



PORT of TOWNSVILLE

Annual Report

2015/16





VISION

Northern Australia's
Transport Link to
the World

PURPOSE

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

VALUES

Committed
Innovative
Respectful
Integrity

We are driven to achieve our vision
We think outside the box
We value each other
We do the right thing, and do what we say



Mitch Murtha
POTL Maritime Security Guard



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OVERVIEW

POTL is a Government Owned Corporation (GOC) established in its current form on 1 July 2008 pursuant to the *Corporations Act 2011* (Cwth) and the *Government Owned Corporations Act 1993* (Qld). POTL is responsible to its two shareholding Ministers, the Honourable Curtis Pitt MP (Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport), and the Honourable Mark Bailey MP (Minister for Main Roads, Road Safety and Ports, and Minister for Energy, Biofuels and Water Supply). POTL operates from a head office located in Townsville and manages the ports of Townsville and Lucinda.

Founded in 1864, the Port of Townsville plays a significant role in the local, regional and State economy. Located close to the city of Townsville, the Port handles more than 30 commodities, is the largest exporter in Australia of sugar, copper, lead, zinc and fertiliser; and services around 70% of Northern Australia's population. It also plays a key role in tourism by providing a world class cruise ship terminal and modern berth facilities.

The Port of Townsville will be a key element in the growth and development of Northern Australia and, as such, is a designated "Priority Port" in Queensland under the *Sustainable Ports Development Act 2015* (Qld). It is also providing an increasingly strategic role in Australia's Defence capabilities, particularly with berthing for the Navy's two new flagship vessels, *HMAS Canberra* and *HMAS Adelaide*.

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

This Annual Report presents the final performance results for 2015/16 as well as details about strategic initiatives that are being pursued by POTL to ensure it continues to deliver world class port facilities and services, and seamless transport connections for Northern Australia.

CORE BUSINESS

POTL's core business, as set out in its constitution and the *Transport Infrastructure Act 1994* (Qld), is 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 POTL's other functions, or likely to enhance the usage of its ports;
- perform any other functions and exercise any other powers conferred on POTL;
- provide port services and ancillary services whether in or outside its 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 objects set out above

PUBLIC AVAILABILITY

Consistent with POTL's 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 POTL's past Annual Reports, can be found at POTL's website: www.townsvilleport.com.au.

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

INTERPRETER SERVICE ANNOUNCEMENT

POTL is 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 POTL on +61 7 4781 1500 or by email: community@townsvilleport.com.au.

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GLOSSARY

ACRONYM	DETAIL
ACCC	Australian Competition and Consumer Commission
AIMS	Australian Institute of Marine Science
DEHP	Department of Environment and Heritage Protection
EDQ	Economic Development Queensland
EIS	Environmental Impact Statement
EMS	Environmental Management System
EWG	Environmental Working Group
GOC	Government Owned Corporation
GOC Act	Government Owned Corporations Act 1993 (Qld)
GBRMPA	Great Barrier Reef Marine Park Authority
Hi-vols	High-volume samplers
JCU	James Cook University
MITEZ	Mount Isa to Townsville Economic Zone
MOU	Memorandum of Understanding
NSS	Northern Stevedoring Services
PDA	Priority Development Area
PEP	Port Expansion Project
Port	Port of Townsville
POTL	Port of Townsville Limited
PSWG	Port Stakeholder Working Group
QLD	Queensland
SCI	Statement of Corporate Intent
SEIS	Supplementary Environmental Impact Statement
SDP	Strategic Development Plan
SEIS	Supplementary Environmental Impact Statement
TBSH	Townsville Bulk Storage and Handling
TEARC	Townsville Eastern Access Rail Corridor
TCC	Townsville City Council
TEL	Townsville Enterprise Limited
TEU	Twenty Foot Equivalent Unit (container)
TOBMI	Tourism Operators & Businesses Magnetic Island
WGSAC	White and Grey Ship-Attraction Committee



Quayside Terminal



STRATEGIC PRIORITIES

This Annual Report provides an overview of POTL’s performance against strategic objectives outlined in its SCI for the 2015/16 reporting period. Our key actions and initiatives during the period focussed on five key trade growth sectors; further facilitating our vision to be “Northern Australia’s Transport Link to the World”.



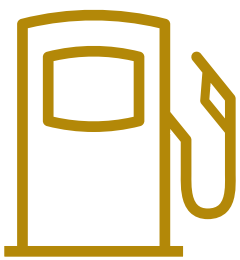
MINING & RESOURCES HUB

Our existing supply chain is linked by road and rail to one of the world’s largest base metals provinces. The North West and North East Minerals Provinces surrounding the Mt Isa and Cloncurry region are rich in commodities such as copper, iron ore, silver, lead, zinc, gold, phosphate, magnetite and thermal coal. The demand for mineral and energy exports is forecast to continue to increase, in line with global demand, particularly growth in Asia.



AGRICULTURE HUB

Townsville Port is the largest sugar export facility in Australia and one of the most efficient exporters of live cattle. Demand for agricultural products such as sugar, biofuels, beef, fertiliser, molasses, rice, chick pea, mung bean and grain sourced from northern Australia is expected to increase as Asia continues to grow and experiences difficulties in meeting demand with local resources.



FUEL IMPORT HUB

The demand for fuel imports through Townsville is projected to increase due to the commencement of new mining projects in the northern Australia region, as well as population growth. POTL has recently invested into the installation of fuel pipelines on Berths 9 and 10 to enable Navy vessel refuelling (bunkering), further increasing the demand for the import of fuel via Berth 1.



GENERAL CARGO HUB

The ports of Townsville and Lucinda service a catchment of approximately one million square kilometres and a population of about 700,000 people. The northern Queensland region is projected to grow to over one million residents by 2036 which will drive growth in containerised cargo imports. Increased agricultural exports, particularly the Asian demand for grain and beef, will also provide further growth opportunities driving general cargo exports. The opening up of the Galilee Basin for the development of its vast coal reserves will provide additional growth opportunities in project cargo imports due to new mining projects and the construction of infrastructure associated with newly developed resource regions.



DEFENCE & TOURISM HUB

Townsville is home to Australia’s largest Defence base, Lavarack Barracks, as well as a base for the Royal Australian Air Force. Recent investment into Berth 10 at the Townsville Port has enhanced Defence’s amphibious mounting base capacity, making Townsville a more strategic asset for Defence deployment capabilities. The Townsville region is blessed with diverse natural attributes and tourist attractions such as its proximity to rainforests, the Great Barrier Reef, outback and unique islands. Townsville also boasts a near-new cruise ship terminal (Quayside Terminal) and modern berth facilities at the port.



Renita Garard

Raneë Crosby

CHAIR/CHIEF EXECUTIVE OFFICER REPORT

In a year that presented challenges for the economy of North Queensland, POTL has maintained a strong focus on improving the efficiency and capacity of existing assets, investing in sectors of future growth and developing and strengthening partnerships and engagement with key stakeholders and the community.

A focus on improving existing operations saw the completion of \$26 million of projects during the year including the demolition of the century old Berth 6/7, upgrades of pylons at Berths 8 and 9, upgrading of road networks for multi-combination vehicles and harbour entrance works to improve navigational safety.

POTL continued to increase its engagement with the community. The Port Stakeholder Working Group, community information forums, school education programs, Reef restoration projects and other such initiatives have been incredibly important to foster appreciation of the importance of the port to everyday lives and the role of the Port in supporting growth of the region's economy. In 2016 POTL partnered with Townsville City Council to celebrate 150 years of Townsville City and recognising the key role the founding of the Port played in the city's creation and its growth and economic success in the century-and-a-half that followed.

While overall trade throughput declined primarily due to the closure of the Yabulu nickel refinery, there were a number of trade highlights for the year. Record trade results were achieved for zinc ferrite, fertiliser and refined copper exports and zinc concentrate imports. Other

trades up on last year included sugar and molasses exports and fuel and motor vehicle imports.

Never has our strategy for investing into growth sectors of the future been more relevant or critical.

Townsville Port is centred in the largest city in Northern Australia, servicing over 70% of the population. Our geographical position, population growth, development of the region and the significant global and domestic demand for agricultural and resources exports sees the Townsville Port ideally positioned as the premier trade and logistics hub for Northern Australia.

Townsville is also a vitally strategic Defence hub and supports a growing cruise sector.

The decision to proceed with the \$40.7 million upgrade of Berth 4 to grow containers and general cargo trade is a strong sign of our confidence in this growth.

This year we welcomed the commencement of a direct shipping service between Townsville and Shanghai, enabling the fastest movement of containers between an Australian port and mainland China. During 2015/16 we also revised the Townsville Port Expansion Project Environmental Impact Statement to incorporate beneficial reuse of all capital dredge material. The first stage of this project - the Channel Capacity Upgrade – is vitally important to cater for increases in vessel sizes, and will provide a nationally competitive option for shipping lines, supporting plans for growing Northern Australia.

Recognising the importance of trading partnerships and future growth opportunities in Asia, POTL signed two new Sister Port Agreements, including the Port of Qinzhou in China and the Indonesia Ports Corporation (Pelindo II). This is in addition to POTL's existing Sister Port Agreement with the Port of Huizhou in China. POTL hosted a number of exchange trade delegations with its sister ports and participated in a variety of signature trade and economic forums.

Rail freight connections will be greatly enhanced by the Townsville Eastern Access Rail Corridor project, included in Building Queensland's first Infrastructure Pipeline. The Business Case will be developed by Building Queensland, the independent statutory body formed to provide objective and transparent advice to the Queensland Government.

Harbour City within the Townsville Waterfront Priority Development Area is of strategic importance, ensuring appropriately managed development of previous industrial lands linking the Port to the city centre. Redevelopment of these lands to create vibrant mixed uses and public realm will ensure port operations are protected whilst increasing community linkages to the significant maritime history of Townsville through to current day operations.

In November 2015 the efforts of POTL's hard working team were rewarded when it won the "Port or Terminal of the Year Award" at the Lloyd's List Australian Maritime and Shipping Awards. The award recognises excellence in port development projects, technical innovation, overall management achievements and commercial successes.

We would like to thank our customers for their business and support, shareholding Ministers and the Board of Directors for their strategic leadership over the last 12 months, and the Executive Team and employees for their strong commitment to delivering POTL's priorities and advancing the economic interests of the region as Northern Australia's Transport Link to the World.

Renita Garard
Chair

Raneë Crosby
Chief Executive Officer

"Record trade results were achieved for zinc ferrite, fertiliser and refined copper exports and zinc concentrate imports"

KEY PERFORMANCE RESULTS

Performance Indicators	2014/15 Actual	2015/16 Budget	2015/16 Actual	Movement (from 2014/15)
FINANCIAL				
Operating Revenue (\$M)	75.95	80.82	75.07	- 0.88
Operating Expenditure (\$M)	45.53	47.50	45.17	- 0.36
Trade Income (\$M)	62.01	67.83	63.13	1.12
Property & Facilities Income (\$M)	10.21	11.42	10.73	0.52
EBIT (\$M)	30.41	33.33	29.90	- 0.51
NPAT (\$M)	17.83	19.79	17.72	- 0.11
Dividend (\$M)	13.10	15.49	17.72	4.62
Accounting Return on Assets EBIT (%)*	4.86	5.10	4.65%	- 0.21
Accounting Return on Assets NPAT (%)*	2.70	2.99	2.83%	0.13
Return on Equity (%)*	3.91	4.15	3.80%	- 0.11
Current Ratio	1.45	0.93	1.01	- 0.44
Interest Cover Ratio (EBIT)	5.94	6.60	6.07	0.13
Debt to Equity Ratio	0.17	0.16	0.17	- 0.01
Capital Investments (\$M)	12.72	29.81	19.95	7.23
NON-FINANCIAL				
Trade Throughput (Million Tonnes)	11.05	12.05	9.79	- 1.26
Vessels to Port	694	865	632	- 62
Reportable Security Incidents	3	0	-	-
Reportable Environmental Incidents	0	0	-	-
Lost Time Injury Frequency Rate	0	0	8.5	8.5
Full-time Equivalent Employees	96.08	99	111.45	+ 15.37
Community Satisfaction (surveys only)	>80%	>80%		
Stakeholder Sentiment Rating		>80%	97%	+7%
Community Engagement Reporting**				
• Port Stakeholder Working Group Meetings	3	11	11	+266%
• Community Information Sessions	2	2	1	-50%
• Social media followers (Facebook, Twitter, LinkedIn, Instagram)	3324	5,000	5,564	+67.4%
• Post Engagement	6533	7000	8522	+30.4%

*Financial indicators differ from those in the 2014/15 Annual Report as a result of a Correction of Prior Period Error. Refer to page 58 of POTL's financial statement for further information.

**Community Satisfaction rating has changed to "Stakeholder Sentiment Monitoring". The rating is assessed by various forms of monitoring including sentiment measurement tools for social media engagement, community complaints versus population size of port catchment area, feedback ratings from port tours and other engagement activities.



