STRATEGIC PRIORITIES	6
PORT VISION 2050	6
OUR BUSINESS	7
OUR PORTS	7
THIS REPORT	7
PUBLIC AVAILABILITY	7
INTERPRETER SERVICE ANNOUNCEMENT	8
COVID-19	9
PORT OPERATIONS	9
CRUISE SHIPPING	9
COMMUNITY SUPPORT	10
PLANET	11
ENVIRONMENT	11
Performance and Compliance	11
Monitoring	11
Cleveland Bay Seagrass Monitoring	12
Reef 2050 Commitments	12
Master Plan	12
Port Land Management	13
Biosecurity	13
COMMUNITY	14
CRUISE AND QUAYSIDE TERMINAL	14
INDUSTRY INVESTMENT	14
SPONSORSHIP AND DONATIONS	15
FORUM & EVENTS	15
PEOPLE	16
2020-21 WORKFORCE OVERVIEW	16
EMPLOYEE RELATIONS FRAMEWORK	16
WORKFORCE PLANNING	16
TRAINING AND PROFESSIONAL DEVELOPMENT	17
SUCCESSION PLANNING	17
EQUAL EMPLOYMENT OPPORTUNITY	17
LOOKING FORWARD – 2021-22 STRATEGIES	17
PROSPERITY	18
TRADE HIGHLIGHTS	18
Containerised Cargo	19
Dry Bulk	19
Liquid Bulk	20
Break Bulk	20
SHIPPING INFORMATION	21
PORT DEVELOPMENTS	21
Channel Upgrade Project	21
Greater Port Expansion Project	22
Berth 4 Ship-to-Shore Crane Installation	22
Truck Staging Area- Benwell Road	22
East Port Precinct & Southern Link Road	22
Engineering and Maintenance Works	23
Port of Townsville Shipping System Implemented	23

HEALTH AND SAFETY	23
COMPLIANCE WITH INJURY MANAGEMENT REQUIREMENTS	24
SAFETY PERFORMANCE	24
SECURING OUR OPERATING ENVIRONMENT	24
GOVERNANCE.	25
BOARD OF DIRECTORS.	26
BOARD COMMITTEES	28
DIRECTOR ATTENDANCE	29
BOARD EVALUATIONS	29
DIRECTOR INDEPENDENCE.	30
INDEPENDENCE ADVICE.	30
SHAREHOLDERS	30
SHAREHOLDING MINISTERS.	31
DIVIDEND POLICY	31
RISK MANAGEMENT	31
AUDITS	31
BUSINESS MANAGEMENT SYSTEMS	31
PUBLIC INTEREST DISCLOSURES.	32
PRIVACY	32
RELEASE OF INFORMATION	32
OVERSEAS TRAVEL	32
FINANCIAL STATEMENTS	33
GRI CONTENT INDEX	68

CHAIR AND CHIEF EXECUTIVE OFFICER - YEAR IN REVIEW

Throughout the year, the landscape in Australia and around the world has continued to be shaped by the uncertainties and disruption of the pandemic.

As an essential service, our response has consistently been to focus on serving our customers and keeping vital trades moving to support the people and the economy of North Queensland, supporting our community and seafarer's facing difficult challenges, and ensuring highest levels of safety in our ports and for our employees.

It was of major significance for us in this context to launch Port Vision 2050, setting us on our journey to a sustainable future. The 12 strategic objectives and 27 initiatives across four priority areas capture our vision for 2050 and a clear roadmap for how we will get there. This includes the specific actions we will take over the next five years to achieve our goals. We believe this journey is the right one for us to do more for the planet, the communities we serve, for our people and for the prosperity of our region.

Reflecting on performance for the year, we delivered another strong operating result of \$14.3 million, an increase of 3.3 per cent on last year.

Overall trade dropped slightly to 7.7 million tonnes compared to 8.2 million tonnes last year. This was driven by changes in mineral concentrates supply chains, with refineries sourcing larger volumes from mines in the region instead of overseas, impacting both import and export volumes.

We were pleased to record strong growth in containerised trade, up 17% on last year, which is a key future growth area for the Port. Vehicle imports surged 34% on last year. The Port also recorded increased trade in exports of fertiliser and refined metals and imports of cement, fertiliser and petroleum products.

We remained focused on building for the future with a strong capital works program during the year. Our \$30 million Berth 4 Crane and Cargo Terminal was completed and commenced operations - the introduction of the first quay crane to the Port in almost 50 years. This investment was in addition to our \$40 million upgrade of Berth 4 as part of our plans to grow container trade for the region.

Momentum continued on our largest infrastructure project ever undertaken, the \$232 million Channel Upgrade project. We completed construction of the 2.2 kilometre rock wall, creating a 60 hectare area for land reclamation using material that will be excavated to widen the channel. This project is a major commitment to ensuring the Port is capable of receiving larger ships instead of bypassing Townsville.

We are working closely with our customers on a number of potential new projects that will drive significant economic growth for the region. These projects in rare earth and critical minerals, batteries, biomass, hydrogen and other renewable energy will contribute significantly to the world's climate ambitions and transition to a clean energy future.

As we grow, we have a sharp focus on ensuring our developments and operations protect and improve our surrounding environment. Our monitoring programs have comprehensively tracked conditions in Cleveland Bay for three decades, we adopt industry-leading practices, and we have again partnered with a number of organisations to foster healthy reefs and ecosystems. We continue to deliver a range of initiatives to support our climate positive objectives. For the second year running we contributed to the Annual Report Card of Dry Tropics Partnership for Healthy Waters, which identified the water quality in Cleveland Bay as 'good'. We are proud of our environmental stewardship which is of paramount importance given our location in the sensitive Great Barrier Reef World Heritage Area.

We maintained strong commitment to the Mission to Seafarers who provide outstanding support for the seafarers visiting our Port, who have endured the most stressful impacts from the pandemic due to being unable to leave vessels as they carry vital goods around the world. We were delighted this year to also introduce our new \$50,000 Community Fund to support the most worthy charities, schools and community groups in the region.

It is our pleasure to present this annual report, and we thank our customers, community, contractors and stakeholders for their valued support. None of our success would be possible without you, or without our exceptional port employees, and we thank them for their pride and passion and going the extra mile this year in serving our customers and the community.

We exist to create prosperity for our communities and value for our customers and shareholders through world-leading sustainable operations. As we face a brave new world, we hope you will join us on our continuing sustainability journey as Australia's Port for the Future.

KEY PERFORMANCE RESULTS

Performance Indicators	2019-20 Actual	2020-21 Budget	2020-21 Actual	Movement (from 2019-20)
Operating Revenue (\$M)	81.32	79.95	77.17	-4.15
Operating Expenditure (\$M)	56.19	58.20	51.81	-4.38
Trade Income (\$M)	66.74	66.42	64.69	-2.05
Property & Facilities Income (\$M)	11.77	12.24	11.07	-0.7
EBIT (\$M)	25.13	21.75	25.36	0.23
NPAT (\$M)	13.87	11.60	14.33	0.46
Dividend (\$M)	13.51	11.60	13.55	0.04
Return on Assets EBIT (%)	3.25	2.89	3.14	-0.11
Return on Equity (%)	2.47	2.10	2.43	-0.04
Current Ratio	1.83	1.01	2.18	0.35
Interest Cover Ratio (EBIT)	4.78	4.20	5.18	0.40
Debt to Debt + Equity Ratio	0.18	0.14	0.13	-0.05
Capital Investments (\$M)	52.07	79.18	55.85	3.78
Non-financial measures				
Trade Throughput (Million Tonnes)	8.19	8.02	7.71	-0.48
Vessels to Port	641	625	576	-65
Reportable Security Incidents	-	-	-	
Reportable Environmental Incidents	-	-	7	7
Lost Time Injury Frequency Rate	5.68	-	5.86	0.18
Community Satisfaction	88%	>85%	90%	2%
Employee Engagement Rating	86%	>85%	86%	0%
Full-Time Equivalents	140.78	147.01	146.28	5.5

ABOUT US

Vision

Australia's Port for the future

Mission

Creating prosperity for our communities and value for our customers and shareholders through world-leading sustainable operations

Values

Partnerships	We build meaningful and lasting relationships
Opportunities	We continuously innovate
Respect	We respect each other
Trust	We do the right thing

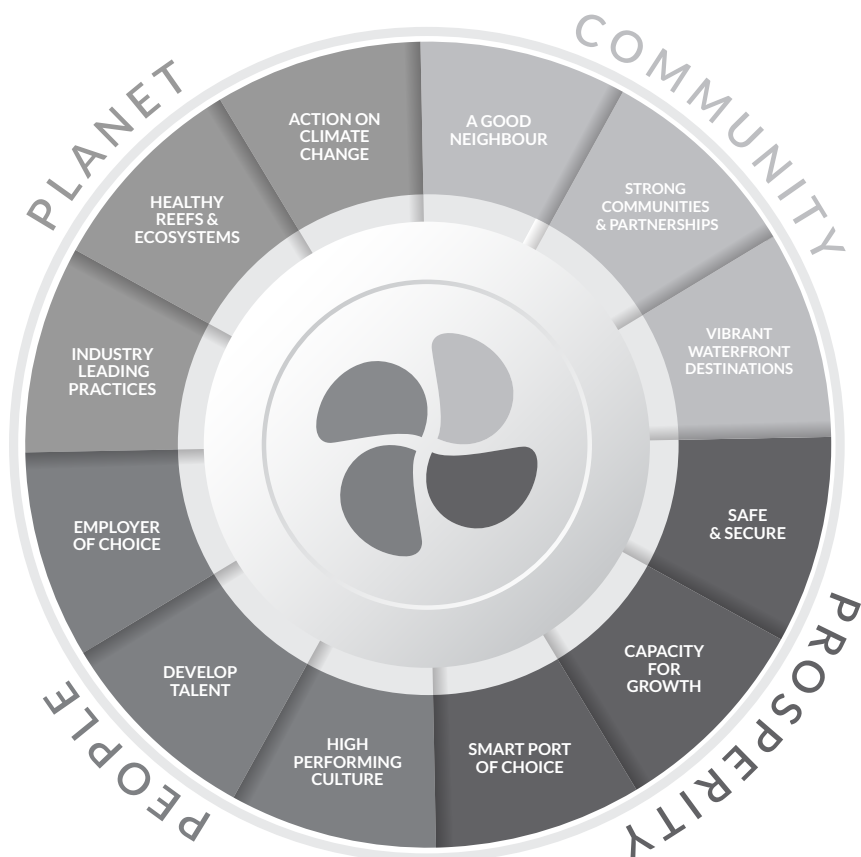
Our Strategic Priorities

This Annual Report provides an overview of the Port's performance against its strategic objectives outlined in its Statement of Corporate Intent for 2020-21. The Port's key actions and initiatives during the period were focused on four priority areas, further facilitating our vision to be Australia's Port for the future.

Port Vision 2050

Port Vision 2050 was launched in December 2020. This is the Port's long term sustainability plan, setting out the strategic objectives and targets for the Port of Townsville over the next 30 years.

Port Vision 2050 has four priority areas: Planet, Community, People and Prosperity. This strategic vision will ensure the longevity of the Port and associated services for generations to come by engaging in leading environmental practices, building meaningful partnerships with the community, developing and nurturing the Port's workforce and creating prosperity for the region.



Our Business

Port of Townsville Limited (the Port) is a company Government Owned Corporation (GOC) established pursuant to the Corporations Act 2001 (Cwlth) and the Government Owned Corporations Act 1993 (Qld) (GOC Act). The Port has two shareholding Ministers, the Honourable Cameron Dick MP (Treasurer and Minister for Investment), and the Honourable Mark Bailey MP (Minister for Transport and Main Roads). The Port owns and manages the ports of Townsville and Lucinda, with its head office located in Townsville.

Our Ports

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

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

The organisation's core business functions are to:

- establish, manage and operate effective and efficient port facilities and services;
- make land available for the establishment, management and operation of effective and efficient port facilities and port services by other persons, or other purposes consistent with the operation of our ports;
- demonstrate stewardship and sustainability of port operations within a growing urban centre;
- provide for ancillary services or works necessary or convenient for the effective and efficient operation of our ports;
- keep appropriate levels of safety and security in the provision and operation of our port facilities and port services;
- provide other services incidental to the performance of our other functions, or likely to enhance the usage of our ports;
- perform any other functions and exercise any other powers conferred on us under the Transport Infrastructure Act 1994 (Qld) (TI Act), the GOC Act and Regulations or another Act or under our annual Statement of Corporate Intent or five year Corporate Plan;
- provide port services and ancillary services whether in or outside our ports, whether in or outside Australia and whether for another port or for other parties; and
- carry out any activity that is incidental to the attainment of the objectives set out above.

This Report

This Annual Report presents the Port's performance results for 2020-21 as well as details about strategic initiatives that we are pursuing to ensure we continue to deliver world class port facilities and services, and seamless maritime connections from Northern Australia. This is our first report to reference the Global Reporting Initiative (GRI) Standards and have included an index at the end of the report to outline our relevant disclosures.

Public Availability

Consistent with our commitment to sustainability and responsible environmental management, only a limited number of hard copies of this Annual Report have been printed. An online version of this Annual Report, and our past Annual Reports, can be found at our website at www.townsvilleport.com.au.

If you wish to receive a hardcopy of this Annual Report, please contact us by phone on +61 7 4781 1500 or email community@townsvilleport.com.au

Interpreter Service Announcement

We are committed to providing accessible services to stakeholders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding this Annual Report, you can contact us on +61 7 4781 1500 or by email to community@townsvilleport.com.au.

COPYRIGHT NOTICE

© Port of Townsville Limited 2020

ACN 130 077 673

ABN 44 411 774 236

COVID-19

Port Operations

As critical links in the national freight task, the Ports of Townsville and Lucinda have continued to remain fully operational during the COVID-19 pandemic. Essential imports for North Queensland and the export of valuable key commodities from the region continued to flow through our ports facilitated by frontline staff, customers and supply chain partners.

The Port's Crisis Management Team has continued to engage with employees, customers, stakeholders and the community reassuring everyone that our ports remain open for business while implementing health and safety measures to reduce risk. Regular audits and improved COVID-Safe plans have been conducted and strict border control measures are managed to ensure a safe working environment. Directives issued by Australian Border Force, Maritime Safety Queensland and the Queensland Chief Health Officer included specific requirements for maritime crew and essential workers in transport, freight and logistics.

COVID-Safe Plans for all Port workplaces, in line with the State Government's guidelines, are in place including a plan for the Quayside Terminal cruise ship facility and event space.

Early in the pandemic, it was recognised that COVID-19 was resulting in significant financial impacts and distress for some industries and businesses. The Port deferred increases on rental rates for all commercial tenancies (which were due for review from 1 April 2020 to 30 September 2020) and waived increases for shipping charges in the 2020-21 financial year. All cargo, berthage, utility, security and hire charges will remain unchanged until 30 June 2021.

The Port also implemented a range of other measures in the workplace including:

- Working from home (for those employees in non-operational front-line roles);
- Special Pandemic leave in line with Queensland Government guidelines;
- Restrictions on all non-essential travel;
- Restricting group and customer meetings to video-conferencing and teleconferencing;
- Increasing cleaning protocols and stock of Personal Protective Equipment (PPE) and improving signage and barriers throughout the office;
- Introducing a range of health and hygiene practices;
- Clear signage and messaging at berth security; and
- Increased vigilance by guards ensuring vessel visitors are meeting the COVID-Safe Guidelines particularly with regard to use of PPE.

Employees working remotely were assisted with establishing their home offices and were provided with appropriate equipment. Those employees needing additional pandemic support were able to access the Port's Employee Assistance Provider.

Cruise Shipping

The Australian Government banned cruise ships entering Australian waters in March 2020, due to the COVID-19 pandemic. The ban was extended a number of times with the latest extension in place until 17 September 2021. That resulted in no cruise ships visiting Townsville, or any other Australian port, during the financial year. The uncertainty led to numerous cancellations and by the end of the financial year only two ships have bookings to call at Townsville (both in December 2021).

The Port is closely following national and international developments as the industry overhauls practices to ensure safe passage for all cruise passengers. As a port city, Townsville would be part of any industry resurgence. However, the overwhelming priority will always be to ensure the health and safety of the Port's workforce and the community.

In November 2020, the Cruise Line International Association (CLIA) announced a range of new health and safety measures to help instil public confidence. After a one year delay, the Australian Cruise Association also began planning its national conference to be held in Townsville in November 2021.

While the impact of COVID-19 will be felt by the cruise industry for some time, the Port of Townsville's Channel Upgrade Project represents a significant long-term opportunity for the future of cruise, commercial and defence ships coming to the region.

Community Support

The Port continued its COVID-19 Community Support Program with initiatives including:

- Mission to Seafarers: The Port provided a range of supports to the Mission including \$1,500 for care packages to assist ship's crew;
- Youth With A Mission (YWAM): The Port granted free berthing to the YWAM medical ship which provides lifesaving treatment to developing communities particularly in Papua New Guinea;
- Community Gro: Members of the Port volunteered, donated food and helped cook at Christmas parties for this local community organisation;
- Legacy: Support for Defence force volunteers to travel to Magnetic Island to undertake maintenance on a holiday house; and
- COVID-19 impacted customers rent were waived until December 2020.

PLANET

Our focus on sustainable prosperity, leading environmental practices, nurturing people and community engagement is a core part of who we are and what we do.

Environment

Performance and Compliance

The Ports of Townsville and Lucinda sit within the Great Barrier Reef World Heritage Area. Our vision is to create prosperity for the community, customers and shareholders through world-leading sustainable operations.

The Port operates within this sensitive environment under a fully certified Environmental Management System (certified to ISO 14001:2015). The Port's Environmental Management System was re-certified to ISO14001:2015 in August 2020.

In April 2021, the Port achieved the first step towards EcoPorts certification after becoming the fourth Australian port to be part of the sustainable port network EcoPorts. EcoPorts is an independent foundation that provides ports with the tools to develop global best practice environmental management systems. EcoPorts singled out the work we are undertaking as part of our Port Vision 2050 – our vision for the next 30 years – by describing our “forward thinking approach” to the potential impacts of climate change.