Bhavesh Patel

Kevin Clair

Maintenance Team



POTL Developing Managers
and Leaders Program



*Motor vehicle imports
were up 1,700 units on
the previous year*

PERFORMANCE

TRADE

Townsville is the international freight gateway for the largest population centre in Northern Australia and is the country's leading exporter of zinc, lead, sugar, fertiliser and molasses. Townsville boasts the fastest container liner service to Asia after a direct service to North Asia (Townsville to Shanghai in 10 days) commenced in July 2015.

Trade development with Asia remains a key priority for POTL given

that almost 75% of trade in and out of Townsville is with that region. The signing of Free Trade Agreements with China, Korea and Japan will provide further opportunities for trade development.

POTL further strengthened relationships with countries in Asia in 2015/16 with milestones such as the establishment of Sister Port Agreements with several Asian ports, highlighting POTL's commitment to the development of trade with that region and the push

to establish Townsville as the port of choice for trade between the two regions into the future.

GLOBAL ENGAGEMENT

As an integral part of a global supply chain, POTL hosted a series of international delegations and visits from port, cargo, investor and transport stakeholders.

POTL hosted and attended a number of events that focussed on the development of trade and supply chain efficiency in North Queensland and through the Townsville Port.

These included:

- POTL hosted 36 international trade and sister port delegations from China, Mexico, Vietnam, European Union, Indonesia, Taiwan and Japan for port tours and discussions on trade opportunities as part of their broader tour of North Queensland
- POTL presented at the Australia-Asia Business Week in Sydney
- POTL presented at the Asia Pacific Market Forum in Townsville
- POTL presented at the Charters Towers Prosperity Forum; bringing together businesses to discuss development of the regional economy and opportunities in technology for agriculture
- POTL presented at the ABF Fortune Forum in Melbourne; bringing together more than 200 high profile investors from China to meet with Australian businesses
- POTL presented at the Flinders River Agricultural Precinct (FRAP) Investment Forum in Julia Creek
- POTL hosted Reefer and Container Information Sessions at the Port of Townsville for regional exporters and importers
- POTL chaired the Shanghai Agriculture Food Export Networking Dinner

Although it has been a challenging year for trade results, record trade results were achieved for zinc ferrite, fertiliser and refined copper exports and zinc concentrate imports.

During 2015/16 the continued slowdown in China had a significant impact on global industrial commodity markets.

Queensland Nickel ceased trading during the period which resulted in a reduction in nickel ore imports

through the Townsville Port as well as some containerised cargo.

Although commodity prices are not expected to return to 'boom time' highs in the foreseeable future, steady price improvements are forecast over the next few years and new projects are in the pipeline.

Copper, zinc and lead from new mines are potential exports through the Port of Townsville within the next two years.

Petroleum imports recorded an increase of almost 124,000 tonnes from the previous financial year. This increase was supported by long range (LR1) vessels discharging mainly imported diesel fuels after the depth of the Berth 1 pocket was increased. LR1 vessels are the future of petroleum transportation and can hold more than 50 million litres of fuel, almost doubling the capacity of the older medium range (MR) tankers.

Motor vehicle imports totalled 15,495 units during the reporting period, representing an increase of 1,700 over the previous year. Motor vehicle imports are expected to continue to increase in line with population growth forecasts for Northern Australia, as well as the cessation of local vehicle production in Australia from 2018.

In January 2016 the Port of Townsville's freight connectivity efficiency received a boost with the introduction of the Mass Import Management Scheme (MIMS) within a 15 kilometre radius of the Port. MIMS offers a mass concession for transportation of containerised freight from the Port; providing permits for containers to be transported to facilities where the load can be redistributed to achieve regulation masses. This means that

trucks can move heavier loads on a single vehicle, therefore improving efficiency for trucking movements and potentially reducing traffic to and from the port.

Agricultural exports performed above expectations during 2015/16.

Sugar exports out of Townsville increased by 204,000 tonnes (totalling 1,345,331 for the year) and export tonnage figures remained steady at the Port of Lucinda, ensuring that POTL retained its mantle as Australia's largest exporter of sugar. Korea, Indonesia and Japan are the primary export markets of sugar from Townsville and Lucinda.

Fertiliser exports increased to 965,000 tonnes, up 40,000 tonnes on the previous year.

Live cattle exports remained strong during 2015/16 with 261,000 head being exported. Indonesia is the destination market for 60% of the cattle and the remainder to Vietnam.

Container import and export numbers totalled 58,711 TEU for the period. The \$40.7 million project to upgrade and refurbish Berth 4 which is due for completion at the end of 2017 will significantly improve Townsville's ability to increase container trade.

TRADE - LOOKING AHEAD

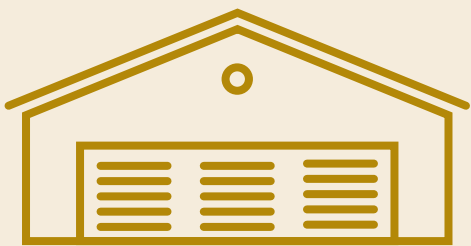
The rise of an affluent and burgeoning Asian middle class is increasing demand for higher value, higher protein foods such as meat and grains. To keep up with this demand, Asian nations will need to import food commodities and this presents a genuine opportunity for our rural producers.

Northern and North West Queensland, POTL's hinterland, is home to our State's largest, most diverse and strategically connected innovative agricultural industry. Advances in distinct sectors of agriculture in our region will have positive ramifications for exports.

- A new dimension of diversified cropping has developed in cotton, grains, pulses and tropical horticulture. Proposed developments exist in the Flinders River catchment, Gilbert River and Cape York, with further feasibility studies in progress for the Mitchell River catchment. There is also potential to expand in the Burdekin given the complementary nature of double cropping (for example, rice with sugar cane). Growing demand in Asian markets for fruit and vegetables also represent an opportunity for our region.
- Cattle breeds better suited to the area and other efficiency improvements have led to major expansion of cattle herds and production in this region. Tropical Australia now has more beef cattle per square kilometre than southern Australia. Given the potential for grain expansion in

the north and the extent that beef production relies on feed lotting, the future will see less cattle turned off to the south. The Port of Townsville has the capacity and capability to facilitate increased exports of boxed beef and supports initiatives to expand beef processing in our catchment area.

- Another exciting new development in agriculture in our region is the development of crops such as sweet sorghum and already established sugar cane, to produce biofuels. Rapid advances in industrial biotechnology, coupled with consumer demand for environmentally friendly products and a Queensland Government mandate for ethanol-blended products, is precipitating an ethanol based industry in the north.



PROPERTY

POTL manages of a diverse portfolio of property covering approximately 250 hectares of land. This land is comprised of mixed land uses including uses for industry, commercial activity, transport, marine, tourism and environmental buffers. POTL also manages a range of tenure arrangements with its customers from leases to permits, and licences to deeds.

In 2015/16, the following significant property activities occurred:

- Total net rental revenue increased by approximately 5.15% from the previous financial year.
- Six major long term leases were signed, renewed, or given commitment to renew, reflecting the strategic need for these services/businesses to be located in Townsville.

- A strategic review of property expenditure at the Port of Townsville commenced which will inform the long term POTL Property Development Strategy to be completed in 2016/17.
- Port of Townsville/CBD interface land development plans ramped up in conjunction with the City of Townsville's Waterfront PDA.
- The Port's cruise and function facility, Quayside Terminal, hosted 22 events in 2015/16 and is gaining a reputation as the wedding venue of choice in Townsville.

PROJECTS

BERTH 4 UPGRADE

POTL’s trade is forecast to treble in a medium growth outlook (for containerised and general cargo) over the next 30 years. In its existing berth configuration the Port of Townsville does not have the capacity to accommodate these forecasts. To remain a genuine and cost effective option for importers on route to other Australian ports, Townsville must have efficient and reliable berth infrastructure suited to handling containerised and general cargo.

In July 2015 approval was received to proceed with the Berth 4 Upgrade Project and the public tender process commenced in November 2015. The contract was awarded to local contractor CivilPlus Constructions in February 2016 with site works commencing in April; the upgrade works are expected to be complete in December 2017.

The project is expected to create up to 100 jobs for the duration of the project.

The \$40.7 million project will extend the life of Berth 4 by approximately 50 years and will enable doubling of capacity at the berth.

TOWNSVILLE PORT EXPANSION PROJECT (PEP)

The Townsville Port Expansion Project (PEP) will cater for long term trade growth of up to 48 million tonnes per annum by the year 2040. Long term certainty of import/export capacity is essential for the region to attract major private investment into growth areas such as new or expanded mines, agriculture precincts and value-adding service industries.

PEP will include works to widen the channel entrance to the harbour to cater for the trend of increasing vessel sizes, and build new berths in the outer harbour. Since 1993 the Port of Townsville’s entrance channel has measured 11.7 metres deep and 92 metres wide on average, making it around half the size of most other comparable ports in Australia. None of the improvement works completed on the channel over the past 40 years have increased the declared depth for shipping.

POTL submitted an Environmental Impact Statement (EIS) for the Port Expansion Project to both State and Federal regulatory authorities in 2013. As at June 2016 POTL was awaiting the final adequacy review from the relevant regulatory bodies to be able to submit an Additional Environmental Impact Statement (AEIS). The AEIS takes into account the requirement for capital dredge material to be beneficially re-used (ie. no sea placement), as well as addressing all community, stakeholder and agency feedback form public consultation.

HARBOUR CITY GATEWAY

POTL, Townsville City Council (TCC) and Economic Development Queensland (EDQ) have a shared objective to reactivate waterfront lands along the banks of Ross Creek in Townsville. The Townsville City Waterfront Priority Development Area (Waterfront PDA), which came into effect in October 2015, covers approximately 97 hectares of land located on both sides of Ross Creek.

The Townsville Waterfront PDA is a place where the city and nature will intersect and be a world class, active and vibrant destination in Townsville’s CBD.

POTL owns around 10 hectares of land within the Waterfront PDA proposed for redevelopment, referred to as Harbour City Project.

POTL will progress development of the Harbour City Project in consultation with TCC and EDQ through a transaction management approach. From an urban design perspective, the developments provide for co-locating service and infrastructure needs within the existing industrial zone on both sides of Ross Creek.

TOWNSVILLE EASTERN ACCESS RAIL CORRIDOR

The Townsville Eastern Access Rail Corridor (TEARC) project is a proposed new rail link which would connect the North Coast and Mount Isa Rail Line directly into the Port of Townsville. The proposed corridor will branch off from the North Coast Line at Cluden (south of Townsville) and run parallel to the Port Access Road into the Port.

TEARC will allow for 1.4 kilometre trains, increasing capacity and future proofing for when the feeder lines are upgraded. Train lengths are currently limited to 1,000 metres on the Mt Isa Line and 650 metres on the North Coast Line.

Additional capacity will be created for growing tonnage demand on the Mt Isa Line which is a critical link between the mines in the North West Queensland Minerals Province and the Port of Townsville.

The construction of the TEARC will improve (vehicular) traffic flow in the Townsville CBD by reducing the number of freight trains that use the current line which cuts through the suburbs close to the city.

The TEARC project is included in Building Queensland’s first Infrastructure Pipeline. The business case will be developed by Building Queensland, the independent statutory body formed to provide objective and transparent advice to the Queensland Government.

BERTH 6/7 DEMOLITION AND REMEDIATION

The Berth 6/7 wharf structure was more than 100 years old and had reached the end of its operational life. The upgrade of Berth 8 during 2014 and subsequent relocation of Glencore’s activities gave POTL the opportunity to remove the old redundant structure and also widen and deepen the berth pocket. Approximately 70,000m³ metres of material was removed via mechanical excavator dredge and brought to land. The material is in a drying process awaiting beneficial re-use. The removal of Berth 6/7 and expansion of the berth pocket means the distance for combined beam and tug moving areas for Berth 4 and 8 has improved significantly; which will be required over time as vessel sizes continue to increase.

The contractor engaged to complete the demolition works was locally-based Pacific Marine Group who sub-contracted some elements of the project. The demolition of Berth 6/7 and associated works was completed June 2016.

BERTH 1 POCKET DEEPENING

POTL invested into dredging works at Berth 1 during 2015/16 to improve maintenance depths to enable access for larger tanker vessels. POTL forecasts increased imports at Berth 1 (petroleum products) due to population growth and demand from new mining projects. As Australia winds down its capability in the refining industry, the import of petroleum products from overseas will increase, with larger vessels such as LR1 tankers requiring access to the Port. The previous declared depth of the Berth 1 pocket was 12 metres; as at 30 June 2016 the declared depth of Berth 1 was 13.4 metres.

STEVEDORING FACILITY UPGRADES

In September 2015 one of the Townsville Port's two stevedores, Northern Stevedoring Services (NSS), officially commissioned a new state-of-the-art bulk handling facility at the Port of Townsville. The facility, complemented by a new office and mobile equipment, represented an investment of \$18 million by NSS and took around two years to design and construct.

The negative-pressure bulk handling facility is a ground breaker in terms of environmental standards in Queensland and features rapid close doors, truck wash bays utilising recycled water use, and software that enables the facility to provide real time monitoring and data collection to ensure compliance with regulatory standards.