We are continuing to make huge strides in our energy, water and waste reduction, thanks to our involvement in the Chamber of Commerce and Industry's (CCIQ) EcoBiz Queensland Program. Since joining the program in 2016, we have reduced our energy use by 15% and almost halved the amount of waste going to landfill. We are proud of these accomplishments and are working across all levels of the Townsville and Lucinda Ports to make even further reductions, as we reach for our Port Vision 2050 commitments.

During 2020-21, the Port was operating under a new Trade Waste Agreement with Townsville City Council. As the agreement covers the whole port, including Port tenants, there were five notifiable incidents that were Port customer related where requirements of the new agreement were not met. These events were reported to the relevant authority. The Port is working with the relevant customers to determine the root cause and appropriate actions to enable the port to achieve compliance with this agreement in the future.

During the April 2021 maintenance dredging campaign, there was an incident where the Port of Brisbane owned TSHD Brisbane, dredged material from the Port and placed this material at sea, within the Dredge Material Placement Area (DMPA). Under the Port's Sea placement conditions, this material was not authorised for unconfined ocean placement. The Port undertook immediate corrective actions with the dredge operator and undertook sampling at the DMPA. With the relatively small volume of unauthorised material placed at sea, and the results of the sediment analysis showing all the samples were below the limits of the National Assessment Guidelines for Dredging (NAGD) for unconfined ocean placement, it was concluded that it is unlikely that environmental harm has occurred as a result of the incident. The Port also undertook a detailed investigation in collaboration with the Port of Brisbane to investigate the root cause of the incident and preventative actions have been nominated for implementation prior to the next maintenance dredge campaign, in 2022. The event was reported to the relevant authorities and the Port has since received a warning letter in relation to this incident.

The Port also reported an event to authorities relating to a sheen in Ross Creek in February 2021. The Port had applied a non-toxic/non-hazardous dust suppressant product to nearby land and un-forecasted rainfall led to a sheen being observed on the surface of the water which dissipated with wave and tidal action and was unlikely to have caused environmental harm. The Port undertook a detailed investigation to determine the root cause of the incident and preventative actions have been identified and actioned.

Monitoring

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

The three port-boundary air monitoring stations located at the Coast Guard, Lennon Drive and Environmental Park sites, record air quality data which is publicly available on the Department of Environment and Science website. The data allows Port customers to obtain real-time information and assists with continual improvement undertaken on their sites and during vessel loading and unloading of cargo.

Monthly Air Quality dashboards and the Boundary Air Monitoring Plan are publicly available on the website and shared with the Port's Community Liaison Group, which meets bi-monthly.

Due to natural events (bushfire/dust haze) and localised events (unrelated to the Port) in the Townsville area, airborne particulate values (PM10/Total Suspended Particles) at the Port's boundary air stations were above Department of Environment and Science guidelines on five occasions in 2020-21.

The annual rolling average for lead was below guidelines at all three air monitoring stations in 2020-21. However, on one occasion, the 24 hour average for lead particles at the Coast Guard air station triggered further investigation and statutory reporting from Port operators.

In 2020-21 the Port undertook a range of monitoring programs including drinking water, trade waste, stormwater, groundwater, marine water, marine sediment sampling and continued the operation of two monitoring buoys in Cleveland Bay.

Dry Tropics Partnership for Healthy Waters, hosted by Townsville City Council, produces an independent reference point for the community to understand the health of the area's creeks, rivers and reef catchment areas. The Partnership's second report card for 2019-20 was released in June 2021 and found water quality in Cleveland Bay was good. The Port continues to work with the Partnership and provides data and information from the Ross River to Magnetic Island and along estuarine and marine environments. The Report Card and Partnership provide an opportunity to combine the targeted knowledge of individual groups to understand the whole catchment, identify important priorities for the waterways in our region, and collaborate on meaningful initiatives.

Following the detection of Per- and Poly-fluoroalkyl Substances (PFAS) in groundwater around the Port of Townsville in April 2018, the Port completed a preliminary investigation with the assistance of a specialist consultant, GHD, and Queensland Government departments to understand the nature and extent of PFAS, within and beyond the Port boundary. Since the Preliminary Investigation, the Port has undertaken extensive PFAS testing and reengaged GHD to complete a Targeted Site Investigation (TSI). The latest data indicates concentrations have remained largely consistent in that time. PFAS concentrations measured in the wider marine environment of Ross River, Ross Creek and Cleveland Bay sediment have also been low, suggesting low risk to human health and the environment. A summary of the Preliminary Site Investigation (2018) and the Targeted Site Investigation in 2020 are available on the Port's website.

Cleveland Bay Seagrass Monitoring

The Port continued the long-standing partnership with James Cook University/TropWATER in 2019 to conduct annual seagrass surveys in Cleveland Bay. The latest study shows that seagrasses in Cleveland Bay continue to be in a satisfactory condition overall following the flood event in February 2019. Whilst the October 2019 survey indicated a 'lag effect' or legacy of the February floods, the 2020 survey has shown that the seagrasses are showing signs of recovering from this natural event. The seagrass report will be available on the Port's website and data from this program continues to inform the Dry Tropics Partnership for Healthy Waters report card.

Reef 2050 Commitments

The Port is working with the Queensland Ports Association (QPA) on the North East Shipping Management Plan/Reef 2050 actions. In particular, the Shipping Incentives Program and reviewing anchorage management are some of our key initiatives that the QPA members are working on.

As part of Port Vision 2050, the Port has also committed to partnering on 10 Reef 2050 initiatives between 2020 and 2050. The Port has commenced discussions with GBRMPA and other stakeholders to identify potential initiatives and partnerships.

Master Plan

The *Sustainable Ports Development Act 2015* (Ports Act) mandates the preparation of master plans and port overlays for the priority ports of Townsville, Gladstone, Hay Point/Mackay and Abbot Point.

Priority port master planning is a Queensland Government port-related action of the *Reef 2050 Long Term Sustainability Plan*. Priority port master planning supports the development of the state's priority ports in a way that considers environmental values, including the Outstanding Universal Value of the Great Barrier Reef World Heritage Area.

Finalised in November 2019, the Port of Townsville Master Plan is a strategic document that sets out the long-term plan for the sustainable development of the Port of Townsville until the year 2050, while protecting the Great Barrier Reef. The Master Plan overlay (implementation framework) was subsequently finalised in 2020 and took effect from 1 February 2021. The port overlay operates alongside existing planning instruments and only regulates development in the master planned area if additional requirements are necessary to implement the Master Plan. The Port has commenced its Land Use Plan updates to formally incorporate the Master Plan into these statutory plans.

Port Land Management

The Port's Land Use Plan ensures effective and efficient development on Strategic Port Land within the Ports of Townsville and Lucinda. In 2020-21 the Port commenced the preparation of a new Land Use Plan for the Port of Townsville and the Port of Lucinda. The Port released the Lucinda Statement of Proposal from 20 January 2021 to 18 March 2021 for public consultation. The Townsville Statement of Proposal was prepared for release in July 2021.

Biosecurity

In 2020-21, the Port continued to participate in a state-wide marine biosecurity pilot program managed by the Department of Agriculture and Fisheries (DAF) and the Ports of Cairns, Mackay, Gladstone and Brisbane. The Queensland Seaport eDNA Surveillance (QSEAS) program uses DNA analysis to detect invasive marine pest species.

In 2019-20 Biosecurity Queensland identified suspected Asian Honeybees at the Port as part of the National Varroa Mite Eradication Program. In 2020-21 Biosecurity Queensland continued to implement extensive surveillance activities within and around the Port, including sweep netting, ballooning and feed stations.

The Port works closely with the Queensland and Federal government departments to minimise the potential impact from these pest species and raise awareness within the Port community.

COMMUNITY

The Port of Townsville plays a critical role in local job creation and regional economic development whilst ensuring our ports operate in a socially responsible manner for the long term.

Every year the Port is involved in a range of community activities including conducting tours for schools, community groups, aged care facilities and business organisations. Other engagement actions included:

- Launching an annual \$50,000 Community Fund was one of the clear commitments of our Port Vision 2050. In late February, we launched the fund, which was open to charities, community and sports groups, schools and universities, maritime groups and arts organisations. We received 31 applications and at the end of the financial year we were preparing to announce the successful applicants.
- Maritime Museum of Townsville: The Port began helping to create a new display featuring virtual reality story, ship simulators, games and historical story boards.
- Reconciliation Action Plan: The Port registered to begin the process of developing a Reflect RAP.
- National Reconciliation Week: A Wulgurukaba elder spoke with staff about her connection to country.
- NAIDOC Week: The Port hosted an Indigenous Procurement Information Session as part of our commitment to increasing the number of businesses we work with.
- Tours: Recommenced in March (following COVID-Safe requirements) with 10 schools, community groups, business and retirement groups.
- Community Liaison Group (CLG): There were five CLG meetings – three virtual and two in person.
- Lucinda Jetty: Improvements to the pedestrian overpass.
- Clean-Up Australia Day: Our Port community teamed up to remove more than 50kg of rubbish from the banks of Ross Creek.
- Palmer Street: The Port extended the 'fairy lighting' to the Maritime Museum as part of Stage 2 beautification, in conjunction with the Townsville City Council.
- Two James Cook University students undertook work experience placements in the areas of business strategy and sustainability.
- The Port of Townsville won Daily Cargo News Gender Diversity Award and was Highly Commended for the Environment Award.

Cruise and Quayside Terminal

The Port's Quayside Terminal is one of Townsville's largest event venues. There were no cruise ship visits in the financial year, and only three public events when restrictions eased. However, the Terminal was strongly utilised with a total of 29 events hosted during the financial year, all in accordance with COVID-Safe plans.

Industry Investment

As a major driver of economic growth in the region, the Port maintained its commitment to industry bodies and organisations that promote the advancement of North Queensland, including:

- Dry Tropics Healthy Waterways Partnership (\$25,000)
- Townsville Enterprise Limited (\$36,281)
- Queensland Ports Association (\$9,000)
- Ports Australia (\$38,055)
- Mount Isa to Townsville Economic Zone (MITEZ) (\$15,000)
- Shipping Australia (\$3,640)
- World Association for Waterborne Transport Infrastructure - PIANC Australia (\$1,359)
- Townsville Chamber of Commerce (\$1,500)
- Australian Cruise Association (\$4,000)
- Concrete Institute of Australia (\$1,363)
- Cooperative Research Centre for Developing Northern Australia (CRCNA) (\$100)

- Safety Services (\$1,180)
- AgForce (\$3,000)

Sponsorship and Donations

Partnerships, sponsorships and donations in 2020-21 included:

- Australian Cruise Association (\$10,909)
- Maritime Museum of Townsville (\$25,000)
- Magnetic Island Snorkel Trail (\$2,650)
- Mission to Seafarers (\$1,500)
- Townsville City Council Mayor's Christmas Appeal (\$112)
- Community Donations (\$200)
- The JCU Townsville Hospital (\$2,500)
- Arcadian Surf Life Saving Club (\$4,140)
- Coastal Dry Tropics (\$6,500)
- NQ Football (\$4,000)
- Magnetic Island Race Week (\$3,000)
- Australian Volunteer Coast Guard (\$5,000)

Forum & Events

The Port attends and participates in forums and events each year, promoting and developing trade opportunities. These included:

- Port Advisory Body
- Cargo Facilitation Working Group
- Planning and Environment Working Group
- Townsville Industry Breakfasts
- Hydrogen Forums
- Independent Technical Advisory Committee (ITAC) meetings
- Community Liaison Group (CLG)
- Technical Advisory Consultative Committee (TACC) Meeting for Maintenance Dredging
- Planning and Environment Working Group (PEWG)
- Local Marine Advisory Committee (LMAC)
- Queensland Ports Association (QPA)
- Ports Australia meetings of Environment and Sustainability Working Group
- Dry Tropics Partnership for Healthy Waters Management Committee and Technical Working Group
- Agforce Member Meeting in Charters Towers – October 2020
- DAF's Richmond Cropping day – October 2020
- Agforce Mt Isa Beef Forum – November 2020
- Burdekin Growers Port Tour – March 2021
- Year 9 Career Expo for Southern Cross Catholic College – May 2021
- Rotary Far North Queensland Field Day – May 2021
- Charters Towers Regional Council's Live Export Forum – May 2021

The Port did not hold any corporate and hospitality event during 2020-21 which cost more than \$5,000.

PEOPLE

Around the world, ports, governments, communities, and individuals are re-imagining the way we live, work and play.

2020-21 Workforce Overview

The Port currently employs 151 people (146.28 full time equivalents as at 28 June 2021) across a wide range of disciplines (over 80 defined roles) including pilotage, engineering, planning, maintenance, marine services, governance and legal, customer relations, trade and property, strategy and sustainability and commercial services.

Male Employees (%)	67%
Female Employees (%)	33%
Average Age of Employees	50
Over 50 years (%)	54%
Women Grade 5 or above	24
Women Working in Senior and Middle Management	7
Female Representation on Board (%)	40%
Average length of service	7 years
% employees <5yrs	52%

In 2020-21, average employee turnover was 9%. Each employee exit is reviewed and the three main reasons for leaving the Port were:

- Further career opportunity;
- Relocation with family; and
- Retirement.

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

In response to COVID-19, no performance payments or payment increases will be paid to employees in 2020-21 in respect of employment during 2019-20.

Employee Relations Framework

The Port's employee relations framework includes but is not limited to:

- a Workforce Plan;
- an Employment and Industrial Relations Plan;
- Enterprise agreements;
- a formal employee induction program;
- succession planning for key executive positions; and
- an employee Performance and Development Evaluation Procedure.

Workforce Planning

The Workforce Plan identifies the employment challenges facing the organisation and details strategies to be implemented to ensure that the Port's employment profile will be capable of meeting future corporate objectives. The Port's Workforce Planning process involves:

- Identifying future business directions and workforce needs,
- Analysing and understanding the make-up of the current workforce,
- Determining the necessary skills, capabilities and competencies required to achieve strategic operational goals in the future, and
- Developing and implementing policies and strategies that will assist in achieving these goals.

The Port promotes attraction, retention, employee commitment and job satisfaction through the provision of an appropriate and stable organisational structure. This is supplemented by initiatives such as flexible work practices, parental leave, flexible annual leave provisions (ability to purchase and cash out leave), corporate health and employee assistance programs.

Training and Professional Development

The Port is proactive in encouraging and assisting employees in undertaking professional development and the Learning and Development Policy and associated procedures are updated to reflect this commitment, providing clear guidelines on the development opportunities available to employees.

During the COVID-19 pandemic, the Port launched a range of online learning modules for employees to undertake and online learning will continue to be a feature of the Port's learning and development framework.

The Port participated in the Transfutures Internship Program offering internships to seven university students from James Cook University.

Numerous work experience opportunities were also provided to students from local high schools and technical colleges.

Succession Planning

The Port has a succession plan for senior leadership positions to ensure a continuity of leadership both in the short and long term. It reflects the conscious decision by the Port to foster and promote the continual development of employees.

The succession planning process aims to identify employees with the potential for future advancement and the competencies to be developed in readiness for future leadership opportunities within the Port.

Equal Employment Opportunity

The Port has a Diversity and Inclusion Policy, and an Anti-Discrimination, Bullying and Harassment Standard that aims to promote equality of opportunity by prohibiting unfair discrimination, sexual harassment and other unacceptable conduct. The Policy and Standard contains information regarding Equal Employment Opportunity, Anti-Discrimination, Sexual Harassment and Prevention of Harassment and Bullying. New employees are trained in the Policy and Standard during induction and all employees undertake refresher training. The Port has 11 trained Contact Officers throughout the organisation. Contact Officers receive the requisite training and are provided with refresher courses to remain current.

Any reported breaches of the Port's Anti-Discrimination, Bullying and Harassment Standard or Diversity and Inclusion Policy are investigated promptly. Any person found to violate the Policy or Standard may be subject to disciplinary action under the Port's Disciplinary Procedure.

There are currently 24 women classified at the Port Grade 5 and above; with seven women working in executive, senior and middle management. There are two female Board members, one holding the position of chair.

Looking Forward – 2021-22 Strategies

Over the next 12 months, the Port will continue to implement human resource strategies that align with government requirements. A significant focus will be on the bargaining of two Enterprise Agreements, and the continuous improvement of HR policies, procedures and systems to enhance overall workforce relations and provide opportunities for employees to fulfill their potential at the Port.

PROSPERITY

From our beginnings in 1864 the Port served the 1,500 residents of Townsville. Today, the Port supports more than 700,00 people in North Queensland.

As we grow, we need to preserve access to the transport corridors and industrial precincts around our operations. Equally, we must preserve our valued natural and cultural environments for generations to come.

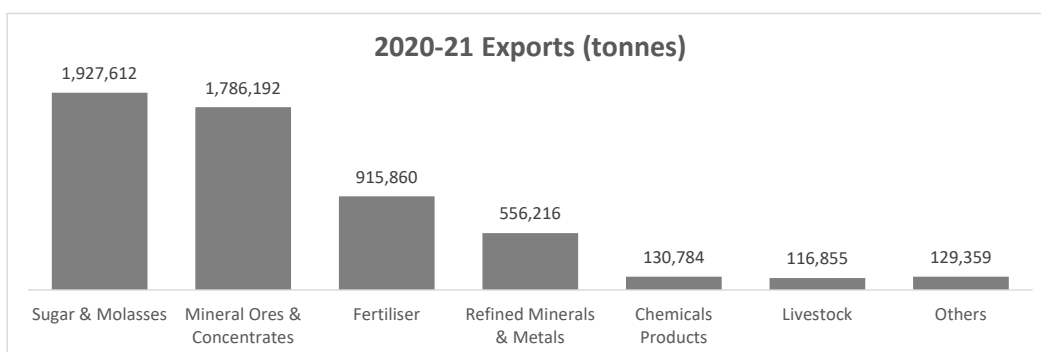
Trade Highlights

Trade throughput totalled 7,704,604 tonnes for the 2020-21 financial year, comprising 7,157,782 tonnes of trade through the Port of Townsville and 546,858 tonnes through Port of Lucinda. The total throughput was 96% of the annual SCI budget of 8,015,699 tonnes with both imports and exports equally at 96% of budgeted throughput.

Challenges in relation to the effects of the coronavirus pandemic on international markets, changes in mineral concentrate markets and seasonal factors reducing live cattle exports contributed to the lower volumes of trade for the 2020-21 year, a decrease of 488,155 tonnes or 6% compared to the 2019-20 financial year.

Despite this, fertiliser exports rose by 9.7% on the previous year volumes, and exports of refined metals increased by 6.2%. Imports saw a 30.5% increase in fertiliser, a 15.5% rise in cement and a 2% increase in petroleum product imports against the previous year. Other commodities performed similar to last financial year or returned to historical levels, small gains cancelled out small losses, but the bigger gains highlighted above could not offset the 503,773 tonne of reduced mineral concentrate aggregated imports and exports.

Exports totalled 5,562,878 tonnes across Port of Townsville and Port of Lucinda, 4% below the budgeted annual export throughput of 5,774,320 tonnes, a deficit of 211,442 tonnes.

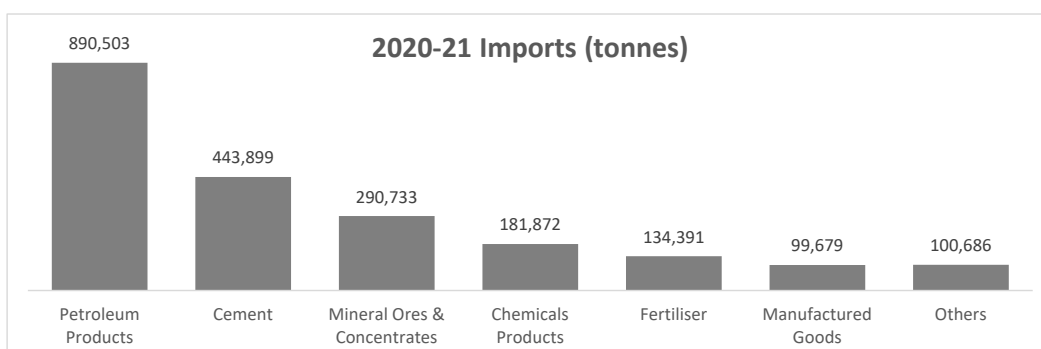


Fertiliser exports were 9% above budget given firm international demand for high analysis fertiliser which also corresponded with an increase in fertiliser imports.

Zinc ferrite exports were 8% above budget for the year. In this case, the budget was set lower with an expectation that the zinc refinery expansion would be complete in the early part of 2021. Refined zinc reached 84% of budget, again related to changes in production mix emanating from the refinery expansion.

Molasses only reached 64% of annual budget. Export volumes did not return to historic levels as expected due to seasonal conditions increasing local domestic demand for molasses.

Mineral concentrates closed at 89% of forecast, falling short 217,308 tonnes. Copper concentrate exports were impacted by changes in demand from existing markets. Miners have instead been feeding domestic demand while exploring new international markets. Exports to new markets commenced, in some instances, towards the end of the financial period but not enough to make up the shortfall.



Imports totalled 2,141,762 tonnes at Port of Townsville (Port of Lucinda is export only), 4% below the annual budget of 2,241,379 tonnes, a short fall of 99,617 tonnes. This was a very similar result to last financial year, being 59,897 tonnes or 2.7% below 2019-20 volumes.

Motor vehicles finished well above budget, up 51% on the forecast 22,000 tonnes. Motor vehicle numbers began to recover nationally from the previous year's slump and Port of Townsville's actual number of vehicles increased by 35% on the previous year's actuals. They are still some way from historical levels, but it is promising to see the lift. Local purchases by North Queenslanders holidaying by exploring their region as a result of COVID-19 related travel restrictions, accounts for much of this increase.

Fertiliser imports were 35% above budget. The lift in import volumes is for feedstock to complement local production, much of which is export bound, where good results were also realised against budget.

Import of cement and sulphur were above budget by 14% and 15% respectively. The increase in cement was against a lift in all sector usage but particularly in mining while sulphur too is part of processing feedstock and dictated by commercial requirements of the copper refinery.

Coke only reached 53% of budget due to lack of demand. Similarly, there was no import of sulphuric acid as commercial requirements during 2020-21 favoured the export of sulphuric acid instead.

Mineral concentrate imports fell short by almost 30% of the budget, with 126,767 tonnes less than anticipated. Lower zinc concentrate imports, for example, correlated with lower refined zinc exports. Customers advised that scheduling delays had pushed shipments to the final quarter, but they did not make up the shortfall by the end of the financial year.

Overall Trade in 2020-21 was generally consistent and stable throughout the year, although slightly lower than budget. Given the uncertainties that were expected to continue with COVID-19 and its effects on global markets and shipping, the result is typically in line with the last few years.

Containerised Cargo

The Port handles an increasingly diverse range of containerised cargo. Container shipping is a fast, cost-effective, flexible and secure mode of shipping transportation. Containerised cargo at the Port comprises:

- refined metals including zinc ingots and copper cathode;
- mining consumable products, for example chemicals and machinery parts;
- project cargo including solar panels, iron and steel materials/parts and small equipment;
- bagged products such as fertiliser, animal feed and mineral concentrates; and
- refrigerated containers which contain meat, grains and horticultural products.

During the 2020-21 financial year containerised cargoes were still impacted to some degree by COVID-19 related disruptions to investment and capital raising on potential projects, cautious international markets and delays to renewable energy initiatives. However, they did rebound to historical numbers and closed at 54,003 TEUs, an increase of 17% on 2019-20 numbers.

Both imports and exports of containers rose by the same proportion on the previous year, 17% both incoming and outgoing. A rise in manufactured goods and plant/machinery contributed to the increase in imported TEUs, items included steel and rubber products as well as electrical machinery and parts. An increase in containerised fertiliser and refined metals made up the biggest proportion of the lift in exported TEUs.

Containerised cargo made up 667,035 tonnes of trade in 2020-21, which represented 8.7% of the total tonnage at the Port, compared to 8% the previous financial year.

Dry Bulk

Dry bulk commodities include cement, sugar, fertiliser and mineral concentrates and ores. The Port of Townsville is Australia's largest exporter of sugar, copper, lead, zinc and fertiliser.

The increase in cement volumes of 14% compared to budget was good news and points to a stable mining and construction phase in the north.

Firm international demand for high analysis fertiliser contributed to the 8.6% increase in exports compared to budget, while the big lift in import volumes is for feedstock to complement production, a proportion of which is for export markets.

Mineral concentrate imports were 30% down and mineral concentrate exports were 11% down against budget. A large fall of imported copper concentrates against budget and lower volumes of zinc concentrates contributed to the 126,000 tonnes fall against budget of imported mineral product. Exports were similarly hampered with a significant drop in copper concentrates, less so for zinc concentrate but ultimately 217,000 tonnes under budget across mineral exports. Copper exports were impacted by changes in existing market demand. Miners have been feeding domestic demand while exploring new international markets. Exports to new markets commenced, in some instances, towards the end of the financial period. The fall in zinc concentrate is in the major part attributable to the changes in the commercialisation of products from the region's zinc refinery as it produces more diversified commodities.

Sugar exports from Port of Lucinda were down <1% while sugar exports from Port of Townsville were down 4% compared to budget. These results are impacted by timing of sugar sales and are typically in line with historical levels.

In 2020-21, the dry bulk sector accounted for 5,391,906 tonnes of throughput or 70% of the total trade, compared to 71% the previous financial year.

Liquid Bulk

Liquid bulk comprises petroleum-based products including fuels (petrol, diesel, aviation) and bitumen, sulphuric acid, caustic soda, tallow and molasses.

Petroleum-based products fell 7% below budget. Bitumen closed the year at the forecast volume with fuel imports accounting for the 7% shortfall.

Exports of molasses continues to be low compared to historic levels, falling 36% short of budget. Seasonal conditions once again saw molasses placating domestic demand rather than export markets.

Liquid bulk cargo contributed 1,208,124 tonnes to the total Port of Townsville trade in 2020-21, 15.7% of total tonnage, compared to 14.4% the previous financial year.

Break Bulk

Break bulk cargo varies in size, shape and weight and includes predominantly:

- motor vehicles;
- live cattle;
- oversized mining vehicle tyres;
- refined metals such as heavy copper cathode plates and ingots too large to containerise; and
- project cargo including large pieces of equipment, machinery and infrastructure such as pipes, plants and steel structures.

Motor vehicle numbers began to recover nationally from the previous year's slump, and they performed 35% above budget. Numbers are still some way from historical levels but it is promising to see the lift. Local purchases by North Queenslanders holidaying by exploring their region as a result of COVID-19 related travel restrictions, accounts for much of this increase.

Live cattle exports were subdued compared to the record-breaking previous year. Live exports closed at 116,855 tonne or 233,709 head, 10% below budget. Seasonal conditions positive for herd rebuilding restricted exports as there was no forced turnoff of stock. The high price of Australian cattle prevails.

In 2020-21 break bulk cargo accounted for 437,539 tonnes of trade throughput, 5.7% of the total tonnage, compared to 6.5% the previous financial year.

Shipping Information

2020-21 Pilotage numbers

Lucinda	24
Abbot Point	798
Townsville	<u>1,219</u>
Total	2,041

2020-21 Arrivals to Port

Cargo Vessels	554
Navy Vessels	7
Cruise Vessels	0
Other Vessels	3
<u>Lucinda</u>	<u>12</u>
Total	576

During the last 12 months, the Port's newest Marine Pilot has been training in Townsville and has attained level 2 licence (restricted vessel size) for pilotage at Townsville. All of the Port's other trainee Marine Pilots have attained level 1 licences (unrestricted vessel size) for pilotage at Townsville.

In response to the COVID-19 pandemic the Pilotage team has followed strict health protocols and successfully delivered Pilotage services without any delays for all ships that called at Townsville, Lucinda and Abbot Point.

During this year, the pilotage SMS was audited by an external body and recommendations were received which will be discussed and appropriately implemented in the next 12 months.

Port Developments

Channel Upgrade Project

The \$232 million Port of Townsville Channel Upgrade Project began in 2019-20. The first stage of the project was the construction of the 2.2 kilometre protective rock wall, which will create the boundary of a new 62 hectare land area from beneficial re-use of capital dredge material. Building of the rock wall began in March 2020 and was completed in June 2021.

The project has so far provided employment to 1,300 people including Port staff, rock supply and construction employees. Local quarry companies Holcim, HyTec, Ravenswood Gold, Barro's Black River Quarry, Hard Rock Earth Works, Camm Quarries and Gromac Quarries supplied more than 800,000 tonnes of rock, and Queensland company Hall Contracting built the wall. The rock wall is the critical first step of a project that will widen the shipping channel to 180 metres at the inshore (Port) end, then taper to 120 metres in the Sea Channel.

The project, to allow bigger ships to access Townsville, not only generates jobs and economic growth for the region, but it also ensures the Port offers a greater capacity to trade and remains competitive for decades to come. By 2023, channel widening will allow commercial, cruise and Defence ships of up to 300 metres to safely access the Port.

The project is a key initiative of the Townsville City Deal, with funding of \$75 million by Federal Governments, \$105 million by the Queensland Government, and \$52 million by the Port.

In line with Queensland Government procurement policies, the Channel Upgrade Project applies a weighting for local business benefit.

The Management Plans relating to rock wall construction and possible environmental impacts were approved by the Federal Department of Agriculture, Water and the Environment in February 2020 and are available on the Port's website. Consultation with Traditional Owners and the Independent Technical Advisory Committee (ITAC) was undertaken prior to the finalisation and submission of these documents.

The Port of Townsville has also provided regular updates about the project to community representatives through the Port's Community Liaison Group.

A range of additional monitoring programs were implemented as part of the Channel Upgrade project including 13 water quality monitoring sites, seagrass and coral surveys, dolphin and shorebird monitoring programs.

Greater Port Expansion Project

The Port Expansion Project is the largest infrastructure project in the Port's history. It is a 30 year development plan that will include six additional berths to cater for the growth and expansion of the Port.

Robust scientific assessments and consultation processes were undertaken through the Environmental Impact Statement. Comprehensive environmental monitoring programs and controls are in place to ensure that the health of Cleveland Bay is safeguarded. All capital dredge material will be beneficially reused through reclamation.

An ITAC, with members from across Australia was established in 2018. The ITAC provides independent scientific and technical advice in relation to the development and implementation of environmental monitoring programs and the Channel Upgrade Project's Dredge Management Plan.

The ITAC is comprised of an Independent Chair and technical/scientific specialists covering the following fields:

- Marine water quality;
- Coral ecosystems;
- Seagrass ecosystems;
- Marine megafauna;
- Coastal hydrodynamics;
- Dredging operations; and
- Sediment transportation

The project will create 120 local full time equivalent (FTE) jobs during construction and return more than \$580 million of value to Queensland. The Port has established a target of 10% Indigenous employment. The project will result in freight directly imported and exported through Townsville Port that would otherwise be trucked or railed from capital cities.

Berth 4 Ship-to-Shore Crane Installation

The Port made significant enhancements to its container handling capabilities with the installation of a new Ship-to-Shore crane on Berth 4 and the upgrade of the 1.6 hectare container storage area adjacent to the berth. The Ship-to-Shore crane provides the capability to service larger container vessels, ensuring the Port can support Northern Australia with direct international shipping with improved efficiency. The first container vessel, *Lae Chief*, was offloaded with the new crane on 26 May. The \$30 million crane and cargo storage area upgrade project will significantly improve efficiencies and provide the Port with increased capabilities for decades to come.

Truck Staging Area - Benwell Road

Townsville Port completed construction works on a \$4.3 million truck staging area, situated at the main port entrance, through a local firm, RMS Engineering and Construction. The area will cater for up to 20 triple road trains when fully operational, reducing congestion and improving safety within the Port and along the Port Access Road.

East Port Precinct & Southern Link Road

Given the increasing demand for cargo laydown and storage, master planning and early construction works of the East Port Precinct and Southern Link Road commenced this financial year.

This precinct will integrate with the Port Expansion Project area, road, rail and shipping infrastructure investments to make it more attractive for bulk and general cargo operators. The Townsville Eastern Access Rail Corridor (TEARC) detailed business case (2017) highlighted the East Port infrastructure location would significantly influence the Port Expansion Project's efficiency and overall Port operations beyond the next 100 years.

Design for East Port and the Southern Link Road has commenced, including service corridor easements, a roundabout instead of a four-way intersection, and the ability to expand the link road and roundabout to four lanes when required. East Port and the Southern Link Road will be progressed in line with the Port development plan being developed in 2021-22.

Engineering and Maintenance Works

A number of engineering and maintenance projects were completed during the year ensuring the Port's assets are well maintained, reliable and efficient to service its customers. Projects included:

- \$3.2 million to undertake maintenance dredging of the channels and harbour areas;
- \$830,000 to undertake dredging of Ross River post February 2019 floods;
- \$166,000 Lucinda public and operational facilities;
- \$227,000 Berth 1 fender system replacement;
- \$50,000 land maintenance of the Port's Granitevale quarry;
- \$55,000 underwater inspections of wharf piles;
- \$106,000 to replace HVAC systems in Administration and Engineering buildings;
- \$149,000 replacement of minor plant and equipment;
- \$204,000 minor capital works;
- \$61,000 upgrade to Berth 1 firefighting system; and
- \$440,000 driveway upgrades to storage areas.

Port of Townsville Shipping System Implemented

The past 12 months have seen the new Port of Townsville Shipping System (POTS) become a reliable part of the Port's daily operation. POTS is a modern Port Management Information System provided by Saab through their Port Control™ platform that replaced the Port's 20 year old database.

By utilising the same system as Maritime Safety Queensland (MSQ), the information presents the same 'look and feel' and it is also creating efficiencies for shipping agents and the Port by removing the duplication of data entry requirements.

Townsville Port is the first port in Queensland to receive information directly from MSQ. Process updates made with the new system are also ensuring that our data and processes are more accurate, timely and efficient.

The Port has now commissioned the Kline Mobile Pilot (KMP) module from Saab, which manages pilot job notifications and records, which will reduce administration effort, improve data reliability and supports improvements to fatigue management. This system is expected to be finalised in the first quarter of 2022 financial year.

Health and Safety

The Port of Townsville is committed to maintaining a safe and healthy work environment for all employees, contractors, visitors and the wider port community by following the relevant Work Health and Safety legislation, codes of practice and appropriate standards.

The Port, focused on becoming a zero-harm workplace, is working towards our goal of providing a work environment free from workplace injury. We recognise that this can only be achieved through the participation, cooperation, and commitment of everyone in the workplace.

The Port's Board, Executive and management regularly review and discuss safety performance and take a strong leadership role in achieving and maintaining a safe workplace.

The Port continues to engage Employees and Port Users through a range of formal and informal committees and working groups.

Certification has continued over the past 12 months. Through our most recent audits, the Port's Occupational Health and Safety Management System achieved the requirements of ISO 45001.

Compliance with Injury Management Requirements

In accordance with the *Queensland Workers' Compensation and Rehabilitation Act 2003*, the Port has developed return to work programs for all employees who have sustained a workplace injury. The programs are designed to assist employees achieve a positive and timely return to work outcome. This framework is extended to employees returning from non work-related injuries to ensure that they can safely engage in their roles. The programs are regularly monitored and updated on a case-by-case basis.

Safety Performance

Our efforts and focus on increased reporting and engaging did not have the positive impact we anticipated on our injury frequency rates. While there was no increase in the number of lost time injuries, our number of recordable injuries doubled compared with the previous financial year. However, there were positive increases in engagement through workplace health and safety meetings and our health and safety committee meetings. We also saw a significant increase (more than double) of incident reporting which is encouraging and provides useful information to focus on key areas.

In response to these results the Port is undertaking a staged Health and Safety Strategy refresh with a focus on increasing communication, participation and escalation to arrest these rises. This refresh will be rolled out across 2021-22.

Health and Safety Statistics	2019-20	2020-21
Total number of incidents reported	35	73
Number of Lost Time Injuries	2	2
Number of Recordable Injuries (includes Lost Time Injuries)	4	8
Lost Time Injury Frequency Rate (LTIFR)	5.68	5.86
Total Recordable Injury Frequency Rate (TRIFR)	11.4	23
Total of planned WHS Meetings	207	613
Total of Health and Safety Committee Meetings	16	25
Random Drug and Alcohol tests completed	99	128

Securing Our Operating Environment

Being a Security Regulated Port, both the Ports of Townsville and Lucinda operations are subject to the provisions of the Maritime Transport and Offshore Facilities Security Act 2003.