Townsville Bulk Storage and Handling (TBSH) is North Queensland's largest privately owned stevedoring company. During 2015/16 TBSH invested heavily into environmental management areas of the business. This included a real time air quality sampler to monitor particulates on the berth. Also a new hopper featuring a dust suppression system with wind shields, as well as a versatile mobile dust extractor unit to be used in conjunction with the hopper, or attach to TBSH storage sheds to provide a negative pressure atmosphere to assist in eliminating dust from various operations.

TBSH also recruited a new General Manager to ensure all aspects of the business work cohesively and to ensure the needs of clients are met in a timely and efficient manner. A new website was also launched during 2015/16.

BREAKWATER STUB REMOVAL

A \$1.5 million project to remove the Breakwater Stub at the Townsville Port commenced in May 2016 with scheduled completion in August 2016. Local contractor WILCO Logistics is the lead contractor for the project. The removal of 120 metres (approximately 40,000 tonnes) of the far northern end of the rock wall will widen the entrance to the harbour in Townsville, therefore improving ship accessibility and navigational safety.

CARGO LAYDOWN AREA

POTL invested \$1.7 million into a secure cargo laydown area during the year. The construction was undertaken by local contractor Gabrielli Constructions and created a 30,000sqm dedicated, secure area to accommodate project cargo, breakbulk and imported vehicles.

In October 2015 POTL invested a further \$400,000 to seal a section of the new cargo laydown area with bitumen to create a hard stand surface, making it suitable for the storage of motor vehicles awaiting transport after import. The Townsville Port can now accommodate up to 600 cars at any one time after import.

INTERSECTION UPGRADE FOR ROAD TRAINS

In May 2016 POTL awarded local business Mendi Construction the contract to upgrade the intersection of Archer Street and Hubert Street, and Benwell Road and Archer Street. The overall \$1.3 million project will improve efficiency and safety at the intersections, which handle up to 400 vehicles per hour in peak times. Works commenced in late May and the project is due for completion at the end of 2016. Importantly, the project ensures that multi-combination vehicles can continue to access the port directly from the Townsville Port Access Road, creating efficiencies in transport movement from North West Queensland.



WHITE AND GREY SHIP-ATTRACTION

In the final quarter of 2015 POTL established the White and Grey Ship-Attraction Committee to bring together Townsville's key industry stakeholders and influencers to identify opportunities for visitation growth in both the white (cruise) and grey (Navy) ship sector (for the purpose of rest and recreation activities).

The White and Grey Ship Committee has met monthly since December 2015 and during that time has developed the 2016-2021 White and Grey Ship-Attraction Plan. The purpose of the plan is to formalise clear objectives over the next five years for the development and sustainability of Townsville as a desirable destination for both white and grey ships and to capitalise on the booming cruise ship sector in Australia.

SECURITY

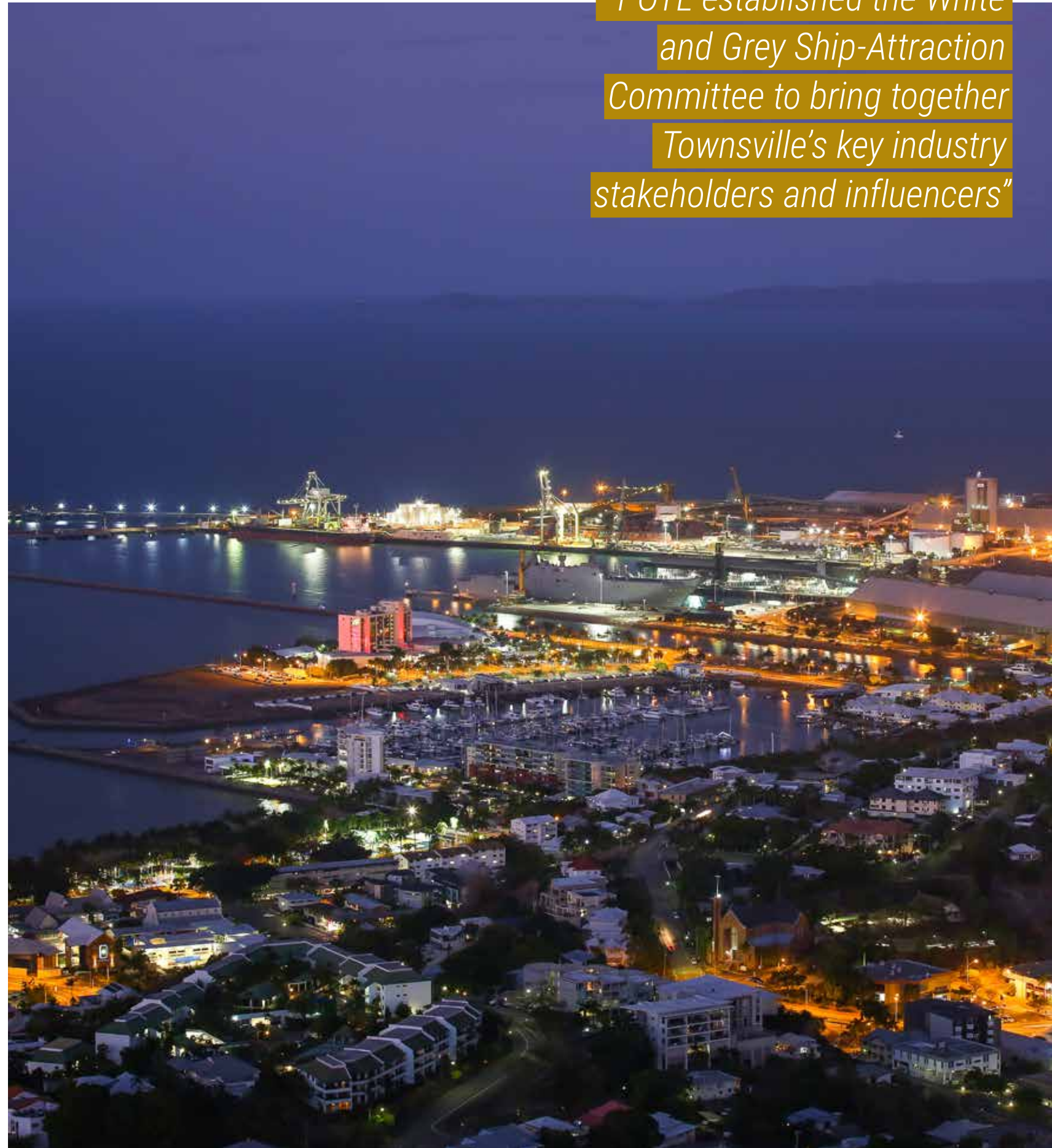
POTL is required to provide strict security standards and procedures at the Townsville Port for both declared Land Restricted Zones (LRZ) and operational/non-operational cargo terminals to meet the requirements of Australian security laws. These regulations apply to international ports in similar ways to those of international airports.

An assessment of security procedures at the Port of Townsville in 2015 recommended that security be upgraded and the method of service be provided by POTL.

POTL assumed responsibility of access to common-user berths and areas on 5 January 2016 following approval by the Australian Competition and Consumer Commission (ACCC), resulting in the creation of 15 Maritime Security Guard positions. POTL's security service provides customers with an improved compliance model and allows POTL to take direct responsibility for the increasingly complex task of managing security in line with a variety of Federal legislative instruments and regulatory body requirements.



"POTL established the White and Grey Ship-Attraction Committee to bring together Townsville's key industry stakeholders and influencers"



ENVIRONMENT AND PLANNING

POTL is strongly committed to the protection of the environment and sustainable development and operation through responsible environmental management.

ENVIRONMENTAL PERFORMANCE AND COMPLIANCE

POTL is compliant with all permits and approvals, fulfilling all reporting requirements. During 2015/16 POTL obtained 12 approvals or approval amendments under State and Federal legislation for POTL's day-to-day operations. To assist with the management and record keeping of all compliance activities, licences and approvals, POTL has implemented licence and permitting software to streamline the reporting of observations through improved use of technology.

POTL undertook 38 site inspections and observations around the Port of Townsville during the reporting period to ensure that appropriate controls are being utilised and are effective within the Port.

ENVIRONMENTAL MANAGEMENT SYSTEM

POTL's Environment Management System (EMS) provides the framework to ensure that all operational activities are undertaken in an environmentally sound manner. This EMS also tracks continual improvement for the organisation and has been accredited to the ISO 14001 Standard since April 2009. In 2015/16, nine internal audits and two external third party audits were undertaken.

Following the release of a new ISO 14001:2015 Standard, POTL undertook a gap analysis and put a transition plan in place to enable a smooth transition to the new standard by September 2018.

PORT OF TOWNSVILLE MASTER PLAN

Townsville Port is identified as one of five Priority Ports in Queensland. The Department of State Development is progressing with the Port of Townsville Master Plan activity in conjunction with POTL, as outlined in the *Sustainable Ports Development Act 2015* (Qld). Engagement with stakeholders and the public will occur throughout the process and a broad public consultation will be undertaken prior to the finalisation of the Master Plan. It is anticipated the document will be completed during the 2017/18 financial year.

LAND MANAGEMENT | STRATEGIC PORT LAND MANAGEMENT

POTL is responsible for establishing land use planning and development assessment frameworks that ensure effective and efficient development within the Port of Townsville and Port of Lucinda. This is achieved through the Land Use Plan and assessment of development occurring on Strategic Port Land in accordance with the *Sustainable Planning Act 2009* (Qld) and the Integrated Development Assessment System. In 2015/16 POTL received seven Development Applications as Assessment Manager under the *Sustainable Planning Act 2009* (Qld), two of which were for works being undertaken by POTL; and commented as a Referral Agency on four projects for activities that were occurring in proximity to the port but not on Strategic Port Land.

AIR QUALITY

POTL monitors air quality at three boundary monitoring locations (Coast Guard, Lennon drive and Enviro Park) to ensure good air quality is maintained around the Port. Results from 2015/16 indicate that the relevant state and national air quality guidelines are being met at all boundary locations.

All results for testing of metals in air at the three monitoring locations measured well below regulatory guidelines for the period.

MAINTENANCE DREDGING

MARINE SEDIMENT

POTL collects 204 sediment grab samples every quarter within and around port infrastructure. Results from 2015/16 indicate that trends for metals in sediments remain consistent with the previous 12 months of monitoring. These results also remain similar to the last five years including sediment testing undertaken in accordance with the approved Sampling and Analysis Plan which is a requirement for the assessment of dredge material against the National Assessment Guidelines for Dredging (NAGD 2009). This assessed maintenance dredge material at the Port of Townsville as uncontaminated and suitable for unconfined ocean placement.

NESP

POTL has partnered with Australian Institute of Marine Science (AIMS) and James Cook University (JCU) in collaboration with the Australian Government's National Environmental Science Programme to utilise novel analytical techniques and instrumentation to quantify key stressor activity data (such as sedimentation, light quantity and suspended sediment concentrations) in relation to dredging activity and how these vary with increasing distances from dredging. This project started in June 2016 and will assist in continuing to build the science and knowledge around dredging.

MARINE WATER QUALITY

POTL collects surface water samples from 19 sites within and around port infrastructure eight times a year and 2015/16 results remain consistent with previous years with 11 samples out of a possible 152 registering dissolved metals above ANZECC guidelines (nine of these were in Ross Creek indicating an ongoing source of copper in this area) and two in the port area. The Inner Harbour, Marine Precinct, Ross River, Ross Creek and the Strand showed occasional (less than 7%) exceedances of the Queensland Water Quality Guidelines. Total Nitrogen and Nitrate was elevated at all locations with 50% of samples above the Queensland Water Quality Guidelines including reference and background sites (the Strand and Cleveland Bay) however Total Phosphorus only had four samples out of a possible 152 that were above this guideline

POTL in conjunction with AIMS and the Marine Monitoring Program (GBRMPA) has located five continuous water quality

monitors in Cleveland Bay that continuously monitor turbidity and Photosynthetically Active Radiation (PAR) [which measure light penetration]. Monitoring is conducted at Florence Bay, Geoffrey Bay, Picnic Bay, Virago Shoal and at a sea grass meadow in Cleveland Bay. 2015/16 results show a strong relationship between turbidity and natural processes in Cleveland Bay particularly wind and wave action.

CLEVELAND BAY RESEARCH, MONITORING AND PARTNERSHIPS Seagrass

JCU/TROPWater conduct annual seagrass surveys for POTL and the 2015 survey showed that seagrasses in Cleveland Bay:

- Have a "good" or "very good" ranking for area and species composition indicators in most monitoring meadows;
- Have increased in total area for the fourth consecutive year;
- Have lower biomass scores than last year due to a range of climatic conditions;
- Are in satisfactory overall condition.

MAGNETIC ISLAND REEF RECOVERY PROJECT

POTL has partnered with government, researchers, consultants, industry and the local community on the "Magnetic Island Reef Recovery Project". The project vision is "Community, researchers, industry and government working together by sharing knowledge, monitoring and taking action to restore coral reefs to a healthy state around Magnetic Island by 2025". Macroalgae (seaweed) is being removed from nearshore habitat and key tourism sites to assist in coral growth and recovery. Whilst in

its early stages, the project aims to provide a positive example whereby individuals and groups can make a constructive on ground contribution at a local, reef and global scale.