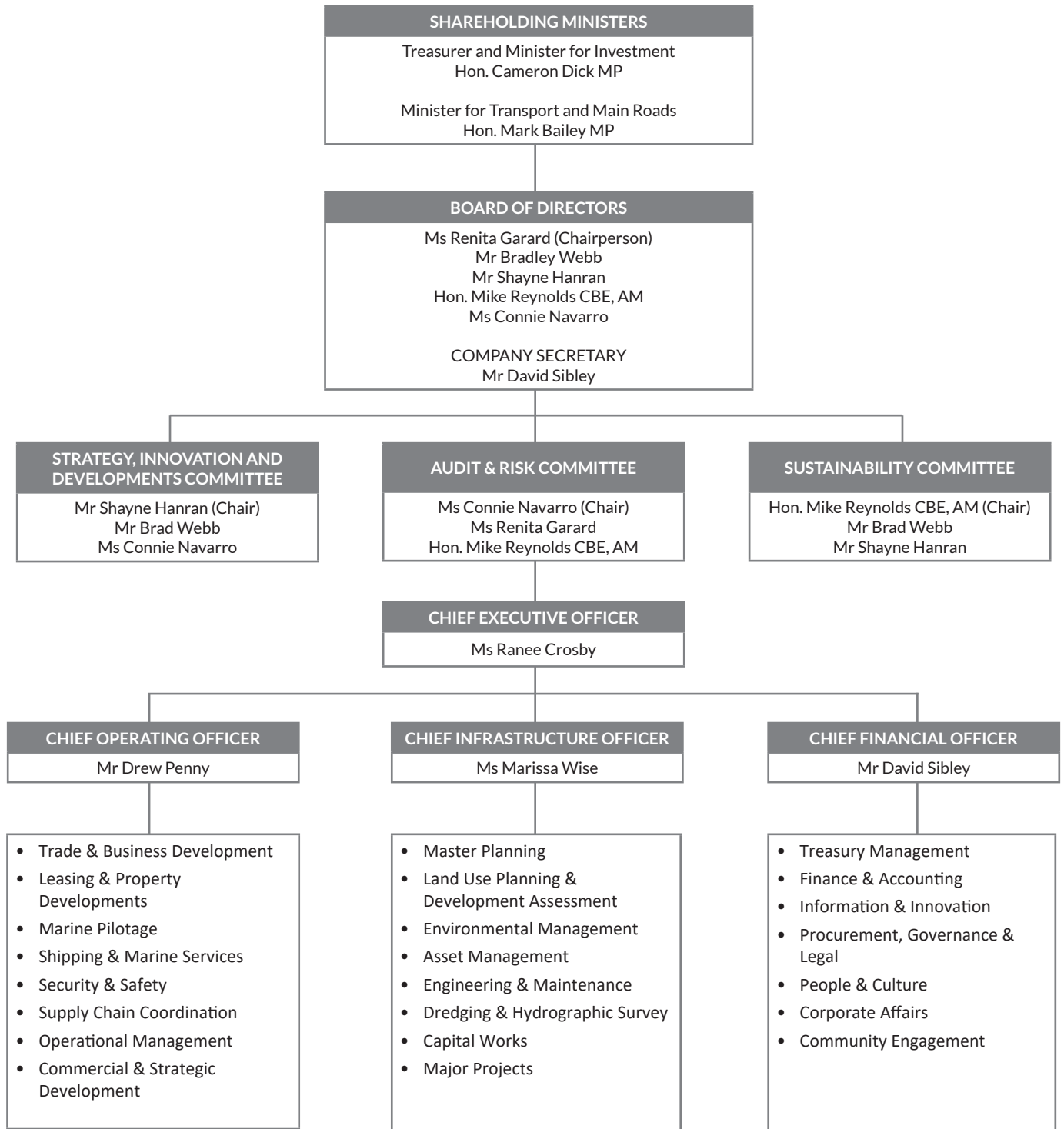
Security measures include:

- Background checks;
- Identification and establishment of Restricted Zones; and
- Application of Penalties for Security Breaches and Reporting of Security Incidents.

The Port holds approved Maritime Security Plans (MSPs) under which, the establishment of both Waterside Restricted Zones (WRZs) and Landside Restricted Zones (LRZs) provides for the implementation of specific controls for the Port of Townsville and Port of Lucinda. These MSPs were updated and approved by the Department of Home Affairs during the year.

Continued engagement with port users and government agencies ensures that the Port remains current with all government security requirements and best practices.

GOVERNANCE



Board of Directors

The Port of Townsville Board of Directors is comprised of five non-executive Directors as at 30 June 2021 who were appointed by the Governor in Council in accordance with the GOC Act. Directors' names and tenure details during the 2020-2021 financial year are shown below:

Name	Position	Initial appointment	Last re-appointed	Appointment expiry
Ms Renita Garard, AM	Chairperson	1 October 2015	1 October 2018	30 September 2021
Mr Bradley Webb	Director	1 October 2011	1 October 2020	30 September 2023
Mr Shayne Hanran	Director	3 December 2015	1 October 2018	30 September 2021
Hon. Mike Reynolds CBE, AM	Director	16 December 2016	1 October 2019	30 September 2022
Ms Connie Navarro	Director	1 October 2020		30 September 2023

The Port's Directors are paid fees for their services. The amount of the fees is determined by shareholding Ministers. Remuneration arrangements for the Chief Executive Officer and senior executives are determined by the Board in accordance with guidelines issued by shareholding Ministers. In accordance with the disclosure requirements for GOCs, details of Directors' remuneration for the reporting period are located on page 70 of this report.

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

Ms Renita Garard AM - Chair

Appointed 1 October 2015

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

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

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

Mr Bradley Webb - Non-Executive Director

Appointed 1 October 2011

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

Brad's community involvement also stems from founding North Queensland based charity, Food Relief NQ, to providing business knowledge and assistance to many local organisations. Brad is currently Chairman of Food Relief NQ, Non-Executive Director of Port of Townsville Limited and Chair of Townsville's Water Security Taskforce.

Mr Shayne Hanran – Non-Executive Director

Appointed 3 December 2015

Shayne is a Registered Professional Engineer of Queensland with over 30 years' experience in the industry. A Townsville local; he completed his studies at James Cook University and has extensive experience in the project management, design and construction phases of a diverse range of civil and structural projects.

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

Shayne is the Regional Managing Director, Northern and Western Australia for AECOM Australia Pty Ltd.

Hon. Mike Reynolds CBE, AM – Non-Executive Director

Appointed 16 December 2016

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

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

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

Mike was an Adjunct Professor at the Public Policy Institute at the Canberra Campus of the Australian Catholic University (2012-2013) and is the Australian Patron of Youth with a Mission Medical Ships Australia (2009-2021). Mr Reynolds is a non-executive Director with North and West Remote Health (2012 to 2021).

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

Ms Connie Navarro – Non-Executive Director

Appointed 1 October 2020

Connie is a legal practitioner with 20 years' experience in the legal industry. Connie is a born and bred North Queenslander and an advocate for rural and regional development.

With extensive experience and expertise in the areas of commercial, property and business law, Connie has a particular focus on agribusiness, mining, energy and resources, infrastructure and major projects.

Connie holds a Bachelor of Economics – Bachelor of Laws (Hons) from James Cook University and is admitted in the High Court of Australia, Supreme Court of Queensland and Supreme Court of Northern Territory.

Connie is the Director of Connie Navarro Legal, Secretary of MITEZ – Mount Isa to Townsville Economic Development Zone and committee member of the Townsville Industrial Development Board.

Board Committees

The Port has three Board Committees that report to the Board, namely:

1. **Audit and Risk Management Committee**

Chair – Ms Renita Garard

Members – Mr Bradley Webb and Hon. Mike Reynolds CBE, AM

The primary objective of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities prescribed in the *Financial Accountability Act 2009* (Qld), *Corporations Act 2001* (Cth) and other relevant legislation and prescribed requirements by providing independent comment, advice and counsel to the Board of Directors on financial, audit, risk and other matters considered by the Committee at its regular meetings.

Changed November 2020 to:

Audit and Risk Committee

Chair – Ms Connie Navarro

Members – Ms Renita Garard and Hon. Mike Reynolds CBE, AM

The primary objective of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in respect to the quality and integrity of financial reporting, the performance of the external audit, effectiveness and objectivity of the internal audit plan, and oversight of the internal control system for financial reporting, accounting records, business risks and compliance activities.

2. **Human Resources and Work Health and Safety Committee**

Chair – Ms Renita Garard

Members – Mr Bradley Webb and Mr Shayne Hanran

The primary objective of the HR&WHS Committee is to assist the Board of Directors in fulfilling its corporate governance responsibilities by reviewing recommendations, monitoring and establishing HR&WHS policy frameworks. Such frameworks shall be consistent with The Port's business needs and objectives, commercial profile and relevant legislation.

Changed November 2020 to:

Sustainability Committee

Chair – Hon Mike Reynolds CBE, AM

Members – Mr Bradley Webb and Mr Shayne Hanran

The primary objective of the Sustainability Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities for sustainability and ensuring frameworks, policies, practices and targets are aligned with the Port's goal of being a sustainable organisation for the long-term. This encompasses governance of board and executive functions, people and culture, safety and security, environment, community engagement and social responsibility.

3. **Major Projects Committee**

Chair – Mr Shayne Hanran

Members – Mr Bradley Webb, Ms Renita Garard and Hon. Mike Reynolds CBE, AM

The primary objective of the Major Projects Committee is to assist the Board of Directors in fulfilling its responsibilities by facilitating the delivery of major infrastructure projects being undertaken by The Port in a timely, efficient and cost-effective manner.

Changed November 2020 to:

Strategy, Innovation and Development Committee

Chair – Mr Shayne Hanran

Members – Mr Bradley Webb, Ms Connie Navarro

The primary objective of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by providing reviewing and providing advice in respect to the Port's strategy, innovation and development frameworks.

The qualifications of Directors on each Board Committee are detailed on page 44 of this report. Board Committee Charters can be viewed on the Port's website at <https://www.townsville-port.com.au/about-us/governance/>.

Director Attendance

Director attendance at Board and Board Committee meetings during the reporting period is outlined in the table below:

From 1 July 2020 to 30 September 2020

Director	Board Meetings		Audit & Risk Management Committee		HR & WHS Committee		Major Projects Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard AM	5	5	1	1	1	1	1	1
Mr Brad Webb	5	4	1	1	1	1	1	1
Mr Shayne Hanran	5	4	N/A	N/A	1	1	1	1
Hon. Mike Reynolds CBE, AM	5	5	1	1	1	N/A	1	1

From 1 October 2020 (Ms Connie Navarro appointed to the board)

Director	Board Meetings		Audit & Risk Committee		Sustainability Committee		Strategy, Innovation & Development Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard AM	8	8	3	3	3	3	3	3
Mr Brad Webb	8	8	N/A	N/A	3	0	3	0
Mr Shayne Hanran	8	8	N/A	N/A	3	3	3	3
Hon. Mike Reynolds CBE, AM	8	8	3	3	3	3	N/A	N/A
Ms Connie Navarro	8	8	3	3	N/A	N/A	3	3

Board Evaluations

Performance evaluation for the Chief Executive Officer and senior executives occurs annually in accordance with the Port's Performance Review Procedure.

The Port has in place a corporate governance framework which provides for regular Board evaluations in accordance with the Port's Performance Review Framework.

This review process enables the Board to review individual and whole-of-board performance against duties and responsibilities with a view of focusing on key performance objectives and identifying areas for improvement.

The Chairperson also continuously monitors the performance of individual Directors, the Board and Board sub-committees.

The evaluation process focuses on:

- individual Director and collective Board knowledge, experience, and performance;
- whether governance and compliance obligations are understood and are being met;
- how well the key indicators and reporting processes have helped the Board in its monitoring role;
- the quality and effectiveness of Board and management relationships; and
- Board processes and efficiency.

The Board may sometimes seek an independent appraisal of its performance if it is deemed an independent review would facilitate a more effective evaluation process.

Assessments for the 2020-2021 period were completed by Directors during the second quarter. The results of the evaluations were communicated to the Board via the Chairperson and analysed for trends and areas for improvement.

Director Independence

The Board has adopted a Disclosure of Interests Policy to ensure the independence of Directors is appropriately assessed and any potential conflicts are identified, disclosed, and managed.

The Board has also adopted an Insider Trading Policy which ensures that Directors, senior executives, and employees do not use inside information acquired through their position in the Port to deal in securities or gain a personal benefit. This includes trading through a family member or through a trust or company over which a director, senior executive, or employee has influence and control.

Directors are required to disclose any direct or indirect interest they have at the commencement of their appointment as a director by submitting a Statement of Interests Form to the chairperson or Chief Executive Officer as appropriate.

In accordance with the requirements of the Corporations Act 2001 (Cth), if a director has a direct or indirect interest in a matter being considered, or about to be considered by the Board, the Director is also required to disclose the nature of the interest to the Board as soon as practicable after the relevant facts come to the Director's knowledge.

The Board also regularly assesses the ongoing independence of each Director and the Board generally to ensure they continue to exercise unfettered and independent judgment. This ensures the interests of the shareholding Ministers, and the public are properly protected and that individual vested interests do not have the opportunity to influence decision-making against the interests of the Corporation as a whole.

The assessment of the independence of a director, including materiality thresholds, is a matter for the Board to determine on a case-by-case basis from the perspective of both the Port and the relevant Director, having regard to the Director's individual circumstances. The Board has arrangements in place for determining materiality thresholds and for assessing a director's independence in light of interests disclosed by them.

It is considered by the Board that none of the Directors' interests disclosed during the reporting period interfered with the ability of those Directors to act in the Corporation's best interests.

On this basis, all members of the Board are considered to be independent.

Disclosure at a meeting of the Board is further dealt with in the Corporation's Disclosure of Interests Policy found under the Corporate Governance section of the Corporation's website at <https://www.townsville-port.com.au/about/release-of-information/>.

Independence Advice

Directors are permitted, after discussion with the Chairperson and Chief Executive Officer, to obtain independent professional advice at the Port's expense should they have concerns in relation to a particular issue being considered by the Board. Such advice, once obtained, is made available to all other Directors.

Shareholders

The Board is responsible to the Port's two shareholding Ministers, the Honourable Cameron Dick MP (Treasurer and Minister for Investment), and the Honourable Mark Bailey MP (Minister for Transport and Main Roads).

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

Business performance reports are provided to the Board and shareholding Ministers on a quarterly and annual basis so the Port's performance against agreed targets can be monitored. Moreover, the annual reports are published so the Port's performance can be communicated to other stakeholders. This annual report provides an overview of the Port's performance against its SCI for the 2019-20 reporting period.

Shareholding Ministers

The Port's shareholding Ministers are identified as Key Management Personnel (KMP). All Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances. The Port's shareholding Ministers are identified as part of the Port's key management personnel. For the 2020-21 reporting period, these Ministers are, or were:

- the Honourable Cameron Dick MP, Treasurer and Minister for Investment
- the Honourable Mark Bailey MP, Minister for Transport and Main Roads

Dividend Policy

The GOC Act requires the Board to recommend the payment of a dividend. The Port's dividend policy considers the return its shareholders expect on their investment.

The Port has recommended a dividend to shareholding Ministers of 100% of its adjusted audited net profit after tax (NPAT), which is expected to be in the amount of \$13.55 million for the 2020-21 financial period.

Risk Management

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

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

Audits

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

Internal auditors are contracted to carry out the Port's internal audit function. During the reporting period, audits were conducted by internal auditors in respect to the Port's risk management framework, and the governance and procurement functions of the Channel Upgrade Project. All opportunities for improvement identified from these audits are currently being addressed to improve operational business and major project delivery practices.

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

Business Management Systems

Port of Townsville Limited maintained its external certification for its integrated business management system during the reporting period, which includes elements such as Quality (ISO 9001:2015), Information Security (ISO 27001:2013), Safety (AS/NZS ISO 14001), Occupational Health and Safety (OHSAS 18001:2007 and AS4801:2001) and Environment (ISO14001:2015).

Public Interest Disclosures

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

Privacy

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

Release of Information

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

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

Overseas Travel

No overseas travel was undertaken by Directors, Executives or staff of the Port during the 2020-21 financial year.

PORT OF TOWNSVILLE LIMITED

ACN 130 077 673

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2021



DIRECTORS' REPORT.....	35
AUDITOR'S INDEPENDENCE DECLARATION.....	39
FINANCIAL STATEMENTS.....	40
STATEMENT OF COMPREHENSIVE INCOME.....	41
STATEMENT OF FINANCIAL POSITION.....	42
STATEMENT OF CHANGES IN EQUITY	43
STATEMENT OF CASH FLOWS	44
NOTES TO THE FINANCIAL STATEMENTS	45-64
DIRECTORS' DECLARATION.....	65
INDEPENDENT AUDITOR'S REPORT.....	66

Directors' Report

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

The Directors present their report together with the financial statements of Port of Townsville Limited (the Port) for the year ended 30 June 2021 and the auditor's report thereon.

DIRECTORS

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

Ms Renita Garard AM (Chair)	Hon. Mike Reynolds CBE, AM
Mr Bradley Webb	Mr Shayne Hanran
Ms Connie Navarro	

PRINCIPAL ACTIVITIES

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

The Port's core business functions are to:

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

REVIEW OF OPERATIONS

The year has seen the world's economy continue to be heavily impacted by COVID19. Whilst there has been stressed supply chains worldwide, the Port recorded a modest trade result due to the perseverance of our customers. Profit from continuing operations before income tax expense remained strong at \$20.47 million (2020: \$19.87 million) with a continued focus on revenue diversification and cost management. The Port's operating result for the year after income tax remained steady at \$14.33 million, increasing slightly by 3.3% on the previous year (2020: \$13.87 million). Total trade throughput for the year decreased by 6% on the previous year to 7.70 million tonnes (2020: 8.19 million tonnes).

During the year, the Port celebrated the completion of the \$30 million Berth 4 Crane and Cargo Terminal project. It is anticipated the investment will yield a significant step-change in the capacity of the Port to handle containers and general cargo, supporting the region through more efficient and cost-effective transport solutions. The final component of the project was the commissioning of the first ship to shore crane purchased by the Port since the 1970s. The Leibherr Super Post Panamax Ship to Shore crane stands almost 100m high, dwarfing Townsville's current tallest structure, the Grand Chancellor Hotel, by approximately 24m. The crane offers superior handling ability, with the capability to lift two 20 foot shipping containers at once equating to 70 tonnes. It is expected the crane will increase berth capacity by approximately 20 per cent, greatly improving loading and unloading time for vessels servicing the region.

The \$232 million Townsville Channel Upgrade Project is progressing well, with completion of the 2.2 kilometre rock wall during the period. Dredging and reclamation works are expected to commence later in 2021, which includes capital dredging and beneficial re-use of approximately 3.9 million cubic metres of material. Widening of the channels to cater for larger ships will ensure North Queensland remains a competitive trade gateway for imports and exports, and will also enable Townsville to attract larger cruise ships to support growth of the local tourism industry and improve strategic capability for Defence. The project is being funded by the Port (\$52 million), the Queensland Government (\$105 million) and the Federal Government (\$75 million). It is expected that access for larger ships can be expected within two years and full project completion by 2023.

The Port maintained external certification of its Integrated Business Management Systems for the Ports of Townsville and Lucinda to international standards (Environment AS/NZS ISO14001:2015, Safety OHSAS 18001:2007 and AS4801:2001, Quality ISO9001:2015 and Information Security ISO/IEC 27001:2013).

Below is a summary of the Port's underlying ratios over the past 2 years:

		2021	2020
Return on Assets	<i>Net Profit After Tax / Total End of Year Assets</i>	1.62%	1.89%
Return on Equity	<i>Net Profit After Tax / Total End of Year Equity</i>	2.20%	2.62%
Interest Cover Ratio	<i>Earnings Before Interest and Tax / Total Finance costs (inclusive of capitalised costs)</i>	5.35	4.93
Debt to Equity	<i>Total Debt / Total Equity</i>	0.15	0.19

DIVIDENDS

Directors recommended payment of a final dividend of 100% of adjusted profits (2020: 100%). The final dividend amounts to \$13,545,152 (2020: \$13,513,216).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Directors' Report

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not been any matter or circumstance that has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- The Port's operations in future financial years, or
- the results of those operations in future financial years, or
- The Port's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

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

As a priority port in Queensland, Port of Townsville has been master planned to ensure sustainable development while protecting the Great Barrier reef. The Master Plan overlay (implementation framework) was finalised in 2020 and took effect from 1 February 2021. The port overlay operates alongside existing planning instruments and only regulates development in the master planned area if additional requirements are necessary to implement the Master Plan. The Port has commenced its Land Use Plan updates to formally incorporate the Master Plan into these statutory plans.

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

Following the detection of Per- and Poly-fluoroalkyl Substances (PFAS) in voluntary groundwater monitoring undertaken around the Port of Townsville in April 2018, a preliminary investigation was completed. This was undertaken with the assistance of a specialist consultant (GHD) and Queensland government departments to understand the nature and extent of PFAS both within the port and beyond the port boundary. Results to date indicate a very low risk to local residents or workers at the Port of Townsville, and results from this investigation were released in July 2018 and are available on Port's website.

Since the Preliminary Investigation, the Port has undertaken extensive PFAS testing and reengaged GHD to complete a Targeted Site Investigation (TSI). The latest data indicates concentrations have remained largely consistent in that time. PFAS concentrations measured in the wider marine environment of Ross River, Ross Creek and Cleveland Bay sediment have also been low, suggesting low risk to human health and the environment. A summary of the Targeted Site Investigation in 2020 is available on Port's website.

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

INFORMATION ON DIRECTORS

The following information is current at the date of this report.

Ms Renita Garard AM, Non-Executive Chair

Appointment 1 October 2015, Term of Office - to 30 September 2021

EXPERIENCE AND EXPERTISE

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

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

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



SPECIAL RESPONSIBILITIES

Chair of the Board

Member of the Audit and Risk Committee

From 1 July to 30 September 2020

Chair of the Audit and Risk Management Committee

Chair of the Human Resources and Work Health and Safety Committee

Member of the Major Projects Committee

Mr Bradley Webb, Non-executive director

Appointment 1 October 2011, Term of Office - to 30 September 2023

EXPERIENCE AND EXPERTISE

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

Brad's community involvement also stems from founding North Queensland based charity, Food Relief NQ, to providing business knowledge and assistance to many local organisations. Brad is currently Chairman of Food Relief NQ, Non-Executive Director of Port of Townsville Limited and Chair of Townsville's Water Security Taskforce.



SPECIAL RESPONSIBILITIES

Member of the Sustainability Committee

Member of the Strategy, Innovation and Development Committee

From 1 July to 30 September 2020

Member of the Audit and Risk Management Committee

Member of the Human Resources and Work Health and Safety Committee

Member of the Major Projects Committee

Directors' Report

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

Hon. Mike Reynolds CBE, AM, BSW, MAICD *Non-executive director*

Appointed 16 December 2016, Term of Office - to 30 September 2022

EXPERIENCE AND EXPERTISE

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

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

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

Mike was an Adjunct Professor at the Public Policy Institute at the Canberra Campus of the Australian Catholic University (2012-2013) and is the Australian Patron of Youth With a Mission Medical Ships Australia (2009-2021). Mike is a non-executive Director with North and West Remote Health (2012 to 2021).

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

SPECIAL RESPONSIBILITIES

Chair of the Sustainability Committee
Member of the Audit and Risk Committee

From 1 July to 31 October 2020

Member of the Audit and Risk Management Committee
Member of the Major Projects Committee



Mr Shayne Hanran, Non-executive director

Appointed 3 December 2015, Term of Office - to 30 September 2021

EXPERIENCE AND EXPERTISE

Shayne is a Registered Professional Engineer of Queensland with over 29 years' experience in the industry. A Townsville local; he completed his studies at James Cook University and has extensive experience in the project management, design and construction phases of a diverse range of civil and structural projects.

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

Shayne is the Regional Managing Director of Northern and Western Australia for AECOM Australia Pty Ltd.

SPECIAL RESPONSIBILITIES

Chair of the Strategy, Innovation and Development Committee
Member of the Sustainability Committee

From 1 July to 30 September 2020

Chair of the Major Projects Committee
Member of the Human Resources and Work Health and Safety Committee



Ms Connie Navarro, Non-executive director

Appointed 1 October 2020, Term of Office - to 30 September 2023

EXPERIENCE AND EXPERTISE

Connie is a legal practitioner with 20 years' experience in the legal industry. Connie is a born and bred North Queenslander and an advocate for rural and regional development.

With extensive experience and expertise in the areas of commercial, property and business law, Connie has a particular focus on agribusiness, mining, energy and resources, infrastructure and major projects.

Connie holds a Bachelor of Economics – Bachelor of Laws (Hons) from James Cook University and is admitted in the High Court of Australia, Supreme Court of Queensland and Supreme Court of Northern Territory.

Connie is the Director of Connie Navarro Legal, Secretary of MITEZ (Mount Isa to Townsville Economic Development Zone) and committee member of the Townsville Industrial Development Board.

SPECIAL RESPONSIBILITIES

Chair of the Audit and Risk Committee
Member of the Strategy, Innovation and Development Committee



COMPANY SECRETARY

Mr David Sibley

David was appointed as Company Secretary in January 2016 after being employed with the Port's for more than ten (10) years. Over the last 30 years David has worked across financial and corporate management within government, profit and not-for-profit entities. He has been responsible for formulating and implementing long term strategic, operational, and financial plans; commercialising government service units, and improving bottom line results in both non-profit and for-profit entities.

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

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

Ms Esther Slocombe - Resigned 26 October 2020

Esther commenced employment with the Port in October 2007 and was the Port's Company Secretary and Legal Counsel. Esther role was to oversee the Port's governance, legal, regulatory, government stakeholder liaison, strategic/corporate planning, contractual review, right to information, information privacy, records management, risk management, audit and administration functions.

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

Esther has also completed a Diploma of Management.

Directors' Report

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

MEETINGS OF DIRECTORS

The number of meetings of the Port's Board of Directors and of each board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

From 1 July 2020 to 30 September 2020

Director	Board Meetings		Audit & Risk Management		HR & WHS Committee		Major Projects Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard AM	5	5	1	1	1	1	1	1
Mr Brad Webb	5	4	1	1	1	1	1	1
Mr Shayne Hanran	5	4	N/A	N/A	1	1	1	1
Hon. Mike Reynolds CBE, AM	5	5	1	1	1	N/A	1	1

From 1 October 2020 to 30 June 2021

Director	Board Meetings		Audit & Risk Committee		Sustainability		Strategy, Innovation & Develop.	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard AM	8	8	3	3	3	3	3	3
Mr Brad Webb	8	8	N/A	N/A	3	0	3	0
Mr Shayne Hanran	8	8	N/A	N/A	3	3	3	3
Hon. Mike Reynolds CBE, AM	8	8	3	3	3	3	N/A	N/A
Ms Connie Navarro	8	8	3	3	N/A	N/A	3	3

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year, a policy was held to insure all directors and officers of the Port against liabilities incurred in their capacity as director or officer. The provisions of this policy prohibit the disclosure of the nature of the liabilities insured. The *Corporations Act 2001* (Cth) does not require disclosure of this information in these circumstances.

DIRECTORS' SHAREHOLDING

No Directors held any beneficial interest in the shares of the Port. All issued shares are held by the shareholding Ministers on behalf of the Queensland Government.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Port, or to intervene in any proceedings to which the Port is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Port with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 7.

ROUNDING OF AMOUNTS

The Port is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements and Directors' Report. Amounts in the financial statements and Directors' Report have been rounded off to the nearest dollar in accordance with that Legislative Instrument.

This report is made in accordance with a resolution of directors on 16 August 2021.



Ms Renita Garard AM
Chair

20 August 2021



Ms Connie Navarro
Director

20 August 2021

Auditor's Independence Declaration

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

To the Directors of Port of Townsville Limited

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

INDEPENDENCE DECLARATION

As lead auditor for the audit of Port of Townsville Limited for the financial year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been -

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* (Cth) in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Bhavik Deoji
as delegate of the Auditor-General

20 August 2021

Queensland Audit Office
Brisbane

Annual Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

PURPOSE AND SCOPE

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

Port of Townsville Limited
Benwell Road
Townsville QLD 4810.

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

These Statements have been prepared:-

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

A description of the nature of the Port's operations and its principal activities is included in the Directors' Report on pages 3 to 6 which is not part of these financial statements.

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

Statement of Comprehensive Income

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	Notes	2021 \$	2020 \$
REVENUES			
User Charges	2(A)	75,758,959	78,517,113
Interest Received		169,344	1,000,315
Other Revenue	2(A)	325,290	1,295,679
Fair Value Gains on Investment Properties	3(G)	917,207	509,620
		77,170,800	81,322,727
EXPENSES			
Employee Related Expenses	2(B)	18,520,272	18,474,630
Supplies and Services	2(B)	17,308,218	19,346,912
Depreciation and Amortisation Expense	3(F)	13,077,237	15,506,810
Finance Costs	2(B)	4,891,266	5,258,265
Other Expenses	2(B)	2,906,076	2,865,802
		56,703,069	61,452,418
OPERATING RESULT BEFORE INCOME TAX EXPENSE		20,467,732	19,870,310
Income Tax Expense	2(C)	(6,140,534)	(6,000,360)
OPERATING RESULT FOR THE YEAR		14,327,198	13,869,950
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO OPERATING RESULT:			
Increase / (Decrease) in Revaluation Surpluses (net of tax effect)	3(E)	75,880,717	(63,416,067)
TOTAL COMPREHENSIVE INCOME		90,207,915	(49,546,117)

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

Statement of Financial Position

as at 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	Notes	2021 \$	2020 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3(A)	10,799,493	12,089,957
Trade and Other Receivables	3(B)	16,593,362	13,711,934
GOC Advance Facility	3(C)	34,288,001	40,724,103
Current Tax Receivable		2,787,704	-
Other Current Assets		1,407,779	1,073,751
Inventories	3(D)	54,627	55,163
TOTAL CURRENT ASSETS		65,930,965	67,654,908
NON-CURRENT ASSETS			
Property, Plant and Equipment	3(E)	760,719,324	608,828,573
Right of Use Assets	3(H)	3,631,992	3,845,847
Intangibles		206,268	288,291
Investment Properties	3(G)	52,654,255	51,737,048
TOTAL NON-CURRENT ASSETS		817,211,840	664,699,759
TOTAL ASSETS		883,142,805	732,354,667
CURRENT LIABILITIES			
Trade and Other Payables	3(I)	8,323,997	12,389,767
Lease Liabilities	3(H)	357,716	355,785
Current Tax Liabilities		-	3,172,877
Provisions	3(K)	17,454,205	17,077,744
Other Current Liabilities	3(L)	4,114,983	3,928,706
TOTAL CURRENT LIABILITIES		30,250,901	36,924,879
NON-CURRENT LIABILITIES			
Financial Liabilities	3(J)	96,137,543	96,137,543
Lease Liabilities	3(H)	3,345,728	3,567,302
Deferred Tax Liabilities	2(C)	80,678,785	43,638,211
Provisions	3(K)	682,560	775,232
Other Non-Current Liabilities	3(L)	20,304,166	21,629,167
TOTAL NON-CURRENT LIABILITIES		201,148,784	165,747,456
TOTAL LIABILITIES		231,399,684	202,672,335
NET ASSETS		651,743,121	529,682,332
EQUITY			
Contributed Equity	3(M)	207,879,706	162,879,706
Accumulated Surplus		146,631,612	145,451,540
Asset Revaluation Surplus	3(N)	297,231,803	221,351,086
TOTAL EQUITY		651,743,121	529,682,332

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

Statement of Changes in Equity

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	Notes	2021 \$	2020 \$
CONTRIBUTED EQUITY			
Balance at beginning of the year		162,879,706	162,879,706
Shares Issued		45,000,000	-
Balance at the end of the year	3(M)	207,879,706	162,879,706
ACCUMULATED SURPLUS			
Balance at beginning of the year		145,451,540	144,987,238
Impact of change in accounting policy		-	(2,044)
Operating result for the year		14,327,198	13,869,950
Transfer from reserves on disposal / derecognition of property, plant and equipment		568,611	156,593
Deferred tax adjustment for disposals of property, plant and equipment		(170,585)	(46,981)
Dividends provided for	3(O)	(13,545,152)	(13,513,216)
Balance at the end of the year		146,631,612	145,451,540
ASSET REVALUATION SURPLUS			
Balance at beginning of the year		221,351,085	284,767,152
Property, plant and equipment revaluation increment / (decrement) - gross		108,969,636	(90,437,789)
Deferred tax adjustment for revaluations		(32,520,307)	27,178,313
Transfer to accumulated surplus on disposal/derecognition of property, plant and equipment		(568,611)	(156,593)
Balance at the end of the year	3(N)	297,231,803	221,351,085

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

Statement of Cash Flows

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	Notes	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		78,531,930	86,483,918
Payments to Suppliers and Employees		(50,370,211)	(43,284,450)
GST paid/received from the Australian Taxation Office		1,004,379	(2,239,813)
Interest Received		169,344	1,000,315
Finance Costs		(4,938,934)	(5,229,409)
Income Tax Equivalents paid/received from Queensland Treasury		(7,751,431)	(3,629,744)
Net Cash Inflow (Outflow) from Operating Activities		16,645,077	33,100,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant and Equipment		(55,852,870)	(52,074,692)
Proceeds from Sale of Property, Plant and Equipment		195,893	258,332
Advances to Queensland Treasury		6,436,102	32,271,971
Net Cash Inflow (Outflow) from Investing Activities		(49,220,875)	(19,544,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Lease Liabilities		(201,450)	(132,020)
Capital Issue		45,000,000	-
Dividends Paid		(13,513,216)	(13,205,003)
Net Cash Inflow (Outflows) from Financing Activities		31,285,334	(13,337,023)
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,290,464)	219,406
Cash and Cash Equivalents at Beginning of the Financial Year		12,089,957	11,870,551
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	3(A)	10,799,493	12,089,957

Notes to the Statement of Cash Flows

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

Operating Result for the Year	14,327,198	13,869,950
Depreciation and Amortisation	13,077,237	15,506,810
(Gain) / Loss on Disposal of Non-Current Assets	(63,691)	(90,358)
Net Revaluation Increments - Non-Current Assets	(917,207)	(509,620)
<u>Changes in Assets and Liabilities</u>		
(Increase) / Decrease in Trade and Other Receivables	(3,253,690)	(229,840)
(Increase) / Decrease in Other Assets	(334,029)	(261,224)
Increase / (Decrease) in Trade and Other Payables	(4,831,696)	2,181,225
Increase / (Decrease) in Provisions	251,851	263,258
Increase / (Decrease) in Current and Deferred Tax balances	(1,610,896)	2,370,616

Net Cash Inflow from Operating Activities	16,645,077	33,100,817
--------------------------------------------------	-------------------	-------------------

Reconciliation of Liabilities Arising From Financing Activities

Opening Balance	96,137,543	96,137,543
Cash Flows:		
Repayment of borrowings	-	-

Closing Balance	96,137,543	96,137,543
------------------------	-------------------	-------------------

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

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

NOTE 1. BASIS OF FINANCIAL STATEMENT PRESENTATION

(A) GENERAL

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

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

The financial statements were authorised for issue by the Directors on 16 August 2021. The Directors have the power to amend and reissue the financial statement.

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), *Government Owned Corporations Act 1993* (Qld), Australian Accounting Standards, other authoritative pronouncements and interpretations issued by the Australian Accounting Standards Board. Port of Townsville Limited is a for profit entity for the purpose of preparing the financial statements.

(B) PRESENTATION AND MEASUREMENT MATTERS

Historical cost convention

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

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Port's functional currency.

Rounding of Amounts

The Port is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements and Directors' Report. Amounts in the financial statements and Directors' Report have been rounded off to the nearest dollar in accordance with that Legislative Instrument.

(C) STATEMENT OF COMPLIANCE

The financial statements comply with the requirements of the *Corporations Act 2001* (Cth), *Government Owned Corporations Act 1993* (Qld), Australian Accounting Standards, other authoritative pronouncements and interpretations issued by the Australian Accounting Standards Board.

Standards and Interpretations in issue not yet adopted

The Port has not early adopted any other Australian Accounting Standards and Interpretations that have recently been issued or amended and are not yet effective for the annual reporting period ended 30 June 2021. The Port does not expect there to be any significant impact from these amendments.