EYE ON THE REEF PARTICIPANT

POTL actively encourages all employees to report marine megafauna sightings through the Eye on the Reef Program, a reef monitoring and assessment program run by the Great Barrier Reef Marine Park Authority (GBRMPA). The program captures information on dolphins, whales, turtles, dugong, crocodiles as well as reef health and marine incidents. Capturing this information via Eye on the Reef ensures information can be used by others and contributes to Reef understanding.

BIOSECURITY

A hive of about 5,000 Asian honey bees and two varroa mites were located at the Port of Townsville during the reporting period. The Asian honey bee is a natural host for the varroa mite and while Asian honey bees are known to occur around Cairns, varroa mites are not known to be present in this population. Asian honey bees are not known to occur around Townsville.

Department of Agriculture and Water Resources destroyed the hive and increased surveillance around the port area. Traps and sentinel hives were already in place around the port as part of the National Bee Pest Surveillance Program and have not identified any further hives.



Amanda Cox

Information Technology Team



Jessica Lacaze

Kelly Jorgensen

Finance Team

PEOPLE

POTL's people are its greatest asset and the business is committed to the encouragement, development and satisfaction of its employees

2015/16 WORKFORCE OVERVIEW

POTL currently employs 121 people (111 full time equivalents as at 30 June 2016) across a wide range of disciplines including pilotage, engineering, planning, maintenance, marine services, governance and legal, customer relations, trade and property and business and commercial services.

- Average employee turnover in 2015/16 was 3.8% *;
- Male Employees - 69%;
- Female Employees - 31%;
- Average Age of Employees – 47.5 years;
- Percentage of employees over 50 years of age 47%
- Average years of service is just under 8 years;
- Percentage of employees with service under five years – 48% (N.B: this includes Marine Pilots two years with POTL and Maritime Security Guards less than one year with POTL).

* Turnover percentage relates to employee instigated terminations and does not include those employees whose termination occurred through performance management processes.

EMPLOYEE RELATIONS FRAMEWORK

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

- Workforce Plan;
- Employment and Industrial Relations Plan;
- Enterprise Agreements;
- Formal Employee Induction Program;
- Succession Planning for Key Executive Positions; and
- Employee Performance and Development Evaluation Procedure.

WORKFORCE PLANNING

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

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

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



Rex Hanrahan

Ben Schipper

Stewart Russell

Bligh Mallard

Maintenance Team



Shanna O'Reilly

Sandra Ellems

Marj Walker

Esther Slocombe

Corporate Services Team

TRAINING AND PROFESSIONAL DEVELOPMENT

POTL is proactive in encouraging and assisting employees to undertake professional development.

POTL, in conjunction with TAFE N.Q, has instigated an accredited Developing Managers and Leaders Program which has 13 participants. A further four employees accessed individual study units of the Program. Program units are recognised against the completion of a Diploma in Management and Leadership.

POTL also regularly runs professional development workshops covering a range of topics including emotional intelligence, conflict management and communication skills.

There are two employees who are currently undertaking study courses supported by POTL. Work experience opportunities were provided to several high school students during the financial year, as well as internships for university students.

SUCCESSION PLANNING

POTL has a robust succession planning system that prepares people to meet the Port's talent and skill requirements over time. It identifies necessary competencies to assess, develop, and retain a talent pool of employees in order to ensure a continuity of leadership in all critical positions and reflects the conscious decision by POTL to foster and promote the continual development of employees therefore allowing POTL to continue achieve business objectives.

EQUAL EMPLOYMENT OPPORTUNITY

POTL has an Equity Policy which aims to promote equality of opportunity by prohibiting unfair discrimination, sexual harassment and associated objectionable conduct. The Policy contains information relating to equal employment opportunity, anti-discrimination, sexual harassment and prevention of harassment and bullying. New employees are trained in this Policy during induction and all employees are required to undertake annual training in relation to this Policy.

POTL has ten trained Equity Contact Officers who receive the requisite training and are provided with refresher courses to remain current.

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

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

LOOKING FORWARD – 2016/17 STRATEGIES

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

SAFETY

POTL's Safety Management System (SMS) provides the framework to ensure that all operational activities are undertaken in a safe and healthy manner. The SMS also tracks continual improvement for the organisation and has been accredited to the AS/NZS 4801 Standard. In 2015/16 two external third party audits were undertaken with zero non-conformances reported.

In addition to the Port's SMS, contractors working on the Berth 6/7 removal and the Berth 4 Upgrade were reviewed to ensure they met POTL standards. No recordable injuries or high potential incident or hazards were identified during the 2015/16 period for either of these projects.

One injury to a POTL staff member during 2015/16 resulted in time off work and three incidents required medical attention.

A comprehensive Drug and Alcohol program was undertaken during 2015/16 with the latest technology in oral swabs being adopted in May 2016. Approximately 135 tests were conducted during the reporting period with zero positive results recorded. The program includes education sessions and random testing for all staff.

POTL continues to implement a strong safety culture, details of which are included in POTL's five year strategy.

POTL engaged a Safety Trainee for nine months during 2015/16 while another staff member was on maternity leave.



Stewart Russell

Maintenance Team

STAKEHOLDER ENGAGEMENT

The Townsville Port is situated close to the city centre and adjacent to residential areas meaning it has a large stakeholder base that requires ongoing engagement.

During 2015/16 POTL continued to expand its communication and engagement activities to ensure that the key stakeholders understand how the port operates, why it is important, and how it contributes to the economic future and sustainability of the region. These activities included:

- The Annual Community Information Session (CIS) was held at the Townsville Maritime Museum in August 2015. The CIS provides community members with presentations on trade, major projects, environmental monitoring, Harbour City and the activity of the Port Stakeholder Working Group.
- 18 port tours were conducted for schools, eight for aged-care home residents and three for general community groups during 2015/16.
- Port of Townsville staff volunteered their time to construct a (semi-trailer sized) float and participate in the T150 Pacific Festival Parade. The float took out first place in the Commercial/ Business category.
- POTL introduced two electronic newsletters during the reporting period; the Townsville Port News which is distributed monthly to port customers, and the Townsville Port Community e-Newsletter which is distributed to the general community on a subscription basis once per quarter.

- POTL substantially increased its following on social media during 2015/16. The various platforms are proving to be an effective and engaging tool for the Townsville Port. As at 30 June POTL had nearly 6,000 followers on Facebook, Instagram, Twitter and LinkedIn.

SPONSORSHIPS, DONATIONS AND CORPORATE EVENTS

In 2016 POTL partnered with Townsville City Council to celebrate 150 years of Townsville City, recognising the key role the founding of the Port played in the city's creation and its growth and economic success in the century and a half that has followed.

POTL continued its financial support of the Townsville Maritime Museum during 2015/16. The control of the Maritime Museum was transferred to POTL on 1 July 2015.

POTL provided \$1,800 for prize money to JCU student awards in several fields of study relating to marine sciences.

An employee Christmas party was held in December 2015 as a thank you to staff for their efforts during the year at a cost totalling \$8,025. This was the only corporate entertainment expenditure during the year exceeding \$5,000.

FUNDRAISING

A Charity Gala Dinner was held on Saturday 12 September 2015 and the Annual Townsville Port Community Charity Golf Day was held on Friday 2 October 2015. A total of \$15,000 was raised for Melanoma Patients Australia for their work with patients and their families in the Townsville region.

INDUSTRY INVESTMENT

POTL maintained its commitment to several industry bodies and organisations that promote the advancement of North Queensland.

POTL continued its support of Townsville Enterprise, North Queensland's peak economic development and regional tourism organisation through membership totalling \$35,000.

POTL also continued its membership of the economic group MITEZ at \$15,000 for 2015/16. MITEZ is a peak industry body that develops initiatives aimed at diversifying new industries, expanding new markets and promoting existing investment opportunities in northwest and North Queensland.

POTL also holds annual memberships with Chamber of Commerce, Queensland Ports Association, Ports Australia and Australian Cruise Association.

PORT STAKEHOLDER
WORKING GROUP

Founded following community concerns around potential air quality impacts on the community, the Townsville Port Stakeholder Working Group (PSWG) created a collaborative forum for key stakeholders to discuss and understand air quality and dust deposition data, and environmental management activities at the Townsville Port. The PSWG also provides an independent conduit to distribute information to the broader community.

Established in April 2015, the PSWG brings together, POTL, community representatives, North Queensland Conservation Council, port operators and key regulatory stakeholders under the stewardship of an independent Chair to:

- Maintain productive relationships between the port community and key stakeholders;
- Ensure the community receives comprehensive and timely information on air quality, dust deposition and environmental management at the port;
- Improve stakeholder understanding around air quality, dust deposition and environmental management related to port operations and broader ambient air quality in Townsville.

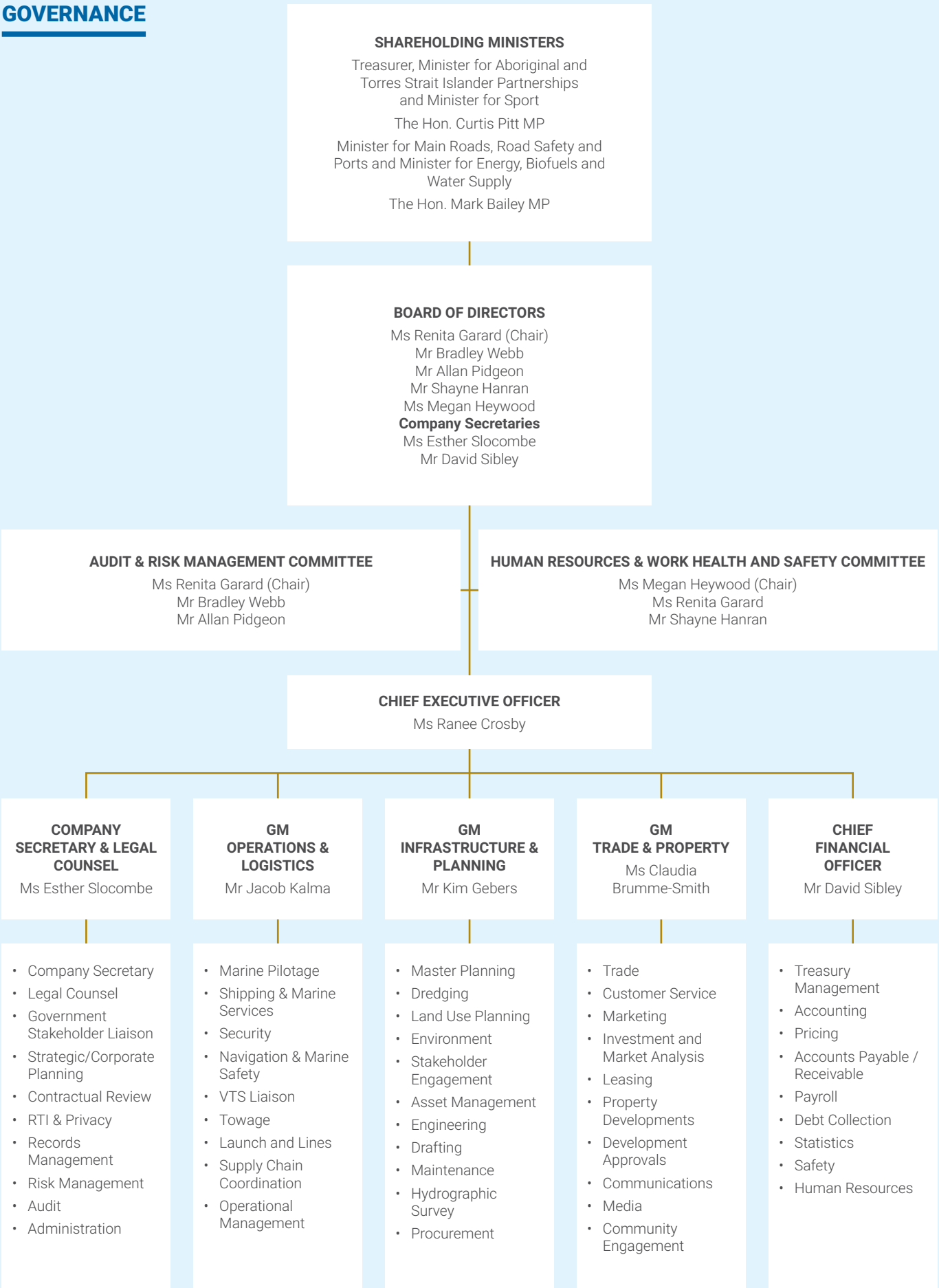
Meetings are held monthly at the Townsville Port and Minutes are published on the Port of Townsville website.

The PSWG has been nominated in the "Community" category of the 2016 Premier's Sustainability Awards (QLD).