Title	Operative for reporting financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non Current <i>The Port does not expect there to be any impact from these amendments.</i>	30 June 2022
Narrow Scope Amendments to AASB 116, AASB 137 in relation to proceeds before intended use, onerous contracts <i>The Port does not expect there to be any impact from these amendments.</i>	30 June 2022

(D) CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the determination and use of certain management judgements, estimates and assumptions that affect the application of policies and resulting reported amounts. The Directors evaluate estimates and associated assumptions incorporated into the financial statements based on historical knowledge, best available current information, and other factors that are considered relevant. Such estimates, judgements and underlying assumptions assume a reasonable expectation of future events and are based on current trends and economic data. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates significant to the financial statements are disclosed in the following notes:

Valuation of property, plant and equipment	Note 3(E)	Provision for long service leave	Note 3(K)
Valuation of investment properties	Note 3(G)	Assessment of Useful Lives	Note 3(E), 3(F)
Depreciation	Note 3(E), 3(F)	Provision for Doubtful Debts	Note 3(B)

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 2. OUR FINANCIAL PERFORMANCE

(A) REVENUE

Revenue arises mainly from the user charges collected from the customers in relation to use of port facilities. User charges and fees are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. Generally, the performance obligation in relation to the customer contracts are satisfied over time and not a specific point in time, since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the services are provided.

Revenue is recognised for the major business activities as follows:

USER CHARGES

Cargo Charges / Berthage / Charges for Services

Cargo charges, berthage revenue and charges for services are recognised over time as and when the port related services are provided to the customers. Customers are typically invoiced after the services are provided for an amount that is calculated on a schedule of rates that is aligned with the stand alone selling prices for each performance obligation. Payment is received following invoice on normal commercial terms. The transaction price is allocated to each performance obligation based on the stand-alone selling price. Revenue from take or pay arrangements is recognised when the minimum annual obligation can be measured reliably, after year end.

Properties and Facilities

Revenue from property and facilities 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. Rental revenue from investment property is recognised as income on a periodic straight line basis over the lease term.

Pilotage Transfer Service Revenue

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

INTEREST RECEIVED

Interest income is recognised when it is probable that the economic benefits will flow to the Port and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(i) USER CHARGES

Cargo Charges	36,160,512	37,686,486
Berthage	12,668,596	14,097,586
Properties and Facilities	11,066,543	11,773,215
Charges for Services	7,968,256	6,852,784
Pilot Transfer Service	7,895,052	8,107,042
	75,758,959	78,517,113

(ii) OTHER REVENUE

	2021 \$	2020 \$		
Proceeds - Sale of Property, Plant & Equipment & Investment Properties	195,893	258,256		
Carrying Value of Disposed Property, Plant & Equipment	(120,000)	(61,752)		
Gain on Sale of Property, Plant & Equipment	75,893	196,504	75,893	196,504
Works Undertaken on Behalf of Other Parties			8,198	313,981
Tax Refunds			156,328	179,535
Bad Debts Recovered			2,797	389,447
Other Revenue			82,073	216,211
			325,290	1,295,679

(B) EXPENSES

(i) EMPLOYEE RELATED EXPENSES

Employee related expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, WorkCover premiums and superannuation.

Salaries & Wages	14,160,263	14,106,392
Annual Leave	895,222	898,910
Long Service Leave	280,332	237,762
Superannuation	1,760,566	1,758,747
Payroll Tax	715,780	710,664
Fringe Benefits Tax	175,653	164,476
Workers Compensation	243,216	274,056
Other Employee Related Expenses	289,241	323,624
	18,520,272	18,474,630

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	2021 \$	2020 \$
--	------------	------------

NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

	2021 \$	2020 \$		2021 \$	2020 \$
(ii) SUPPLIES AND SERVICES					
Payments to Contractors (other than those for Maintenance of Assets or Dredging below)				2,991,889	2,735,760
Payments to Consultants					
Professional/Technical	1,853,761	1,925,583			
Human Resource Management	34,355	15,801			
Finance/Accounting	46,814	129,738			
	<u>1,934,930</u>	<u>2,071,122</u>		1,934,930	2,071,122
Insurance				2,536,591	1,884,793
Maintenance of Assets				4,732,490	1,898,357
Dredging				1,817,077	5,960,253
Reclassified Work in Progress				-	192,850
Lease Payments				201,067	369,681
Utilities and Services				1,503,443	1,620,379
Other Supplies and Services				1,590,731	2,613,717
				<u>17,308,218</u>	<u>19,346,912</u>

Lease payments include lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note 3(H) for breakdown of lease expenses and other lease disclosures.

Management has revised the dissection of Supplies and Services costs for 2020-2021 and the allocation of expenses across Maintenance of Assets and Dredging activities based on judgement concerning the nature of these expenses. Comparative figures have been re-cast and reclassified between line items without any change to the overall comparative amount.

(iii) FINANCE COSTS

Finance costs directly attributable to the acquisition, construction or production of qualifying assets that take more than 12 months to prepare for their intended use or sale are added to the cost of those assets. Financing costs that cannot be directly attributable to a qualifying assets are recognised in the statement of comprehensive income in the period they were incurred.

Loan Interest	3,706,102	3,972,884
Interest on Lease Liabilities	152,262	160,864
Competitive Neutrality Fee	1,032,902	1,124,517
	<u>4,891,266</u>	<u>5,258,265</u>

	2021 \$	2020 \$		2021 \$	2020 \$
(iv) OTHER EXPENSES					
Proceeds from Sale of Property, Plant & Equipment	-	9			
Carrying Value of Disposed Property, Plant & Equipment	(12,202)	(106,155)			
Loss on Sale of Property, Plant & Equipment	(12,202)	(106,146)		12,202	106,146
Land Tax				2,723,501	2,602,807
Other Expenses				170,373	156,849
				<u>2,906,076</u>	<u>2,865,802</u>

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

(C) TAXATION

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

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.

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial 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 a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future amounts will be available to 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 relate to the same taxation authority. Current tax assets and liabilities are offset where the Port has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

(i) INCOME TAX EQUIVALENTS

Income tax equivalents expense

Current Tax Expense / (Benefit)	1,790,850	6,559,224
Deferred Tax Expense / (Benefit)	4,349,684	(595,199)
Under/(Over) Provision in Prior Years	-	36,335
	6,140,534	6,000,360

Income Tax Equivalents Expense is attributable to:

Profit from Operations	6,140,534	5,964,025
Under/(Over) Provision in Prior Years	-	36,335
	6,140,534	6,000,360

Deferred Income Tax (Revenue) Expense included in Income Tax Expense comprises:

Decrease/(Increase) in Deferred Tax Assets	1,363,457	(781,147)
(Decrease)/Increase in Deferred Tax Liabilities	2,986,227	185,948
	4,349,684	(595,199)

Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

Profit from Operations before Income Tax Expense	20,467,732	19,870,310
Tax at the rate of 30% (2020 - 30%)	6,140,319	5,961,093
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	215	2,932
Other	-	-
	6,140,534	5,964,025
Under/(Over) Provision in Prior Years	-	36,335
Income Tax Equivalents Expense	6,140,534	6,000,360

Amounts Recognised Directly in Equity

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

Current tax - credited directly to equity	(170,583)	(46,978)
Net deferred tax - debited/(credited) direct to equity as a result of net increment in Revaluation Surpluses	(32,520,307)	27,178,314
	(32,690,891)	27,131,337

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	2021 \$	2020 \$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		
(ii) DEFERRED TAXES		
Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Allowance for doubtful debts	270,380	265,100
Accrued payables	57,920	614,675
Provision for annual leave	461,080	400,562
Provision for long service leave - current	703,190	663,622
Provision for long service leave - non current	204,768	232,570
Accrued superannuation	6,150	3,023
Property, Plant and Equipment	-	-
Lease Liabilities	107,315	1,176,926
Deferred grant revenue	6,120,000	6,480,000
Total Deferred Tax Assets	7,930,803	9,836,478
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,930,803)	(9,836,478)
Net Deferred Tax Assets	-	-
Movements:		
Opening balance at 1 July	9,294,260	8,513,113
Credited / (charged) to the statement of comprehensive income	(1,363,457)	781,147
As at 30 June	7,930,803	9,294,260
Deferred tax assets expected to be recovered within 12 months		
	1,858,720	2,306,982
Deferred tax assets expected to be recovered after more than 12 months	6,072,083	7,529,496
	7,930,803	9,836,478
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Accrued Trade Receivables	1,616,205	1,269,019
Property, Plant and Equipment	(7,700,782)	(70,332,632)
Property, Plant and Equipment (revaluation component)	94,694,165	121,996,085
Total Deferred Tax Liabilities	88,609,588	52,932,472
Set-off of deferred tax liabilities pursuant to set-off provisions	(7,930,803)	(9,836,478)
Net Deferred Tax Liabilities	80,678,785	43,095,994
Movements:		
Opening balance at 1 July	52,932,473	79,877,862
Credited/(charged) to the statement of comprehensive income	2,986,227	185,948
Credited/(charged) to equity	32,690,891	(27,131,337)
As at 30 June	88,609,590	52,932,473
The Deferred tax liability includes amounts recognised directly in equity as follows:		
Revaluation of Property, Plant and Equipment	127,385,058	94,864,751

(ii) INCOME TAX EQUIVALENTS REFUNDS

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

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION

(A) CASH AND CASH EQUIVALENTS

For cash flow statement and statement of financial position presentation purposes, cash and cash equivalents 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, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

Cash at Bank and On Hand	10,799,493	12,089,957
	10,799,493	12,089,957

INTEREST RATE RISK EXPOSURE

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

(B) TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortised cost which approximates their fair value at reporting date. Trade receivables are due for settlement no more than 30 days from the date of recognition for the Port's debtors, and no more than 30 days for other debtors. If a contractual arrangement exists, settlement is in accordance with the contractual terms.

The collectability of trade receivables is reviewed on an ongoing basis. The simplified approach to the impairment of trade receivables has been elected, as receivables do not contain a significant finance component. A provision matrix is used to assess the expected credit losses of trade receivables. No provision has been recognised on the basis of low historical default rates, forward looking information and materiality.

The Port has undergone an analysis of historical credit losses for a period of 36 months prior to 30 June 2021. The historical loss rates have been deemed immaterial.

A specific loss provision is recognised for individual trade receivables when there is objective evidence the amount due will not be able to be collected under the original terms of receivables. When a trade receivable for which a loss allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Trade Receivables	17,494,629	14,595,601
Loss Allowance	(901,266)	(883,667)
	16,593,363	13,711,935

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

The ageing of trade receivables is as follows:

0 - 30 days	14,336,611	12,036,302
30 - 60 days	644,501	620,059
over 60 days	761,512	286,231
over 120 days	850,740	769,343
	16,593,363	13,711,935

LOSS ALLOWANCE

As at 30 June 2021 current trade receivables of the Port with a nominal value of \$901,266 (2020: \$883,667) were impaired and fully provided for. The loss allowance is due to a number of events including one external customer with administrators appointed.

Opening Balance	883,666	1,152,651
Additional loss allowance	17,600	-
Reversal of previous provision	-	(268,984)
	901,266	883,667

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Port does not hold any collateral in relation to these receivables.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION (continued)

(C) GOC ADVANCE FACILITY

In conjunction with the Code of Practice for Government Owned Corporations' Financial Arrangements, 2017, an Advance Facility was established with Queensland Treasury, which accrues interest on daily balances. The cash pooling arrangement operates as a receivable for the Port and a payable by Queensland Treasury.

(D) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out principle. Net realisable value is determined on the basis of the Port's normal selling pattern.

(E) PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE

INITIAL RECOGNITION

The cost model 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. Assets acquired at no cost or for nominal considerations are recognised at their fair value at date of acquisition.

Where assets are constructed by the Port, the cost at which they are recorded includes the cost of materials, direct labour and other costs directly attributable to the assets and where appropriate, finance costs.

Property, plant and equipment items with a cost or value in excess of the thresholds in the following table are recognised as an asset. All other items of property, plant and equipment are expensed on acquisition.

Asset Class	\$	Asset Class	\$
Channels and Swing Basins	10,000	Buildings	10,000
Land	1	Infrastructure	10,000
Wharves	10,000	Small Boat Harbours	10,000
Breakwaters	10,000	Plant and Equipment	5,000

The Port has a comprehensive annual maintenance program for its major plant and equipment and infrastructure assets, and subsequent costs will be included in the assets' carrying 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 Port and the cost of the item can be measured reliably. All other repairs and maintenance that merely restores original service potential (arising from ordinary wear and tear etc) are charged to the statement of comprehensive income during the financial period in which they are incurred.

SUBSEQUENT RECOGNITION

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

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

For assets that are revalued using the income based approach, any accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is referred to as the net method and is utilised as the income based approach does not reflect replacement costs or assessment of remaining useful lives, and the net method of revaluation provides more meaningful reported asset figures.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A revaluation decrement 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 flows from other assets or groups of assets (cash generating units).

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income. When revalued assets are sold or derecognised, it is the Port's policy to transfer the amounts included in the asset revaluation surplus in respect of those assets to accumulated surplus.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION (continued)

Fair Value

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

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Port recognises transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers during the year.

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

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are categorised as Level 3 at 30 June 2021.

This section explains the judgements and estimates made in determining the fair values of channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land assets. The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 measurements.

Unobservable Input	Input	Relationship of unobservable input to fair value
Discount Rate	6.77%	The higher the discount rate the lower the fair value
CPI/Inflation	2.00%	The higher the CPI rate the higher the fair value
Terminal Value	EBIT multiple (22.5)	The higher the terminal value the higher the fair value
Forecast Trade	Maximum volumes of 17.78 million tonnes	The higher the trade forecast the higher the fair value
Other Revenue	As per Approved Budget, inflation thereafter	The higher the revenues the higher the fair value
Expenses	As per Approved Budget, inflation thereafter	The higher the expenses the lower the fair value
Capital Expenditure	Limited to replacement of existing assets	The higher the capital expenditure the lower the fair value

The income based valuation was undertaken by the Port as at 30 June 2021 using the following key assumptions:

- Detailed cash flow projections are prepared consisting of projections of nominal after tax cash flows up to and including the year ending 30 June 2021. The future cash flows are denominated in Australian dollars and are projected on a nominal, ungeared, post-tax basis over the expected useful lives of the assets (100 years). Mid of period discounting (to discount future cash flows to their net present value) has been adopted.
- The Port has established the cash generating units of Shipping Operations, Property Management, Port of Lucinda and Pilot and Security Services. Direct revenues and costs are apportioned utilising the most appropriate allocation method for that type of expenditure e.g. the written down value of relevant assets or proportional revenue received.
- Forecast revenue assumptions have been based on customer contracts (where applicable), advice from customers, assessment of feasibility of new trades or increases in capacity of supporting infrastructure, global market conditions for commodities and long-term historical trade patterns. Forecast trade is however limited to capacity of existing infrastructure and volumes subsequent to that are assumed to be constant. A 1% change in the trade projection results in 1.28% change in fair value.
- Determined charges for revenues are based on current established rates and increased at a rate of inflation of 2.0% thereafter.
- Expenditure cash flows are based on prudent and efficient operating costs which are assumed to be largely fixed in nature due to the underlying nature of maintenance required on port assets remaining constant, irrespective of volumes.
- Net cash flows assume a discount rate equal to the relevant Corporate Weighted Average Cost of Capital (WACC), with a CPI of equivalent to the RBA average inflation target being utilised for cash flow growth rates (2%). This is due to the sympathetic relationship between WACC and CPI. An independent change in either CPI or WACC of 1% can affect total non-current asset values by up to 25%, but a sympathetic increase of 1% in both indices has a sensitivity of 2.20%.
- An annually reviewed weighted depreciation rate on WDV is used to calculate depreciation by asset category. A 1% change in depreciation impacts fair value by 0.100%.
- Due to the nature of the Port's long life assets, the period of assessment covers the maximum life of existing assets of 100 years. Terminal value calculations are also calculated over several periods to determine possible variations. An equivalent 30 year terminal fair value calculation varies by 19.96%. Average variance to terminal value calculations from 20 to 90 years is 9.5%.
- Future capital expenditure beyond that already approved in the budget has been limited to the replacement of existing assets, noting the \$232 million Channel Capacity Upgrade project is included. No revenue has been included that would necessitate the expansion of Port facilities nor would require additional expenditure above what has been included.
- The five year budget includes recognition of the significant impacts of COVID-19 on the global, Australian and local economies, with an outlook beyond the next 6 months being highly unpredictable, and as such the budget has been prepared on a conservative basis.
- Working capital balances are assumed to increase in line with the general growth of revenues and expenditures.
- Tax calculations in the cash flow projections assume a corporate tax rate of 30%.
- Asset are not valued above their recoverable value.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION (continued)

Assessment of Useful Lives

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

Useful lives and depreciation rates are reviewed at least annually and if necessary adjusted so that they reflect the most recent assessment of the useful life of the depreciable asset, having regard to such factors as asset usage and the rate of technical and economic obsolescence.