June 2016 meeting of the PSWG

GOVERNANCE





Board of Directors

- 1st Row
- Renita Garard
- Bradley Webb
- Megan Heywood
- 2nd Row
- Allan Pidgeon
- Shayne Hanran

BOARD OF DIRECTORS

POTL’s Board of Directors comprises five non-executive Directors who have been appointed by the Governor in Council (on the recommendation of Cabinet) in accordance with the GOC Act. Directors’ name and tenure details as at 30 June 2016 are shown below:

Name	Position	Initial appointment	Last re-appointed	Appointment expiry
Ms Renita Garard	Chairperson	1 October 2015	Not Applicable	30 September 2018
Mr Bradley Webb	Director	1 October 2011	2 October 2014	30 September 2017
Mr Allan Pidgeon	Director	12 December 2013	Not Applicable	30 September 2016
Ms Megan Heywood	Director	3 December 2015	Not Applicable	30 September 2018
Mr Shayne Hanran	Director	3 December 2015	Not Applicable	30 September 2018

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

Director	Ms Renita Garard	Mr Bradley Webb	Mr Allan Pidgeon	Ms Megan Heywood	Mr Shayne Hanran
Eligible to Attend	9	10	10	6	6
Attended	9	9	10	6	6

POTL’s Directors are paid fees for their services. The amount of the fees is determined by shareholding Ministers. Remuneration arrangements for the Chief Executive Officer and senior executives are determined by the Board in accordance with guidelines issued by shareholding Ministers. In accordance with the disclosure requirements for GOCs, details of Directors’ remuneration for the reporting period are located on page 74 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 POTL’s best interests. Disclosure of interests is further dealt with in POTL’s Disclosure of Interests Policy found on POTL’s website at www.townsvilleport.com.au/release-of-information.

Executive Team

- Left to Right
- David Sibley
- Claudia Brumme-Smith
- Ranee Crosby
- Esther Slocombe
- Kim Gebers
- Jacob Kalma



BOARD COMMITTEES

POTL has two Board Committees that report to the Board, namely:

1. AUDIT AND RISK MANAGEMENT COMMITTEE

Chair – Ms Renita Garard
Members – Mr Bradley Webb, Mr Allan Pidgeon

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 matters considered by the Committee at its regular meetings.

2. HR&WHS COMMITTEE

Chair – Ms Megan Heywood
Members – Ms Renita Garard, 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 POTL’s business needs and objectives, commercial profile and relevant legislation.

The qualifications of Directors on each Board Committee are detailed on pages 45-47 of this report. Board Committee Charters can be viewed on POTL’s website at www.townsvilleport.com.au/release-of-information.

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

Director	Ms Renita Garard	Mr Bradley Webb	Mr Allan Pidgeon	Ms Megan Heywood	Mr Shayne Hanran
Audit and Risk Management Committee					
Eligible to Attend	2	2	3	-	-
Attended	2	2	3	-	-
HR&WHS Committee					
Eligible to Attend	2	-	-	2	2
Attended	2	-	-	2	2

SHAREHOLDERS

The Board is responsible to POTL’s two shareholding Ministers, the Honourable Curtis Pitt MP (Treasurer, Minister for Employment and Industrial Relations, Minister for Aboriginal and Torres Strait Islander Partnerships), and the Honourable Mark Bailey MP (Minister for Main Roads, Road Safety and Ports, Minister for Energy, Biofuels and Water Supply).

POTL is required by the GOC Act to develop a five-year Corporate Plan and an annual 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, half-yearly and annual basis so POTL’s performance against agreed targets can be monitored. Moreover, the annual reports are published so POTL’s performance can be communicated to other stakeholders. This annual report provides an overview of POTL’s performance against its SCI for the 2015/16 reporting period.

DIVIDEND POLICY

The GOC Act requires the Board to recommend the payment of a dividend. POTL’s dividend policy takes into account the return its shareholders expect on their investment. The Board recommended a \$17.72 million dividend payment for the reporting period equalling 100% of adjusted Net Profit after Tax for the 2015/16 financial year subject to final audited results.

RISK MANAGEMENT

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

A Risk Management Committee, consisting of employees from each business unit, is responsible for the implementation of the framework. The Committee meets on a quarterly basis to identify, assess, and manage risks impacting POTL on an operational level. Where necessary, risk mitigation strategies are developed and implemented by the Committee to prevent and/or reduce the occurrence of risks, including operational risk registers and fraud control plans. The status of implementation is reported to the Audit and Risk Management on a quarterly basis.

Strategic business risks and progress on the implementation of risk mitigation measures are also reported and monitored by the Board on a six-monthly basis.

AUDITS

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

Internal auditors are contracted to carry out POTL’s internal audit function. During the reporting period, audits were conducted by POTL’s internal auditors in respect to POTL’s asset and property management, maintenance, accounts receivable and compliance systems. There were no significant issues raised during these audits, with all recommendations for improvement implemented by POTL.

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

POTL maintained its external certification for its integrated business management system during the reporting period, which includes elements such as Quality (ISO9001:2008), Information Security (ISO27001:2005), Safety (AS4801-2001), Occupational Health and Safety (OHSAS 18001:2007 and AS4801:2001) and Environment (ISO14001:2004).

PUBLIC INTEREST DISCLOSURES

POTL has a Public Interest Disclosure (Whistleblowers) Policy, which sets out mechanisms for reporting, investigating, and providing protection in regards to public interest disclosures. This policy is available on POTL’s website at www.townsvilleport.com.au/release-of-information. POTL did not receive any actual or purported public interest disclosures during the reporting period.

PRIVACY

POTL has implemented a Privacy Plan consistent with the eleven 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 of POTL. A copy of the Plan is also available on POTL’s website at www.townsvilleport.com.au/release-of-information. POTL 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, POTL has a publication scheme on its website which makes a number of POTL’s internal policies and procedures publicly available. POTL did not receive or process any Right to Information applications during the reporting period.

SUMMARY OF DIRECTIONS AND NOTIFICATIONS GIVEN UNDER THE GOC ACT

POTL did not receive any notifications under section 114 of the GOC Act during 2015/16.

OVERSEAS TRAVEL

No Directors or Executives of POTL travelled overseas during the reporting period on behalf of POTL.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2016



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DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The Directors present their report together with the financial statements of Port of Townsville Limited (POTL) for the year ended 30 June 2016 and the auditor’s report thereon.

DIRECTORS

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

Ms Renita Garard (Chair)

Ms Megan Heywood

Mr Bradley Webb

Mr Allan Pidgeon

Mr Shayne Hanran

Mr Patrick Brady (Chairman) - Term of office expired 30 September 2015

Ms Dominique Tim So - Term of office expired 30 September 2015

Mr Ian Jessup - Term of office expired 30 September 2015

PRINCIPAL ACTIVITIES

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

POTL’s core business functions are to:

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

REVIEW OF OPERATIONS

In 2016 POTL completed \$26 million of capital works including completion of a \$14 million project to demolish and remediate the century old Berth 6/7. The removal also optimises existing assets in the inner harbour through improved navigation access for larger ships at Berths 4 and 8.

The next phase of redevelopment works for the inner harbour was the commencement of the \$40.7 million redevelopment of Berth 4. This project received approval in July 2015, and involves deck surface works and alignment of Berth 4 with the adjacent berth to double the berths capacity and cater for growth in containerised and general cargo. Construction started in April 2016 and is to be completed by the end of 2017.

A new express, direct shipping service between North Asia, PNG and Townsville commenced in July 2015. The new service can carry around 1,100 containers per vessel and provides a transit time between Townsville and Shanghai of 10 days.

During the year, Townsville welcomed the *HMAS Adelaide* for her inaugural visit. The ship will be a regular visitor to Townsville, joining *HMAS Canberra* which commenced operations in 2015.

POTL signed Sister Port Agreements with Port of Qinzhou (China) and Indonesia Ports Corporation (Pelindo II) to promote two-way trade, shipping routes, skills transfer between the ports.

Dredging works (\$2.52 million) to address a navigational safety issue associated with the “bank effect” were completed in August 2015. In addition, removal of the Breakwater Groyne and relocation of the beacon located at the harbour entrance (\$1.5 million) commenced which will be completed by December 2016.

Following the introduction of the *Sustainable Ports Development Bill 2015* (Qld), POTL undertook a review of the staging for the Port Expansion Project to ensure beneficial reuse of all capital dredge material. POTL completed preparation of a Supplementary Environmental Study (SEIS) for submission to State and Federal regulators for assessment.

During the year, POTL worked with Townsville City Council (TCC) and Economic Development Queensland to release the Waterfront Priority Development Area (PDA) scheme. POTL owns 10 hectares of waterfront land in the PDA which are of strategic importance and will manage development of these previously industrial lands linking the Port to the City Centre to create vibrant mixed uses and public realm whilst ensuring port operations are appropriately protected.

The year saw Yabulu Nickel Refinery operations cease in April 2016 after Queensland Nickel Pty Limited (QNPL) was placed into liquidation. QNPL had significant operations at the Port of Townsville, importing almost three million tonnes of product in 2014/15. QNPL’s contract arrangements at the port have been terminated and debts totalling \$1 million have been written off in the current year.

For the 2016 year, POTL achieved trade throughput of 9.79 million tonnes (2015: 11.05 million tonnes) representing a decrease of 11.41% from the previous year primarily due to QNPL’s operations ceasing.

Employee related expenses increased from previous year due to a decision by POTL to establish a Maritime Security Services function within the business and internalising delivery of previous contracted services. POTL’s net profit for the year after income tax is \$17.72 million (2015: \$17.83 million), representing a slight decrease of 0.61% from the previous year. This decrease is primarily due to the decreased trade volumes affecting user charges.

Profit from continuing operations before income tax expense was \$24.98 million (2015: \$25.30 million) representing a decrease of 1.25% from last year.

Below is a summary of POTL’s underlying ratios over the past two years:

		2016	2015
Return on Assets	<i>Net Profit After Tax / Total End of Year Assets</i>	2.83%	2.70%
Return on Equity	<i>Net Profit After Tax / Total End of Year Equity</i>	3.90%	3.73%
Interest Cover Ratio	<i>Earnings Before Interest and Tax / Total Finance costs (inclusive of capitalised costs)</i>	6.07	5.94
Debt to Equity	<i>Total Debt / Total Equity</i>	0.17	0.17

DIVIDENDS

Directors recommend the payment of a final dividend of 100% (2015: 80%) of net profit after tax. The final Dividend amounts to \$17.72 million (2015: \$13.10 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not been any matter or circumstance that has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

POTL’s operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its port management activities. There are significant environmental regulations under legislation, including licence requirements relating to waste management, water and air, noise and land pollution and the handling of dangerous goods in relation to these operations.

Legislation and regulations that POTL is subject to are as follows:

<i>Coastal Protection and Management Act 1995 (Qld)</i>	<i>Marine Parks Act 2004 (Qld)</i>
<i>Great Barrier Reef Marine Park Act 1993 (Cth)</i>	<i>National Greenhouse and Energy Reporting Act 2007 (Cth)</i>
<i>Environmental Protection Act 1994 (Qld)</i>	<i>Nature Conservation Act 1992 (Qld)</i>
<i>Environment Protection (Sea Dumping) Act 1981 (Cth)</i>	<i>Waste Reduction and Recycling Act 2011 (Qld)</i>
<i>Fisheries Act 1994 (Qld)</i>	<i>State Development and Public Works Organisation Act 1971 (Qld)</i>
<i>Environment Protection and Biodiversity Conservation Act 1999 (Cth)</i>	<i>Sustainable Ports Development Act 2015 (Qld)</i>

All environmental performance obligations are reviewed as part of the certified Environmental Management System (EMS) and are reported to the Audit & Risk Management (ARM) Committee, in addition to from time to time, subject to government agency, internal and external professional agency audit, as well as ongoing review to ensure compliance.

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

INFORMATION ON DIRECTORS

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



Ms Renita Garard (OAM)

CHAIR
Initial Appointment 1 October 2015,
Term of Office - to 30 September 2018

EXPERIENCE AND EXPERTISE
Renita is a chartered accountant with more than 16 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 Northern Australia Primary Health Limited and the chair of the Finance, Audit and Risk Committee and is also a Director of Lifetec Australia Ltd.

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

SPECIAL RESPONSIBILITIES
Chair of the Board

Chair of the Audit and Risk Management (ARM) Committee

Member of the Human Resources and Work Health and Safety (HRWH&S) Committee.



Mr Bradley Webb

NON-EXECUTIVE DIRECTOR

Initial Appointment 1 October 2011, Last Re-appointed 2 October 2014, Term of Office - to 30 September 2017

EXPERIENCE AND EXPERTISE

Brad is Managing Director of BM Webb Group, which was founded in 1979. The company has grown from an interstate truck haulage business into an award-winning construction and property development company.

BM Webb Group’s first industrial warehouse was built 1986. In 1999, Brad purchased 240 hectares of land at the Bohle, which is now known as Webb Drive Industrial Estate. The estate is now home to over 90 businesses, many of which are accommodated in buildings designed and constructed to suit customer requirements.

Brad is also known as the powerhouse behind Food Relief NQ. Food Relief NQ was established as Foodbank Townsville in 2002 when Brad donated an 800m2 purpose building to make the venture a viable operation. He was instrumental

in obtaining support from other businesses, and in coordinating the entire infrastructure associated with the set-up of the warehouse. Food Relief NQ encourages manufacturers, wholesalers, retailers, and traders in the food, beverage and grocery industries to donate products to Food Relief for redistribution to the needy.

Brad’s port and rail experience encompasses such projects as the \$40 million Toll/QRX Rail Terminal in Townsville, Port of Townsville Marine Precinct Alliance Project and Forestry Plantation Queensland’s log yard. Brad has extensive knowledge and experience in Concrete, Quarry, Transport, Bulk Cement and International business and trade. Brad is founding Chairman of Food Relief NQ and Chairman of Maritime Museum.

SPECIAL RESPONSIBILITIES

Member of the Audit and Risk Management (ARM) Committee.



Mr Frederick (Allan) Pidgeon

NON-EXECUTIVE DIRECTOR

Appointed 12 December 2013, Term of Office - to 30 September 2016

EXPERIENCE AND EXPERTISE

After completing university degrees in commerce and law, Allan was employed as a tax accountant and subsequently spent eleven years working as a stock-broker.

After working overseas for a period he returned to Australia and worked in various advisory positions to federal government Ministers and industry associations.

Allan has since resumed involvement in family property firm Pidgeon Holdings Pty Limited and its associated companies. He holds a number of directorships and memberships on various boards and community organisations, including the Lord Mayor’s Charitable Trust and the Mater Foundation.

SPECIAL RESPONSIBILITIES

Member of the Audit and Risk Management (ARM) Committee



Mr Shayne Hanran

NON-EXECUTIVE DIRECTOR

Appointed 4 December 2015, Term of Office - to 30 September 2018

EXPERIENCE AND EXPERTISE

Shayne is a Registered Professional Engineer of Queensland with over 25 years’ experience in the industry. A Townsville local; he completed his studies at James Cook University and has extensive experience in the project management, design and construction phases of a diverse range of civil and structural projects.

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

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

SPECIAL RESPONSIBILITIES

Member of the Human Resources and Work Health and Safety (HRWH&S) Committee



Ms Megan Heywood

NON-EXECUTIVE DIRECTOR

Appointed 4 December 2015, Term of Office - to 30 September 2018

EXPERIENCE AND EXPERTISE

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

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

SPECIAL RESPONSIBILITIES

Chair of the Human Resources and Work Health and Safety (HRWH&S) Committee

During the year and through to the date of the report, the following directors retired or their Term of Office expired:

- Mr Patrick Brady, Ms Dominique Tim So and Mr Ian Jessup had their Term of Office expire on 30 September 2015.

A brief biography for each of the former directors is presented below:

Mr Patrick Brady

Initial Appointment 20 December 2012, Last Re-appointed 12 December 2013, Term of Office - to 30 September 2015

EXPERIENCE AND EXPERTISE

Pat has over 30 years’ experience in the civil engineering industry in Regional Queensland. He has a vast range of experience, ranging from urban development to infrastructure engineering, and bridges to mining engineering.

Pat currently is Managing Director of the U02DP Group, a collective of engineers, project managers, schedulers, designers, drafters and administrative staff. The UDP Group employs 60 staff in offices in Townsville, Mackay, Whitsunday, Brisbane and Port Moresby. Pat’s focus is on ensuring delivery of combined client and community outcomes and ensures the engineering solutions are tailored to these outcomes rather than dictate them.

Pat has a Bachelor of Engineering (Hons), is a Member of the Institute of Engineers Australia, Institute of Company Directors, Institute of Public Works, and is a Registered Professional Engineer in Queensland (RPEQ 7112). In 2009, Pat became the Townsville Branch president of the Urban Development Industry Australia (UDIA) for three consecutive years, and is currently a committee member and Fellow of the UDIA. He was also chairman of the Consulting Engineers Group (Townsville) from 2007 to 2008. Pat currently sits on the Board for the Mater Hospital, Townsville.

Ms Dominique Tim So

Appointed 20 December 2012, Term of Office - to 30 September 2015

EXPERIENCE AND EXPERTISE

Dominique carries out a dual role of General Counsel and Commercial Manager for ASX-listed dental services company, 1300SMILES Limited. Throughout Dominique’s legal career she has practised primarily in property, corporate and commercial law, such as commercial, retail and industrial leasing; business, commercial and industrial land sales and acquisitions; business and corporate structuring including asset protection; and off-the-plan developments and related community titles schemes.

Dominique has acted on behalf of small, medium and large businesses, high net worth individuals, partnerships, private and public companies, not-for-profit organisations and local governments in a wide array of industries. Dominique holds a Bachelor of Commerce and Laws, and is admitted as a Solicitor of the High Court of Australia, and the Supreme Court of Queensland.

Mr Ian Jessup

NON-EXECUTIVE DIRECTOR

Appointed 20 December 2012, Term of Office - to 30 September 2015

EXPERIENCE AND EXPERTISE

Ian holds a Bachelor of Economics in commerce and is a Graduate of the Australian Institute of Company Directors. He is a partner in North Queensland accountancy firm, Jessups, and a Principal of BRI Ferrier North Queensland.

Ian is a true North Queenslander, who was born, raised and educated in Townsville before commencing his professional career. Before entering public accountancy, Ian was employed as an accountant with a number of Townsville businesses.

COMPANY SECRETARY

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

Ms Esther Slocombe

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

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

Esther has also completed a Diploma of Management.

Mr David Sibley

David was appointed as Company Secretary in January 2016 after being employed with POTL’s for more than seven (8) 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 has held the position of Manager Financial Services at POTL.

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

MEETINGS OF DIRECTORS

The number of meetings of POTL’s Board of Directors and of each board committee held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

Director	Board Meetings		Audit & Risk Management Committee		HR & WHS Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard	9	9	2	2	2	2
Mr Bradley Webb	10	9	2	2	N/A	N/A
Mr Shayne Hanran	6	6	N/A	N/A	2	2
Ms Megan Heywood	6	6	N/A	N/A	2	2
Mr Allan Pidgeon	10	10	3	3	N/A	N/A

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

DIRECTORS’ SHAREHOLDING

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

PROCEEDINGS ON BEHALF OF COMPANY

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

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

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 51.

ROUNDING AMOUNTS

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

This Director’s Report is signed in accordance with a resolution of the Directors.

This report is made in accordance with a resolution of directors on 23 August 2016.


Ms Renita Garard
Chair
23 August 2016


Mr Allan Pidgeon
Director
23 August 2016

AUDITOR’S INDEPENDENCE DECLARATION


FOR THE YEAR ENDED 30 JUNE 2016

To the Directors of Port of Townsville Limited
This auditor’s independence declaration has been provided pursuant to s307C of the *Corporations Act 2001* (Cth).

INDEPENDENCE DECLARATION

As lead auditor for the audit of Port of Townsville Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been –

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


Mr David Adams FCPA
Director
as Delegate of the Auditor-General of Queensland


Queensland Audit Office
Brisbane

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

Port of Townsville Limited
Benwell Road
Townsville QLD 4810.

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

These Statements have been prepared:-

- to satisfy the provisions of the *Corporations Act 2001* (Cth) and other prescribed requirements; and
- to communicate information concerning the Corporation’s financial performance for the year and its financial position at year end to a variety of information users including:-
- its shareholding Ministers - Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport, and Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply;
- 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 POTLs operations and its principal activities is included in the Directors Report on pages 42 to 50 which is not part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$	2015 \$
REVENUES FROM CONTINUING OPERATIONS			
User Charges	2(A)	73,861,033	72,219,098
Interest Received		727,523	764,965
Other Revenue	2(A)	480,573	1,501,624
Fair Value Gains on Investment Properties	3(G)	-	1,460,729
		75,069,129	75,946,416
EXPENSES FROM CONTINUINNG OPERATIONS			
Employee Related Expenses	2(B)	14,169,827	12,699,196
Supplies and Services	2(B)	17,141,426	15,280,825
Depreciation and Amortisation Expense	3(F)	11,781,477	14,894,109
Finance Costs	2(B)	4,922,360	5,116,206
Other Expenses	2(B)	2,073,834	1,975,268
Asset Revaluation Decrement	3(E)(G)	-	685,288
		50,088,924	50,650,892
OPERATING RESULT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		24,980,205	25,295,524
Income Tax Expense	2(C)	(7,260,123)	(7,465,820)
OPERATING RESULT FROM CONTINUING OPERATIONS AFTER INCOME TAX EXPENSE		17,720,082	17,829,704
OPERATING RESULT FOR THE YEAR		17,720,082	17,829,704
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO OPERATING RESULT:			
Increase in Revaluation Surpluses (net of tax effect)	3(M)	(24,144,967)	40,235,549
TOTAL COMPREHENSIVE INCOME		(6,424,885)	58,065,253

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 2016

	Notes	2016 \$	2015 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3(A)	22,527,010	28,969,223
Trade and Other Receivables	3(B)	10,778,821	11,972,710
Other Assets		591,904	641,608
Inventories		52,909	48,123
Non-Current Assets Held for Sale	3(D)	380,000	380,000
TOTAL CURRENT ASSETS		34,330,644	42,011,664
NON-CURRENT ASSETS			
Property, Plant and Equipment	3(E)	547,223,439	574,186,361
Intangibles	3(E)	137,534	257,262
Investment Properties	3(G)	43,771,603	43,071,520
TOTAL NON-CURRENT ASSETS		591,132,576	617,515,143
TOTAL ASSETS		625,463,220	659,526,807
CURRENT LIABILITIES			
Trade and Other Payables	3(H)	5,354,119	4,745,290
Financial Liabilities	3(I)	4,394,864	3,925,557
Current Tax Liabilities		2,016,157	2,685,659
Provisions	3(J)	18,933,711	14,269,545
Other Liabilities		3,157,407	3,269,479
TOTAL CURRENT LIABILITIES		33,856,258	28,895,530
NON-CURRENT LIABILITIES			
Financial Liabilities	3(I)	72,076,293	76,438,117
Deferred Tax Liabilities	2(C)	35,762,746	45,498,359
Provisions	3(J)	2,541,040	2,101,367
Other Liabilities	3(K)	26,929,167	28,162,500
TOTAL NON-CURRENT LIABILITIES		137,309,246	152,200,343
TOTAL LIABILITIES		171,165,504	181,095,873
NET ASSETS		454,297,716	478,430,934
EQUITY			
Contributed Equity	3(L)	103,062,706	103,062,706
Accumulated Surplus		126,063,671	126,051,922
Asset Revaluation Surplus	3(M)	225,171,339	249,316,306
TOTAL EQUITY		454,297,716	478,430,934

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 2016

	Notes	2016 \$	2015 \$
CONTRIBUTED EQUITY			
Balance at beginning of the year		103,062,706	103,062,706
Balance at the end of the year	3(L)	103,062,706	103,062,706
ACCUMULATED SURPLUS			
Balance at beginning of the year		126,051,922	121,267,678
Operating result for the year		17,720,082	17,829,704
Transfer from reserves on disposal / derecognition of property, plant and equipment		16,785	71,027
Deferred tax adjustment for disposals of property, plant and equipment		(5,036)	(21,306)
Dividends provided for	3(N)	(17,720,082)	(13,095,181)
Balance at the end of the year		126,063,671	126,051,922
ASSET REVALUATION SURPLUS			
Balance at beginning of the year		249,316,306	209,080,757
Property, plant and equipment revaluation increment/(decrement) - gross		(34,476,026)	57,550,383
Deferred tax adjustment for revaluations		10,347,844	(17,243,807)
Transfer to accumulated surplus on disposal/derecognition of property, plant and equipment		(16,785)	(71,027)
Balance at the end of the year	3(M)	225,171,339	249,316,306

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 2016

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		74,267,756	67,936,252
Payments to Suppliers and Employees		(32,059,120)	(30,063,228)
GST collected from Customers		6,986,696	6,099,488
GST paid to Suppliers		(3,167,808)	(1,879,900)
GST paid to the Australian Taxation Office		(3,818,887)	(4,597,418)
Interest Received		727,523	764,965
Interest Paid/Competitive Neutrality Fee		(4,803,848)	(5,202,197)
Income Tax Equivalents Refunds	3(A)	-	8,224,782
Income Tax Equivalents Paid		(7,564,103)	(8,434,497)
Net Cash Inflow from Operating Activities	5	30,568,209	32,848,247
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant and Equipment		(19,948,917)	(12,711,587)
Proceeds from Sale of Property, Plant and Equipment		99,091	80,844
Net Cash Outflow from Investing Activities		(19,849,826)	(12,630,743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(4,065,415)	(3,918,400)
Dividends Paid		(13,095,181)	(7,715,423)
Net Cash Inflow (outflow) from Financing Activities		(17,160,596)	(11,633,823)
Net (Decrease) / Increase in Cash and Cash Equivalents		(6,442,213)	8,583,681
Cash and Cash Equivalents at Beginning of the Financial Year		28,969,223	20,385,542
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		22,527,010	28,969,223

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 2016

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 financial statements were authorised for issue by the Directors on 23 August 2016. 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, as modified by the revaluation of the available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment and investment property measured at fair value.

Functional and presentation currency

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

Rounding of Amounts

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

Comparatives

Comparative information reflects the audited 2014-2015 financial statements except where restated for a correction of a prior period error. Detailed information about these adjustments are detailed at Note 1(E).

(C) STATEMENT OF COMPLIANCE

The financial statements comply with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board (IASB).