2020-2021 Carrying Amounts		\$ Gross	\$ Accumulated Depreciation	\$ Carrying Amount
Channels and Swing Basins	At Fair Value 2021	178,837,615	-	178,837,615
	At Fair Value 2020	149,190,235	-	149,190,235
Land	At Fair Value 2021	89,338,949	-	89,338,949
	At Fair Value 2020	74,456,860	-	74,456,860
Wharves	At Fair Value 2021	184,548,807	-	184,548,807
	At Fair Value 2020	151,771,499	-	151,771,499
Breakwaters	At Fair Value 2021	56,589,885	-	56,589,885
	At Fair Value 2020	48,731,952	-	48,731,952
Buildings	At Fair Value 2021	19,766,304	-	19,766,304
	At Fair Value 2020	16,705,639	-	16,705,639
Small Boat Harbours	At Fair Value 2021	8,753,956	-	8,753,956
	At Fair Value 2020	7,280,547	-	7,280,547
Infrastructure	At Fair Value 2021	78,564,899	-	78,564,899
	At Fair Value 2020	67,179,661	-	67,179,661
Plant and Equipment	At Cost 2021	26,218,339	12,761,386	13,456,953
	At Cost 2020	23,247,050	12,768,506	10,478,545
*Capital Works in Progress	At Cost 2021	130,861,956	-	130,861,956
	At Cost 2020	83,033,635	-	83,033,635
Total 2021		773,480,710	12,761,386	760,719,324
Total 2020		621,597,079	12,768,506	608,828,573

*Capital Works in Progress

Harbour Works (includes inner harbour works, Port Expansion and Channel Upgrade Project)	127,628,345	78,829,893
Port Developments (includes East Port and Harbour City Developments)	1,219,335	1,106,843
Equipment	2,014,276	3,096,899
	-	-
	130,861,956	83,033,634

Carrying Amounts that could have been recognised if Property, Plant and Equipment were carried at cost

If items of property, plant and equipment that have been revalued were stated on the historical cost basis, the carrying amounts would be as follows:

Channels and Swing basins	69,231,139	70,080,353
Land	25,672,905	25,672,905
Wharves	102,453,037	105,506,163
Breakwaters	5,745,633	5,804,077
Buildings	13,748,971	14,261,429
Small Boat Harbours	4,914,270	5,030,543
Infrastructure	43,310,885	44,100,305
	265,076,840	270,455,775

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

NOTE 3. OUR FINANCIAL POSITION (continued)

RECONCILIATION OF CARRYING AMOUNTS

2020-2021	\$ Carrying Amount at 1 July 2020	\$ Additions	\$ Disposals & Derecognitions	\$ Transfers	\$ Revaluations		\$ Depreciation Expense	\$ Carrying Amount at 30 June 2021
					Recognised in Statement of Comprehensive Income	Recognised in Revaluation Surplus		

Level 3 Assets

Channels and Swing Basins	149,190,234	-	-	-	-	31,201,400	(1,554,020)	178,837,614
Land	74,456,861	-	(120,000)	-	-	15,002,089	-	89,338,950
Wharves	151,771,500	-	(461)	3,085,522	-	34,349,170	(4,656,922)	184,548,808
Breakwaters	48,731,953	-	-	-	-	8,811,404	(953,470)	56,589,886
Buildings	16,705,639	-	-	-	-	3,662,546	(601,880)	19,766,304
Infrastructure	67,179,660	-	(910)	234,445	-	14,301,586	(3,149,883)	78,564,898
Small Boat Harbours	7,280,547	-	-	-	-	1,641,441	(168,032)	8,753,956

Assets at Cost

Plant & Equipment	10,478,544	-	(10,831)	4,704,583	-	-	(1,715,344)	13,456,953
Capital Works in Progress	83,033,636	55,852,870	-	(8,024,550)	-	-	-	130,861,957
	608,828,575	55,852,870	(132,202)	-	-	108,969,636	(12,799,552)	760,719,327

2019-2020	\$ Carrying Amount at 1 July 2019	\$ Additions	\$ Disposals & Derecognitions	\$ Transfers	\$ Revaluations		\$ Depreciation Expense	\$ Carrying Amount at 30 June 2020
					Recognised in Statement of Comprehensive Income	Recognised in Revaluation Surplus		

Level 3 Assets

Channels and Swing Basins	180,742,195	-	-	-	-	(29,669,242)	(1,882,719)	149,190,234
Land	89,349,947	-	-	-	-	(14,893,087)	-	74,456,861
Wharves	177,444,934	-	-	-	-	(20,128,722)	(5,544,713)	151,771,500
Breakwaters	62,536,856	-	-	-	-	(12,593,296)	(1,211,608)	48,731,953
Buildings	19,689,868	-	-	-	-	(2,191,964)	(792,265)	16,705,639
Infrastructure	79,683,285	1,786,818	(90,685)	-	-	(10,191,316)	(4,008,441)	67,179,660
Small Boat Harbours	8,240,031	-	-	-	-	(770,162)	(189,322)	7,280,547

Assets at Cost

Plant & Equipment	10,499,572	1,622,209	(77,222)	-	-	-	(1,566,014)	10,478,544
Capital Works in Progress	34,664,509	51,809,267	-	(3,440,140)	-	-	-	83,033,636
- transfers to / from Investment Properties	-	265,428	-	(265,428)	-	-	-	-
	662,851,198	55,483,721	(167,907)	(3,705,568)	-	(90,437,789)	(15,195,080)	608,828,575

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION (continued)

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

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

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

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

	Range		Average	
	2021	2020	2021	2020
Channels and Swing Basins	0.94% - 0.96%	0.95% - 1.0%	0.89%	0.97%
Wharves	0.71% - 9.09%	1.2% - 12.49%	2.95%	2.92%
Breakwaters	1% - 2.15%	1%-2.14%	1.31%	1.30%
Buildings	1.52% - 10.52%	1.54% - 8.41%	3.42%	3.14%
Infrastructure	0.78% - 19.98%	0.78% - 20.0%	2.73%	2.94%
Small Boat Harbours	1.9% - 2.59%	1.94%-2.66%	2.24%	2.20%
Plant and Equipment	0.18% - 34.55%	0.18% - 73.92%	10.20%	13.14%
Intangibles	6.92% - 20.63%	7.22 - 27.12%	11.10%	21.25%

(G) INVESTMENT PROPERTIES

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

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

When the use of a property changes such that it is transferred to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in the statement of comprehensive income to the extent that the gain reverses a previous loss, with any remaining gain recognised directly in the statement of comprehensive income. Any loss is presented in the revaluation surplus in equity to the extent that an amount had previously been included in the revaluation surplus relating to the specific property, with any remaining loss recognised immediately in the statement of comprehensive income.

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

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

VALUATION BASIS

Fair value estimates for investment properties are in Level 2 for Investment Lands having being based on significant professional judgement at the time using the market based approach; and Level 3 for Investment Buildings due to the specialised nature of the assets and significant professional opinion required.

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

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

Current year revaluations have been based on desktop independent assessments made by Jones Lang Lasalle Public Sector Valuations Pty Ltd. Valuation conclusions were reached after reviewing recent market activity by the Port, town planning schemes and assessment of the overall health of the Australian and Queensland economies taking into account specific industry conditions likely to impact on asset prices. Qualitative research indicated that the Port investment property values increased on average 1.6% over the last twelve months.

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

Land

Opening balance at 1 July	36,065,888	35,446,000
Acquisitions	-	265,428
Net gain (loss) from fair value adjustment	721,318	354,460
Closing balance at 30 June	36,787,206	36,065,888

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	2021 \$	2020 \$
NOTE 3. OUR FINANCIAL POSITION (continued)		
Buildings		
Opening balance at 1 July	15,671,160	15,516,000
Net gain (loss) from fair value adjustment	195,889	155,160
Closing balance at 30 June	15,867,049	15,671,160
Total Investment Properties Closing balance at 30 June	52,654,254	51,737,048
Amounts recognised in the Statement of Comprehensive Income for Investment Properties		
Rental income	1,151,649	964,245
Direct operating expenses from property that generate rental income	(11,288)	(6,678)
Direct operating expenses from property that did not generate rental income	(61,349)	(33,477)
Net gain (loss) from fair value adjustment	917,206	509,620
Comprehensive Income	1,996,218	1,433,710

In response to COVID-19, the Port provided relief measures including temporary reductions to commercial leases and other measures. For 2020-2021, revenue foregone of \$722,131 (2020: \$384,946) is the result of these relief measures.

(H) LEASES

A new accounting standard AASB 16 Leases came into effect in 2019-2020, resulting in changes to the Port's accounting for leases for which it is a lessee.

AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION FOR LEASES

Right of Use Assets		
Opening balance at 1 July	3,845,847	3,795,612
Depreciation	(195,662)	(207,216)
Valuation adjustment	(18,193)	257,451
Closing balance at 30 June	3,631,992	3,845,847
Lease Liabilities		
Current	357,716	355,785
Non-Current	3,345,728	3,567,302

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME FOR LEASES

Depreciation charge of right of use assets	195,662	207,216
Interest expenses (included in Finance costs)	152,262	160,864
Expenses relating to leases of low-value and short term assets (included in Supplies and Services)	201,067	369,681
	548,992	737,762

The Port measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right of use assets at cost subsequent to initial recognition.

The Port has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract contains both a lease and non-lease components such as asset maintenance services, the Port allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, the Port will elect not to separate lease and non-lease components and instead accounts for them as a single lease component.

When measuring the lease liability, the Port uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all of the Port's leases. To determine the incremental borrowing rate, the Port uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

The Port has a number of lease agreements with the Department of Resources for use of government land. The leased land includes land under water, which is used by the Port for can be used only for port and transport related purposes only.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the Port's incremental borrowing rate. When adjustments to lease payments take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Given the nature of the leases (held in perpetuity), there is no depreciation charge associated with these assets, with the exception of one parcel which is expected to be converted to freehold in 2024.

Payments associated with short term leases of equipment are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value asset comprise IT/office equipment.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	2021 \$	2020 \$
--	------------	------------

NOTE 3. OUR FINANCIAL POSITION (continued)

(I) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Port prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within the terms set by the supplier. The carrying amount approximates fair value due to their short term nature.

CURRENT

Trade Payables	7,569,737	11,808,873
Competitive Neutrality Fee	257,518	279,593
Retention	496,742	301,301
	<hr/>	<hr/>
	8,323,997	12,389,767
	<hr/>	<hr/>

(J) FINANCIAL LIABILITIES

The Port has borrowings as its financial liabilities. 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 statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless The Port has an unconditional right to defer settlement for the liability for at least 12 months after the year end date.

LOAN COVENANTS

Under the terms of the borrowing facilities with Queensland Treasury Corporation, the Port is required to comply with the following financial covenants:

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

The Port has complied with these covenants throughout the reporting period.

(K) PROVISIONS

Provisions are recognised when the Port 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting 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.

CURRENT

Fringe Benefits Tax	28,154	17,248
Employee Benefits - Long Service Leave	2,343,966	2,212,073
Employee Benefits - Annual Leave	1,536,934	1,335,207
Dividend	13,545,152	13,513,216
	<hr/>	<hr/>
	17,454,205	17,077,744
	<hr/>	<hr/>

NON-CURRENT

Employee Benefits - Long Service Leave	682,560	775,232
	<hr/>	<hr/>
	682,560	775,232
	<hr/>	<hr/>

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service, or are expected to reach this threshold in the next 12 months. The non-current portion represents entitlements of those employees that have not yet reached, or are expected to reach, the required period of service in the next 12 months.

Short Term Obligations

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

Sick leave is not provided for on the grounds that it is non-vesting and, on average, no more than the annual entitlement is taken each year.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION (continued)

Other Long-Term Employee Benefit Obligations

The liabilities for long service leave are those not expected to be settled wholly within 12 months after the end of period in which the employees render the related service. They are recognised in provisions 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 and includes related on-costs. Expected future payments are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that match, as closely as possible, the estimated future cash flows.

The current portion of long service leave has been calculated on employees with greater than ten years service. Long service leave provision is presented as current if the Port does not have an unconditional right to defer settlement for at least 12 months, otherwise they are presented as non-current.

Retirement Benefit Obligations

A number of employees of the Port are members of the defined benefit fund managed by QSuper. The defined benefit fund was open to many employees across Queensland State Government departments, agencies and government business enterprises. The Port's obligation is limited to its contribution to QSuper. The Treasurer of Queensland, based on advice from the State Actuary, determines employer contributions, and the amount of this contribution is recognised as an expense. No liability is recognised for accruing superannuation benefits, as this liability is held on a whole-of-Government basis and reported in the whole-of-Government financial statements, prepared in terms of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Movements in Provisions

Movements in each class of provision during the financial year are set out below:

	Dividend	Fringe Benefits Tax	Employee Benefits - Long Service Leave	Employee Benefits - Annual Leave
	\$	\$	\$	\$
CURRENT				
Carrying amount at start of year	13,513,216	17,248	2,212,073	1,335,207
<u>Charged/(credited) to the statement of comprehensive income</u>				
- additional provisions recognised	13,545,152	180,261	150,506	1,291,429
Amounts transferred/reclassified			188,020	
Amounts used during the period	(13,513,216)	(169,355)	(206,634)	(1,089,701)
Carrying amount at end of year	13,545,152	28,154	2,343,966	1,536,934

	Employee Benefits - Long Service Leave
	\$
NON-CURRENT	
Carrying amount at start of year	775,232
<u>Charged/(credited) to the statement of comprehensive income</u>	
- additional provisions recognised	145,097
- unused amounts reversed or unwound	(49,749)
Amounts transferred/reclassified	(188,020)
Amounts used during the period	-
Carrying amount at end of year	682,560

(L) OTHER LIABILITIES

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

The Berth 10 upgrade project provides a dedicated facility for military vessels. In 2010-2011, the Department of Defence contributed \$30 million towards future licence fees in respect to the new facility to ensure access over 25 years. The licence fees are to be recognised as revenue on a straight line basis over a period of 25 years. The revenue is recognised from completion of the Berth 10 upgrade, which was October 2013. The balance at reporting date is \$20,400,000 (\$1,200,000 current, \$19,200,000 non-current).

In addition, there is a lease arrangement in place for a staging area to accommodate Defence equipment when vessels are in Port. The payment in advance of \$1,822,000 covers the period 2011 to 2031 for this staging area which is located in the Port's Nexus Business Park. The balance at reporting date is \$1,229,167 (\$125,000 current, \$1,104,167 non-current).

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 3. OUR FINANCIAL POSITION (continued)

(M) CONTRIBUTED EQUITY

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

Authorised capital - 500,000,000 ordinary shares of \$1 each	500,000,000	500,000,000
Issued capital		
Opening balance at 1 July - 162,879,706 (2020: 162,879,706) ordinary shares of \$1 each fully paid	162,879,706	162,879,706
Issue of shares	45,000,000	-
Amount at the reporting date - 207,879,706 (2020: 162,879,706) ordinary shares of \$1 each fully paid	207,879,706	162,879,706

ISSUED CAPITAL - ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Port in proportion to the number of and amounts paid on the shares held.

CAPITAL RISK MANAGEMENT

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

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

(N) RESERVES

ASSET REVALUATION SURPLUS

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

Balances of Asset Revaluation Surplus by category are as follows:

Channels and Swing basins	91,457,954	69,616,974
Land	45,120,797	34,682,247
Wharves	73,028,268	49,211,004
Breakwaters	37,898,069	31,730,086
Buildings	8,761,320	6,197,539
Small Boat Harbours	3,213,891	2,064,882
Plant and Equipment	258,082	333,681
Infrastructure	35,378,807	25,400,059
Land and Buildings transferred to Investment Properties	2,114,615	2,114,615
	297,231,803	221,351,085

(O) DIVIDENDS

Provision is made for the amount of any dividend, being appropriately determined or recommended by Directors, on or before the end of the financial year but not distributed at balance date. Directors recommended payment of a final dividend of 100% (2020: 100%) of net profit after tax, excluding the effects of asset revaluations. The final dividend amounts to \$13,545,152 (2020: \$13,513,216).

ORDINARY SHARES

Dividends provided for or paid	13,545,152	13,513,216
Dividends per share	0.065	0.083

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 4. OTHER

(A) GOODS AND SERVICES TAX (GST)

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

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

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

(B) COMMITMENTS

Capital Expenditure Commitments (Non-recoverable GST inclusive)

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

Not later than one year	150,955,541	50,294,805
Later than one year but not later than five years	1,497,577	3,450,715
	152,453,118	53,745,520

Operating Commitments (Non-recoverable GST inclusive)

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

Not later than one year	3,948,112	2,577,688
Later than one year but not later than five years	623,722	665,141
	4,571,833	3,242,829

Future Minimum Lease Commitments Receivable

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

Not later than one year	11,852,540	10,587,641
Later than one year but not later than five years	50,818,338	43,634,283
	62,670,878	54,221,924

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

(C) CONTINGENT ASSETS/LIABILITIES

There were no known contingent assets/liabilities of a significant nature at 30 June 2021 (2020: Nil).

(D) FINANCIAL RISK MANAGEMENT

The Port has exposure to credit risk, liquidity risk, market risk and interest rate risk from its use of financial instruments. This note presents information about the Port's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Port, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and The Port's activities. The Port, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with The Port's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by The Port. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, and reports the results to the Audit Committee.

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any loss allowance, as disclosed in the statement of financial position and notes to the financial statements. The Port has major customers, of which the top ten contribute 63% of revenue. When necessary, The Port will establish a loss allowance that represents estimates of possible incurred losses of trade and other receivables, and is shown in Note 3(B).

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 4. OTHER (continued)

LIQUIDITY RISK

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

The following table sets out the liquidity risk of financial liabilities held by the Port.

2021	< 1 year	Payable In 1-5 years	> 5 years	Total Contractual Cash Flows	Carrying Amount
Payables	8,323,997	-	-	8,323,997	8,323,997
QTC Borrowings	3,179,749	12,709,383	96,137,543	112,026,675	96,137,543

2020	< 1 year	Payable in 1-5 years	> 5 years	Total Contractual Cash Flows	Carrying Amount
Payables	12,389,767	-	-	12,389,767	12,389,767
QTC Borrowings	3,883,957	15,516,599	96,137,543	115,538,099	96,137,543

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

MARKET RISK

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

INTEREST RATE RISK

The Port'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.

Fixed Rate Maturing In:	0-1 Years		1-5 Years		Over 5 Years	
	2021	2020	2021	2020	2021	2020
Financial Assets						
Cash on Hand	-	-	-	-	-	-
Cash at Bank	10,798,993	12,089,457	-	-	-	-
Receivables	-	-	-	-	-	-
Financial Liabilities						
Payables	-	-	-	-	-	-
QTC Borrowings	3,179,749	3,883,957	12,709,383	15,516,599	96,137,543	96,137,543

	Non Interest Bearing		Carrying Amount as per Balance Sheet		Weighted Average Book Rate	
	2021	2020	2021	2020	2021	2020
Financial Assets						
Cash on Hand	500	500	500	500	-	-
Cash at Bank	-	-	10,798,993	12,089,457	0.16%	0.73%
Receivables	16,593,362	13,711,934	16,593,362	13,711,934	-	-
Financial Liabilities						
Payables	8,323,997	12,389,767	8,323,997	12,389,767	-	-
QTC Borrowings	-	-	96,137,543	96,137,543	3.31%	4.04%

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 30 June 2021 was \$108,008,597 (30 June 2020: \$111,371,602). Borrowings recorded a market value adjustment of \$11,871,054 (2020: \$15,234,060) principally as a result of past movements in the market value of liabilities in the Debt Pools.

SENSITIVITY ANALYSIS

The following interest rate sensitivity analysis depicts the outcome on operating results if interest rates would change by +/- 1% from the year end rates applicable to the Port's financial assets and liabilities.