Standards Early Adopted for 2015-2016

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101
The amendments arising from this standard seek to improve financial reporting by providing flexibility as to the ordering of notes, the identification and location of significant accounting policies and the presentation of sub-totals, and provides clarity on aggregating line items. It also emphasises only including material disclosures in the notes. POTL has applied this flexibility in preparing the 2015-16 financial statements, including co-locating significant accounting policies with the related breakdowns of financial statement figures in the notes.

Standards and Interpretations in issue not yet adopted

POTL has not 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 2016. POTL does not expect there to be any significant impact from these amendments.

Title	Operative for reporting financial year ending
AASB 9 Financial Instruments and the relevant Amendments to Australian Accounting Standards arising from AASB 9 <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019
AASB 14 Regulatory Deferral Accounts and the relevant Amendments to Australian Accounting Standards arising from AASB 14 <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 15 Revenue from Contracts with Customers and the relevant Amendments to Australian Accounting Standards arising from AASB 15 <i>This Standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change the pattern of POTL's revenue and profit recognition. POTL is yet to complete its analysis of current arrangements, but at this stage does not expect a significant impact on it's present accounting practices.</i> <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019
AASB 16 Leases <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2020
AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 2014-10 Amendments to Australian Accounting Standards - Agriculture: Sale or Contribution of Assets Between an Investor and Associate <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019
AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2017
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets and Unrealised Losses <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2018

	2016	2015
	\$	\$
NOTE 1. BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)		

(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(J)
Valuation of investment properties	Note 3(G)	Assessment of Useful Lives	Note 3(E)
Depreciation	Note 3(F)	Provision for Doubtful Debts	Note 3(B)

(E) CORRECTION OF PRIOR PERIOD ERROR

Due to a calculation error in POTL's income valuation model, the valuation for Property, Plant and Equipment for the year ended 30 June 2015 was understated by \$11,344,341.

Effect as at 30 June 2015 Statement of Financial Position

Understating Property, Plant and Equipment by \$11.34 million, understating Deferred Tax Liabilities by \$3.40 million, and understating Asset Revaluation Reserve by \$7.94 million.

The error has been corrected by restating the Statement Financial Position for the prior period as follows:

Balance Sheet (extract)	30 June 2015	Increase / (Decrease)	30 June 2015 Restated
Property Plant and Equipment	562,842,020	11,344,341	574,186,361
Total Assets	648,182,465	11,344,341	659,526,806
Deferred Tax Liabilities	42,095,056	3,403,302	45,498,359
Total Liabilities	177,692,570	3,403,302	181,095,872
Net Assets	470,489,895	7,941,039	478,430,934
Contributed Equity	103,062,706	-	103,062,706
Accumulated Surplus	126,051,922	-	126,051,922
Asset Revaluation Surplus	241,375,267	7,941,039	249,316,306
Total Equity	470,489,895	7,941,039	478,430,934

NOTE 2. OUR FINANCIAL PERFORMANCE

(A) REVENUE

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

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

Revenue is recognised for the major business activities as follows:

User Charges

Cargo Charges / Berthage

Cargo charges and berthage revenue are recognised as revenue when the vessel has left the berth.

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.

Interest Received

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

Pilotage Transfer Service Revenue

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

Charges for Services

Revenue from rendering of service is recognised on delivery of service to the customer. Revenues included are take or pay arrangements, utilities and consumables income and miscellaneous trade income.

	2016	2015
	\$	\$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		

(i) User Charges

Cargo Charges	37,709,329	37,743,735
Berthage	12,981,237	13,321,827
Properties and Facilities	10,730,887	10,205,680
Charges for Services	5,687,504	4,252,505
Pilot Transfer Service	6,752,076	6,695,352

73,861,033	72,219,098
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(ii) Other Revenue

	2016	2015
	\$	\$
Proceeds - Sale of Property, Plant & Equipment & Investment Properties	97,727	80,843
Carrying Value of Disposed Property, Plant & Equipment	(44,577)	(38,064)
Gain on Sale of Property, Plant & Equipment	53,150	42,779
Works Undertaken on Behalf of Other Parties	53,150	42,779
Other Revenue	23,188	646,933
	404,235	811,912
	480,573	1,501,624

(B) EXPENSES

(i) Employee Related Expenses

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 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.

Other Long-Term Employee Benefit Obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of period in which the employees render the related service. They are therefore 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. 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.

Payroll Tax and Workers Compensation and Superannuation are included in the total. The current portion of long service leave has been calculated as a proportion of all employees with greater than seven years service. This proportion is based upon long service leave actually taken by employees over a three year period. Long service leave provision is presented as current if POTL has 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 POTL are members of the defined benefit fund managed by QSuper. The defined benefit fund is open to many employees across Queensland State Government departments, agencies and government business enterprises. There is insufficient information for POTL to apply defined benefit accounting. 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.

Salaries & Wages	10,489,023	9,552,597
Annual Leave	583,299	497,292
Long Service Leave	502,174	188,205
Superannuation	1,319,981	1,212,109
Payroll Tax	634,292	596,074
Fringe Benefits Tax	167,602	205,596
Workers Compensation	206,233	167,808
Other Employee Related Expenses	267,223	279,515

14,169,827	12,699,196
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		2016	2015
		\$	\$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)			
		2016	2015
		\$	\$
(ii) Supplies and Services			
Payments to Contractors			6,797,245
Payments to Consultants			5,970,118
	Professional/Technical	907,610	769,689
	Human Resource Management	11,275	-
	Finance/Accounting	54,938	102,020
		973,823	871,709
Insurance			973,823
Bad Debts			1,246,186
Maintenance of Assets			1,131,831
Dredging			2,780,091
Other Supplies and Services			2,886,070
			1,326,180
		17,141,426	15,280,825

(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 profit or loss in the period they were incurred.

Loan Interest	4,013,407	3,987,524
Competitive Neutrality Fee	908,953	1,128,682
	<hr/>	
	4,922,360	5,116,206

(iv) Other Expenses

Proceeds from sale of Property, Plant & Equipment	1,364	-		
Carrying Value of Disposed Property, Plant & Equipment	(29,402)	(22,969)		
Loss on Sale of Property, Plant & Equipment	(28,038)	(22,969)	28,038	22,969
Land Tax			1,875,911	1,811,292
Internal Management Review Fees			92,885	71,007
Audit Fees - year end financial statement review			77,000	70,000
			2,073,834	1,975,268

(C) TAXATION

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

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

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 POTL has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

	2016	2015
	\$	\$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		
(i) Income Tax Equivalents		
Income tax equivalents expense		
Current Tax/(Revenue)	6,652,929	6,133,798
Deferred Tax/(Revenue)	607,194	1,332,022
	<hr/>	<hr/>
	7,260,123	7,465,820
	<hr/>	<hr/>
Income Tax Equivalents Expense is attributable to:		
Profit from Operations	7,501,796	7,595,585
Under/(Over) Provision in Prior Years	(241,673)	(129,765)
	<hr/>	<hr/>
	7,260,123	7,465,820
	<hr/>	<hr/>

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

Decrease/(Increase) in Deferred Tax Assets
(Decrease)/Increase in Deferred Tax Liabilities

Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

Profit from Operations before Income Tax Expense	24,980,205	25,295,525
Tax at the rate of 30% (2015 - 30%)	7,494,061	7,588,658
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: Non-deductible expenses	7,735	6,927
	7,501,796	7,595,585
Under/(Over) Provision in Prior Years	(241,673)	(129,765)
Income Tax Equivalents Expense	7,260,123	7,465,820

Amounts Recognised Directly in Equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity.

Current tax - credited directly to equity	(5,036)	(21,306)
Net deferred tax - debited/(credited) direct to equity as a result of net increment in Revaluation Surpluses	10,347,844	(17,243,807)
	<hr/>	<hr/>
	10,342,808	(17,265,113)

(ii) **Deferred Taxes**

Deferred Tax Assets

The balance comprises temporary differences attributable to:

<p> <i>Amounts recognised in profit or loss</i> Allowance for doubtful debts Accrued payables Provision for annual leave Provision for long service leave - current Provision for long service leave - non current Accrued superannuation Deferred grant revenue </p>	<p> 373,504 15,179 291,349 59,795 762,312 4,812 7,920,000 </p>	<p> - 30,360 286,832 51,030 630,410 - 8,280,000 </p>
Total Deferred Tax Assets	9,426,951	9,278,632
Set-off of deferred tax liabilities pursuant to set-off provisions	(9,426,951)	(9,278,632)
Net Deferred Tax Assets	-	-

	2016 \$	2015 \$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		
Movements:		
Opening balance at 1 July	9,278,632	9,706,106
Contributions from owners	-	-
Credited/(charged) to the income statement	148,319	(427,474)
As at 30 June	9,426,951	9,278,632
Deferred tax assets expected to be recovered within 12 months	1,104,638	728,222
Deferred tax assets expected to be recovered after more than 12 months	8,322,313	8,550,410
	9,426,951	9,278,632
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Prepayments	30,916	24,227
Investment properties	13,131,481	12,921,456
Property, plant and equipment	32,027,300	41,831,308
Total Deferred Tax Liabilities	45,189,697	54,776,990
Set-off of deferred tax liabilities pursuant to set-off provisions	(9,426,951)	(9,278,632)
Net Deferred Tax Liabilities	35,762,746	45,498,358
Movements:		
Opening balance at 1 July	54,776,990	36,607,329
Credited/(charged) to the income statement	755,513	904,548
Contributions from owners		
Credited/(charged) to equity	(10,342,808)	17,265,113
As at 30 June	45,189,696	54,776,990
The Deferred tax liability includes amounts recognised directly in equity as follows:		
Revaluation of Property, Plant and Equipment	96,502,002	106,849,845

NOTE 3. OUR FINANCIAL POSITION		
(A) Cash and Cash Equivalents		
For statement of cash flow 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 on Hand	500	500
Cash at Bank	2,049,779	4,044,530
Cash Management Fund	20,476,731	24,924,193
	22,527,010	28,969,223

Interest Rate Risk Exposure

POTL'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 and cash equivalents mentioned above. POTL's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out in Note 4(D).

Income Tax Equivalents Refunds

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

	2016 \$	2015 \$
NOTE 3. OUR FINANCIAL POSITION (continued)		
(B) TRADE AND OTHER RECEIVABLES		
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. Trade receivables are due for settlement no more than 30 days from the date of recognition for POTL's debtors, and no more than 30 days for other debtors. If a contractual arrangement exists, settlement is in accordance with the contractual terms.		
Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that POTL will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.		
The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.		
Trade Receivables	12,023,835	11,972,710
Allowance for Impairment	(1,245,014)	-
	10,778,821	11,972,710
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	9,202,445	10,803,951
30 - 60 days	47,057	955,808
over 60 days	1,529,319	212,951
	10,778,821	11,972,710
Impaired Trade Receivables		
As at 30 June 2016 current trade receivables of POTL with a nominal value of \$1,245,014 (2015: \$Nil) were impaired and fully provided for. The allowance for impairment is due to a number of events including one external customer with administrators appointed.		
Opening Balance	-	-
Increase / decrease in allowance for impairment	1,245,014	-
	1,245,014	-
The ageing of these receivables is as follows:		
Up to 3 months	22,721	-
3 to 6 months	865,363	-
Over 6 months	356,930	-
	1,245,014	-
Past Due but not Impaired		
As of 30 June 2016 trade receivables of \$331,363 (2015: \$1,168,758) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:		
Up to 3 months	311,609	955,808
3 to 6 months	19,754	212,950
Over 6 months	-	-
	331,363	1,168,758
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. POTL does not hold any collateral in relation to these receivables.		
(C) 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 POTL's normal selling pattern.		

	2016	2015
	\$	\$

NOTE 3. OUR FINANCIAL POSITION (continued)

(D) NON-CURRENT ASSETS HELD FOR SALE

Noncurrent assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

After a review of POTL's land holdings in 2012, a number of parcels of land were deemed surplus to operations in Ross River as a result of the transfer of a number of other parcels to the State to enable the construction of boat ramps for the community. While the majority of the sales of these lands occurred in 2012-2013 (\$990,000), there are 3 parcels remaining to be sold at reporting date due to unfavourable market conditions up to this date. The properties have been listed with a real estate agent and it is still management's intent to sell the properties. Management have assessed the value of the properties at reporting date and have determined that in line with current market conditions, no change to the values are necessary at this time.

(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 POTL, 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

POTL has a comprehensive annual maintenance program for its major plant and equipment and infrastructure assets, and subsequent costs will be included in the assets' carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to POTL 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 income statement during the financial period in which they are incurred.

Subsequent Measurement

Subsequently, channels and swing basins, wharves, buildings, infrastructure, small boat harbours and facilities, breakwaters and land are measured at fair value. Fair value is estimated using an income approach based on discounted cash flows. The fair value of an asset is determined by the discounted cash flow methodology. The net present value of the cash flows of the asset group are allocated across the individual assets in the group. Valuations are undertaken annually to ensure that the carrying amount of the assets does not differ materially from 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. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation surplus directly in equity to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the income statement.

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 profit or loss. When revalued assets are sold or derecognised, it is POTL's policy to transfer the amounts included in the asset revaluation surplus in respect of those assets to accumulated surplus.

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.

POTL 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.