	Carrying Amount	Interest Rate Risk			
		- 1%		+ 1%	
		Increase/(Decrease) Profit	Equity	Increase/(Decrease) Profit	Equity
Financial Assets					
Cash and Cash Equivalents	10,799,493	(107,995)	(107,995)	107,995	107,995
Receivables	16,593,362	-	-	-	-
Financial Liabilities					
Payables	8,323,997	-	-	-	-
QTC Borrowings	99,840,986	998,410	998,410	(998,410)	(998,410)

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

NET FAIR VALUES

The net fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Port approximates their carrying value.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 4. OTHER (continued)

(E) KEY MANAGEMENT PERSONNEL

The Port's shareholding Ministers are identified as Key Management Personnel. All Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Port does not bear any cost of remuneration of shareholding Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances. Details of persons who held ministerial office during the financial year can be found in the Governance section of the Annual Report.

DETAILS OF DIRECTORS

Directors in office at 30 June 2021 are as follows:

Director	Date of Appointment	Date of Termination/Resignation
Ms R. Garard AM (Chair)	1 October 2015, Last re-appointed 1 October 2018	30 September 2021
Mr B. Webb	1 October 2011, Last re-appointed 1 October 2020	30 September 2023
Mr S. Hanran	3 December 2015, Last re-appointed 1 October 2018	30 September 2021
Hon. M. Reynolds CBE, AM	16 December 2016, Last re-appointed 1 October 2019	30 September 2022
Ms C. Navarro	1 October 2020	30 September 2023

DIRECTORS' REMUNERATION

All remuneration of Directors including directors' fees and board committee fees is determined by Governor in Council. In accordance with the disclosure requirements for Government Owned Corporations, details of remuneration provided to Directors during the year are below.

Remuneration of Specified Directors	Year	Director Fees	Committee Fees	Superannuation	Total Remuneration
Ms Renita Garard AM (Chair)	2020/2021	50,000	6,073	5,327	61,400
	2019/2020	50,000	10,203	5,719	65,922
Mr Bradley Webb	2020/2021	25,750	9,473	3,346	38,569
	2019/2020	25,750	8,744	3,277	37,771
Mr Shayne Hanran	2020/2021	25,750	10,203	3,416	39,369
	2019/2020	25,750	10,203	3,416	39,369
Hon. Mike Reynolds CBE, AM	2020/2021	25,750	9,838	3,381	38,969
	2019/2020	25,750	8,744	3,277	37,771
Ms Connie Navarro	2020/2021	19,312	7,652	2,562	29,526
	2019/2020	-	-	-	-
Total Remuneration Specified Directors	2020/2021	146,562	43,239	18,031	207,833
	2019/2020	127,250	37,895	15,689	180,833
Insurance premiums to indemnify liabilities while acting as a Director	2020/2021	-	-	-	131,880
	2019/2020	-	-	-	79,128

EXECUTIVE REMUNERATION

Remuneration for the Chief Executive Officer and Senior Executives is determined by the Board, and advised to shareholding Ministers within one month of any variation that is made to remuneration arrangements.

The Port's remuneration policy provides for a review of executive salaries 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 Chief Executive Officer and Senior Executive remuneration are made and approved in accordance with the Policy for Government Owned Corporations Chief and Senior Executives Employment Arrangements v2 2014.

The senior executive remuneration strategy and practices of The Port are designed to assist with attracting, retaining and motivating high calibre individuals in senior executive positions. Shareholder guidelines and policies in relation to executive remuneration are followed.

The fixed remuneration on appointment is within a remuneration range approved by the Board, in addition to annual increases, and are in accordance with Governance Arrangements for Chief and Senior Executives.

Chief Executive Officer and Senior Executives are eligible for a performance payment based on achievement of specific corporate, business unit and individual performance objectives, standards and achievements.

The initial standards are set by Directors and are developed from the key objectives contained in the Statement of Corporate Intent. The performance payment is contingent upon Board assessment of the Port's performance and is in line with Government requirements. The maximum performance payment is 15% of total fixed remuneration. Payments are made in cash, or if appropriate notice has been provided, paid into the employee's superannuation fund on a salary sacrifice basis. The Port's policy in relation to performance payments is consistent with Queensland Treasury policy. Performance payments are disclosed on a cash basis as and when paid.

In line with Queensland Government policy associated with the response to COVID-19, no performance payments were issued for 2019-2020 and 2020-2021.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

2021
\$

2020
\$

NOTE 4. OTHER (continued)

Details of remuneration provided to Specified Executives at 30 June 2021 are as follows:

Remuneration of Specified Executives	Year	Short Term Benefits	Superannuation	Other Benefits (Incl motor vehicle)	Performance Payments *	Termination Payments	Total Remuneration
Ms R. Crosby Chief Executive Officer	2020/2021 2019/2020	370,103 377,220	36,106 36,801	- -	- -	- -	406,209 414,021
Mr D. Sibley Chief Financial Officer	2020/2021 2019/2020	268,318 260,060	23,132 26,037	- -	- 26,005	- -	291,451 312,101
Ms C. Brumme-Smith - Resigned May 2021 General Manager Business Strategy & Sustainability	2020/2021 2019/2020	208,291 149,253	19,813 14,241	- -	- -	- -	228,104 163,492
Mr D. Penny Chief Operating Officer	2020/2021 2019/2020	270,651 272,811	23,367 25,993	- -	- 26,256	- -	294,018 325,060
Ms M. Wise Chief Infrastructure Officer	2020/2021 2019/2020	256,545 204,816	29,684 23,682	- -	- -	- -	286,230 228,498
Mr K. Gebers - Resigned 25 October 2019 General Manager Infrastructure	2020/2021 2019/2020	- 75,750	- 10,104	- -	- 11,872	- 74,923	- 172,649
Total Remuneration Specified Executives	2020/2021 2019/2020	1,373,909 1,339,910	132,103 136,857	- -	- 64,132	- 74,923	1,506,011 1,615,821

* Performance payments are cash payments made in the relevant financial year based on the achievement of key performance objectives and measure by key management personnel with respect to the preceding financial year (ie. Payments shown in reporting period 30 June 2020 related to performance achievements for the 2018-2019 financial year). As per directions from Shareholding Ministers, no performance payments will be issued for the 2019-2020 and 2020-2021 financial years.

Presentation of executive remuneration short term benefits have been adjusted in the current year to reflect accrual presentation rather than cash basis. This has adjusted comparatives to include accrued entitlements as well as amounts paid for the relevant period. In addition, previous amounts disclosed for Mr K. Gebers have been adjusted to reflect termination payments excluding unused leave entitlements which are included in short term benefits.

Benefits

Short term benefits include salaries, allowances and leave entitlements earned and expensed for the year, including unused leave entitlements paid on termination.

Termination payments include payments made in lieu of notice on termination and other lump sum separation entitlements (excluding unused leave entitlements) payable on termination.

LOANS TO KEY MANAGEMENT PERSONNEL

There are no loans outstanding to the Port from key management personnel.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

(F) RELATED PARTY TRANSACTIONS

CONTROL

The Port is a Queensland Government Owned Corporation, with all shares held by shareholding Ministers on behalf of the State of Queensland. There was no income received, or due and receivable, by the shareholding Ministers from The Port during the year. No shareholding Minister has received or become entitled to receive any benefit by reason of a contract made by The Port.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in Note 4(E).

TRANSACTIONS WITH RELATED PARTIES

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

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

- AECOM, of which Mr S. Hanran is Managing Director. The Port made payments in relation to Berth 4 Upgrade works of \$120,448 and Truck Staging Area of \$223,740, and various other works of \$92,246 during the year.
- Queensland Ports Association, of which Ms R. Crosby is the Chair. The Port made payment for membership fees of \$9,900 during the year.
- Townsville Enterprise Limited, of which Ms R. Crosby is a Board Member. The Port made payment for membership fees of \$39,910, sponsorship of Australian Cruise Association conference of \$12,000.
- Maritime Museum, of which Mr B. Webb is Chairman, Mr D. Penny and Mr D. Sibley are also Directors and Members. The Port made contributions of \$25,000 to the Museum during the year.
- YWAM Medical Ships, of which Mr M. Reynolds is a Patron, received \$17,553 of in-kind support in the form of waived moorings fees during their stay in Townsville.

Notes to the Financial Statements

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

	2021	2020
	\$	\$

NOTE 4. OTHER (continued)

- Holding Redlich Laywers, of which Mr M. Reynolds' daughter-in-law is an employee. The Port made payments in relation to Channel Upgrade works of \$15,099, The Waterfront for \$8,043 and other works of \$17,562 during the year.
- MITEZ (Mount Isa Townsville Economic Zone), of which Ms C. Navarro is secretary and Mr D. Sibley is a member. The Port made payment for membership fees of \$16,500 during the year.

TRANSACTIONS WITH STATE OF QUEENSLAND CONTROLLED ENTITIES

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

Revenue

Queensland Treasury Corporation:		
- Interest Revenue	144,098	907,904
Department of Transport and Main Roads (Maritime Safety Queensland) - Pilotage transfers	7,894,268	8,107,042

Expenses

Queensland Audit Office (QAO) - Audit fees	105,000	95,000
Qleave - Portable long service leave	30,940	12,666
QR Limited - Track Maintenance, and Crossing Works	56,484	33,724
Queensland Treasury Corporation:		
- Loan interest expense	3,566,703	3,833,485
- Loan administration charge	139,399	139,399
- Competitive Neutrality Fee	1,032,902	1,124,517
Office of State Revenue:		
- Payroll Tax	715,780	710,664
- Land Tax	2,723,501	2,602,807
Department of Natural Resources and Mines - Land Rent	401,298	330,753
Ergon Energy - Electricity	573,618	598,930
Townsville City Council		
- Property Charges	917,874	953,419
- Dry Tropics Membership	27,500	-
Contributions to QSuper on behalf of employees	1,691,510	1,703,240

Assets

Queensland Treasury		
- Advances Facility	34,288,001	40,724,103

Liabilities

Queensland Treasury Corporation:		
- Financial Liabilities	96,137,543	96,137,543
Provision for Dividend to Queensland Treasury	13,545,152	13,513,216

OUTSTANDING BALANCES ARISING FROM TRANSACTIONS WITH RELATED PARTIES

No allowances for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

GUARANTEES

As at 30 June 2021 there were no guarantees provided by the Port on behalf of a related party.

(G) EVENTS OCCURRING AFTER THE YEAR END DATE

There has not been any matter or circumstance that has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- The Port's operations in future financial years, or
- the results of those operations in future financial years, or
- The Port's state of affairs in future financial years.

Directors' Declaration

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021

In the Directors' opinion:

- (a) the financial statements and associated notes are in accordance with the *Corporations Act 2001* (Cth) including:
 - (i) complying with Accounting Standards and Interpretations, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Port as at 30 June 2021 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Port will be able to pay its debts as and when they become due and payable.

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



Ms Renita Garard AM
Chair

20 August 2021



Ms Connie Navarro
Director

20 August 2021

Independent Auditor's Report

for the year ended 30 June 2021

Port of Townsville Limited
Annual Financial Statements
2020-2021



To the Members of Port of Townsville Limited

Report on the Audit of the Financial Report

OPINION

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

In my opinion, the financial report:

- (a) gives a true and fair view of the company's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended
- (b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

BASIS FOR OPINION

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

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

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

KEY AUDIT MATTERS

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

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

Key Audit Matter	How my audit addressed the key audit matter
<p>Property, plant and equipment is reported at fair value and where applicable at cost. Approximately 81% of the property plant and equipment was valued at fair value which was determined using the income-based valuation model.</p> <p>The key assumptions used in the valuation model included:</p> <ul style="list-style-type: none">forecasting operating revenueestimating future capital and operating costsdetermining of terminal valuesthe discount rate applied to future cashflows	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none">Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.Checking, on a sample basis, the accuracy and relevance of the input data used, including reconciling input data to supporting evidence such as approved budgets.Performing a sensitivity analysis to establish that management's assumptions for fair value including cash flows, terminal values and discount rates are within a reasonable range of audit expectations for fair value.Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to board approved budgets, historical growth trends and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process.Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.Challenging the reasonableness of key assumptions based on my knowledge of the entity and industry.Verifying the mathematical accuracy of net present value calculations.

Useful lives estimated for depreciation expense - Note 3(E) & 3(F)

Key Audit Matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method used by Port of Townsville requires significant judgements for:</p> <ul style="list-style-type: none">identifying the significant parts of the supply system that have different useful lives;estimating the remaining useful lives of those significant parts	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none">Evaluating management's approach for identifying the parts of property, plant and equipment with different useful lives for reasonableness, having regard to recent replacement projects and long-term asset management plans.Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Independent Auditor's Report

for the year ended 30 June 2021



OTHER INFORMATION

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in the company's annual report for the year ended 30 June 2021 was the directors' report.

Those charged with governance are responsible for the other information.

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

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

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

RESPONSIBILITIES OF THE COMPANY FOR THE FINANCIAL REPORT

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

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

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

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

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

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



Bhavik Deoji
as delegate of the Auditor-General

26 August 2021

Queensland Audit Office
Brisbane

GRI Content Index

The Port of Townsville's annual report has been developed in reference to the GRI's Principles for Defining Report Content. The GRI content index will provide a summary of our reporting applying the standards and guidelines established by the GRI Reporting Framework. The index also references the relevant United Nation Sustainable Development Goal targets addressed by each disclosure.

GRI Standard	Disclosure	Description	Page Reference	Notes / Omissions	SDG Target
GRI 101: Foundation					
GRI 102: General Disclosures					
Organisational Profile					
	102-1	Name of organisation		Front page.	
	102-2	Activities, brands, products, and services	6-8		
	102-3	Location of headquarters		Townsville, North Queensland.	
	102-4	Location of operations		Townsville, North Queensland.	
	102-5	Ownership and legal form	7		
	102-6	Markets served	21-24		
	102-7	Scale of the organisation	5, 18		
	102-8	Information on employees and other workers	18		8.5, 10.3
	102-9	Supply chain	7, 21-25		
	102-10	Significant changes to the organisation and its supply chain		There have been no significant changes to the organisation or supply chain for this reporting period.	
	102-11	Precautionary Principle or approach	13-14		
	102-12	External initiatives		The Port is involved in: <ul style="list-style-type: none"> International Organisation for Standardisation United Nations Sustainable Development Goals 	
	102-13	Membership of associations	16-17		
Strategy					
	102-14	Statement from senior decision-maker	3-4		
Ethics and Integrity					
	102-16	Values, principles, standards, and norms of behaviour	6		16.3
	102-17	Mechanisms for advice and concerns about ethics	39		16.3
Governance					
	102-18	Governance structure	31		
	102-20	Executive-level responsibility for economic, environmental, and social topics	31		
	102-21	Consulting stakeholders on economic, environmental, and social topics	16-17		16.7
	102-22	Composition of the highest governance body and its committees	31		5.5, 16.7
	102-23	Chair of the highest governance body	32		16.6
	102-25	Conflicts of interest	N/A		16.6
	102-26	Role of the highest governance body in setting purpose, values, and strategy	31-35		
Stakeholder Engagement					
	102-40	List of stakeholder groups	16-17		
	102-41	Collective Bargaining Agreements	18		8.8
	102-42	Identifying and selecting stakeholders	15-17		
	102-43	Approach to stakeholder engagement	16-17		
	102-44	Key topics and concerns raised	6		

GRI Standard	Disclosure	Description	Page Reference	Notes / Omissions	SDG Target
Reporting Practice					
	102-45	Entities included in the consolidated financial statements	N/A		
	102-46	Defining report content and topic boundaries	N/A	Table of Contents.	
	102-47	List of material topics	6-7		
	102-48	Restatements of information	N/A	There have been no restatements of information.	
	102-49	Changes in reporting	N/A	This is our first GRI-Referenced Report.	
	102-50	Reporting period	N/A	Financial year.	
	102-51	Date of most recent report	N/A		
	102-52	Reporting cycle	N/A	Annual.	
	102-53	Contact point for questions regarding the report	8		
	102-54	Claims of reporting in accordance with the GRI standards	8	This year's Annual Report is reporting in reference to GRI's standards.	
	102-55	GRI Content Index	76-79		
	102-56	External assurance		This report has not been externally assured.	
Material Topics					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		Throughout.	
	103-2	The management approach and its components		Throughout.	
	103-3	Evaluation of the management approach		Throughout.	
1. Economic					
GRI 201: Economic Disclosures	201-1	Direct economic value generated and distributed	5		8.1, 8.2, 9.1, 9.4, 9.5
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Port of Townsville's general workplace protection and employment terms and conditions comply with Fair Work Act 2009. All Port of Townsville employees are paid above the minimum wage.	1.2, 1.2, 1.2, 5.1, 8.5
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	26-28		5.4, 9.1, 9.4, 11.2
GRI 205: Anti-Corruption	205-3	Confirmed incidents of corruption and actions taken		There have been no confirmed incidents of corruption during the reporting year.	16.5
GRI 206: Anti-Competitive Behaviour	206-1	Legal action for anti-competitive behaviour, anti-trust, and monopoly practice		There have been no legal actions for anti-competitive behaviour, anti-trust and monopoly practices that have taken place in this reporting year.	16.3
2. Environment					
GRI 304: Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	11-14		6.6, 14.2, 15.1, 15.5
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	11-12		16.3
3. Social					
GRI 401: Employment	401-1	New employee hires and employee turnover	18		5.1, 8.5, 8.6, 10.3

GRI Standard	Disclosure	Description	Page Reference	Notes / Omissions	SDG Target
GRI 402:	402-1	Minimum notice periods regarding operational changes	N/A	Port of Townsville provides as much notice as possible regarding any workplace changes.	8.8
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management system	28-29		8.8
	403-6	Promotion of worker health	29		3.3, 3.5, 3.7, 3.8
	403-9	Work-related injuries	29		3.6, 3.9, 8.8, 16.1
GRI 404: Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	19		8.2, 8.5
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	18		5.1, 5.5, 8.5
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	N/A		5.1, 8.8,
GRI 411: Rights of Indigenous People	411-1	Incidents of violations involving rights of indigenous peoples	N/A		2.3
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	10, 15		
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A	There have been zero substantiated complaints made for this reporting year.	16.3, 16.10
GRI 419: Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	N/A	No incidents of non-compliance with laws and regulations in this economic area were reported for this financial year.	16.3