	2016	2015
	\$	\$

NOTE 3. OUR FINANCIAL POSITION (continued)

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are shown at fair value. The fair value of each asset group has been determined using an income based model developed by a management expert. Management reviews and updates estimates of future cash flows in the model annually. The net present value of the cash flows of the asset group are allocated across the individual assets in the group. As a reflection of the value of POTL's assets, changes in the economic environment can cause fluctuations in fair 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.

POTL utilises the income valuation model in it's valuation approach due to the method converting future amounts (e.g. cash flows or income and expenses) to a single current amount (i.e. discounted) which in turn allows the fair value of POTL's assets to reflects current market expectations about those future amounts.

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are categorised as Level 3 at 30 June 2016.

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	8.24%	The higher the discount rate the lower the fair value
CPI	2.50%	The higher the CPI rate the higher the fair value
Terminal Value	EBIT multiple (17.1)	The higher the terminal value the higher the fair value
Forecast Trade	Maximum capacity of 17 million tonnes	The higher the trade forecast the higher the fair value
Expenses	As per Approved Budget	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 POTL as at 30 June 2016 using the following key assumptions:

- POTL has established the units of account 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.
- 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 (2.5%). 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 1.86%, but a sympathetic increase of 1% in both indices has a sensitivity of 1.11%.
- Cash flows have been projected based on forecasts of prudent and efficient operating costs and revenues. Forecasts outside approved budgets utilised CPI unless more appropriate indices are available. Forecast trade is limited to forecast capacity of existing infrastructure. A 1% change in the trade projection results in 1.25% change in fair value.
- 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 0.0048%.
- Due to the nature of POTL'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 13.32%. Average variance to terminal value calculations from 20 to 90 years is 4.85%
- Future capital expenditure beyond that already approved has been limited to the replacement of existing assets. No revenue has been included that would necessitate the expansion of Port facilities nor would require additional expenditure above what has been included.
- Asset are not valued above their recoverable value.

Assessment of Useful Lives

The useful life of an asset is the period in which an asset is expected to be available for use by POTL. The estimation of an asset's useful life requires professional judgement based on the use of 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.

The useful lives of channels and swing basins were revised during the year to 100 years. This revision is due to:

- POTL expects to obtain economic benefit from these assets for at least 100 years from 2015-2016;
- The assets are constantly maintained in an as new state in order to ensure full usage of this asset for revenue generation is continued. Whilst some annual deterioration of the assets does occur, this is continually reversed by POTL's annual maintenance dredging program. This in turn allows the asset's capacity to generate revenue to not diminish with time;
- There is no legal or technical restraint in POTL continuing to use the channel for a minimum of 100 years based on the existing maintenance program; and
- POTL expects to have sufficient funds to continue to undertake annual maintenance programs for at least the next 100 years.

		2016	2015
		\$	\$
NOTE 3. OUR FINANCIAL POSITION (continued)			
		2016 \$ Fair Value	2016 \$ Accumulated Depreciation / Amortisation
		\$	2016 \$ Carrying Amount
		\$	\$
Channels and Swing Basins	At Valuation 2016	160,356,845	-
	At Valuation 2015	165,058,963	-
Land	At Valuation 2016	80,360,899	-
	At Valuation 2015	85,296,785	-
Wharves	At Valuation 2016	125,205,219	-
	At Valuation 2015	127,272,715	-
Breakwaters	At Valuation 2016	54,402,475	-
	At Valuation 2015	61,472,807	-
Buildings	At Valuation 2016	18,231,590	-
	At Valuation 2015	19,416,654	-
Small Boat Harbours	At Valuation 2016	7,577,180	-
	At Valuation 2015	7,705,819	-
Infrastructure	At Valuation 2016	69,970,397	-
	At Valuation 2015	75,021,495	-
Plant and Equipment	At Cost 2016	17,771,899	11,549,838
	At Cost 2015	17,498,218	10,976,503
Intangibles	At Cost 2016	1,388,362	1,250,828
	At Cost 2015	1,601,482	1,344,220
*Capital Works in Progress	At Cost 2016	24,896,773	-
	At Cost 2015	26,419,408	-
Total 2016		560,161,639	12,800,666
Total 2015		586,764,346	12,320,723

*Capital Works in Progress		
Harbour Works	22,568,540	23,534,451
Eastern Port Development	1,126,987	1,454,993
Equipment	1,201,246	1,429,964
	24,896,773	26,419,408

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	72,335,991	64,245,377
Land	25,177,749	25,054,305
Wharves	81,981,114	74,895,723
Breakwaters	400,584	979,712
Buildings	16,497,243	16,777,821
Small Boat Harbours	5,933,843	6,366,596
Infrastructure	46,760,880	47,865,374
	249,087,404	236,184,908

		2016	2015					
		\$	\$					
NOTE 3. OUR FINANCIAL POSITION (continued)								
Reconciliation of Carrying Amounts								
	\$	\$	\$	\$	\$	\$	\$	\$
	Carrying Amount at 1 July 2015	Additions	Disposals & Derecognitions	Transfers	Revaluations Recognised in Statement of Comprehensive Income	Revaluations Recognised in Revaluation Surplus	Depreciation / Amortisation Expense	Carrying Amount at 30 June 2016
Level 3 Assets								
Channels and Swing Basins	165,058,963	9,123,107	-	-	-	(12,183,330)	(1,641,895)	160,356,845
Land	85,296,785	123,444	-	(224,994)	-	(4,834,336)	-	80,360,899
Wharves	127,272,715	9,590,907	-	-	-	(7,105,331)	(4,553,072)	125,205,219
Breakwaters	61,472,807	-	-	-	-	(5,976,669)	(1,093,663)	54,402,475
Buildings	19,416,654	352,283	(34,830)	(82,368)	-	(767,757)	(652,392)	18,231,590
Infrastructure	75,021,495	1,114,910	-	-	-	(3,645,895)	(2,520,113)	69,970,397
Small Boat Harbours	7,705,819	-	-	-	-	37,291	(165,930)	7,577,180
Assets at Cost	-							
Plant & Equipment	6,521,715	774,179	(39,149)	-	-	-	(1,034,684)	6,222,061
Intangibles	257,262	-	-	-	-	-	(119,728)	137,534
Capital Works in Progress	26,419,408	(1,522,636)	-	-	-	-	-	24,896,773
- transfers to / from Investment Properties	-	392,721	-	-	-	-	-	-
	574,443,623	19,948,917	(73,979)	(307,362)	-	(34,476,026)	(11,781,477)	547,360,973

2014-2015	\$ Carrying Amount at 1 July 2014	\$ Additions	\$ Disposals & Derecognitions	\$ Transfers	\$ Revaluations Recognised in Statement of Comprehensive Income	\$ Revaluations Recognised in Revaluation Surplus	\$ Depreciation / Amortisation Expense
Carrying Amount at 30 June 2015							
Level 3 Assets							
Channels and Swing Basins	150,865,128	-	-	-	(90,845)	17,785,637	(3,500,957)
Land	74,827,488	1,617,684	-	-	-	8,851,613	-
Wharves	119,025,892	422,815	-	-	-	13,958,880	(6,134,872)
Breakwaters	55,727,537	-	-	-	-	6,742,148	(996,878)
Buildings	18,089,788	31,320	-	-	-	1,949,581	(654,035)
Infrastructure	66,049,843	3,205,977	-	5,130	-	8,066,930	(2,306,384)
Small Boat Harbours	7,707,464	-	(22,969)	-	-	195,594	(174,270)
Assets at Cost							
Plant & Equipment	6,902,133	664,034	(38,064)	(5,130)	-	-	(1,001,258)
Intangibles	263,370	119,347	-	-	-	-	(125,455)
Capital Works in Progress	19,768,998	6,650,410	-	-	-	-	-
- transfers to / from Investment Properties	-	-	-	-	-	-	-
	519,227,641	12,711,587	(61,033)	-	(90,845)	57,550,383	(14,894,109)
							574,443,623

	2016	2015
	\$	\$
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 POTL 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 POTL'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	
	2016	2015		2016	2015
Channels and Swing Basins	1.0% - 1%	1.0% - 1.0%		1.00%	1.00%
Wharves	1.23% - 10%	1.21% - 10%		2.90%	2.92%
Breakwaters	1.0% - 2.0%	1.0% - 2.0%		1.30%	1.34%
Buildings	1.6% - 6.67%	1.67% - 14.29%		3.00%	3.05%
Infrastructure	1% - 36%	0.50% - 20%		2.50%	2.61%
Small Boat Harbours	1.9% - 2.5%	1.67% - 2.7%		2.20%	2.27%
Plant and Equipment	0.05% - 33%	0.05% - 40%		12.40%	12.47%
Intangibles	25% - 25%	7.22% - 25%		25.00%	21.44%

(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 POTL (including property under construction for such purposes). This category does not include property used in the provision of services and supporting infrastructure for Port customers. Investment properties are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recognised in profit or loss.

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 profit or loss to the extent that the gain reverses a previous loss, with any remaining gain recognised directly in profit or loss. 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 profit or loss.

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 profit or loss.

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

Current year revaluations have been based on assessments made by Australian Valuation Solutions Pty Ltd, with values being updated using indexation. As mentioned above, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Fair value estimates for investment properties are in Level 2. The following explains the judgements and estimates made in determining the fair values.

POTL obtains independent valuations for its investment properties at least every five years with desktop valuations between. At the end of each reporting period the directors update their assessment of the fair value of 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.

For the current year valuation methodology, property market research was undertaken to assist in the preparation of indices for asset classes where there was evidence of market value and comparisons can be made with transactions in the open market. Qualitative research indicated that investment property prices have remained flat over the last twelve months.

Limited comparisons can be made between the general industrial land market and POTL's land market. The POTL market is characterised by leasehold land occupied by trade 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	27,724,514	27,499,520
Buildings	16,047,089	15,572,000
	43,771,603	43,071,520

	2016	2015
	\$	\$
NOTE 3. OUR FINANCIAL POSITION (continued)		

Land

Opening balance at 1 July	27,499,520	26,240,000
Net gain (loss) from fair value adjustment	-	1,259,520
Transfers to/from property plant and equipment	224,994	-

Closing balance at 30 June	27,724,514	27,499,520
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Buildings

Opening balance at 1 July	15,572,000	15,955,233
Acquisitions	392,721	-
Net gain (loss) from fair value adjustment	-	(383,233)
Transfers to/from property plant and equipment	82,368	-

Closing balance at 30 June	16,047,089	15,572,000
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Amounts recognised in the Statement of Comprehensive Income for Investment Properties

Rental income	1,357,449	762,924
Direct operating expenses from property that generate rental income	(58,850)	(84,100)
Direct operating expenses from property that did not generate rental income	(126,090)	(37,605)
Net gain (loss) from fair value adjustment	-	876,287

Comprehensive Income	1,172,509	1,517,507
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(H) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to POTL 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.

Current

Trade Payables	5,041,306	4,377,696
Competitive Neutrality Fee	221,987	276,373
Retention	90,829	88,876
Trust Fund Deposits	-	2,345

	5,354,122	4,745,290
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Risk Exposure

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

(I) FINANCIAL LIABILITIES

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

Fair value - Non-Current portion of Financial Liabilities

All borrowings are with Queensland Treasury Corporation. Queensland Treasury Corporation recorded a market value adjustment of \$12,783,519 (2015: \$7,384,916) principally as a result of past movements in the market value of liabilities in the Debt Pools giving a market debt outstanding of \$89,254,676 (2015: \$87,748,590).

None of the classes are readily traded on organised markets in standardised form. No assets have been placed as securities for financial liabilities.

Loan Covenants

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

- The EBIT Interest Coverage of greater than or equal to 1.25 times, except where the Total Debt to Total Capital is greater than 55% in which case the EBIT Interest Coverage must be equal to or greater than 1.75 times.

POTL has complied with these covenants throughout the reporting period.

	2016	2015
	\$	\$
NOTE 3. OUR FINANCIAL POSITION (continued)		

(J) PROVISIONS

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at 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	43,152	48,155
Employee Benefits - Long Service Leave	199,315	170,102
Employee Benefits - Annual Leave	971,162	956,107
Dividend	17,720,082	13,095,181
	18,933,711	14,269,545
Non-Current		
Employee Benefits - Long Service Leave	2,541,040	2,101,367
	2,541,040	2,101,367

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 and also those where employees are entitled to pro-rata payments in certain circumstances. Estimates impacting on the balance have been based on past experience where POTL does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. POTL believes the non-current amount reflects leave that is not expected to be taken or paid within the next 12 months.

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Dividend	Fringe Benefits Tax	Employee Benefits - Long Service Leave	Employee Benefits - Annual Leave
	\$	\$	\$	\$
Current				
Carrying amount at start of year	13,095,181	48,155	170,102	956,107
Charged/(credited) to the income statement				
- additional provisions recognised	17,720,082	187,616	85,426	576,041
- unused amounts reversed				
Amounts transferred/reclassified				
Amounts used during the period	(13,095,181)	(192,619)	(56,213)	(560,986)
Carrying amount at end of year	17,720,082	43,152	199,315	971,162

	Employee Benefits - Long Service Leave
	\$
Non-Current	
Carrying amount at start of year	2,101,367
Charged/(credited) to the Income Statement	-
- additional provisions recognised	255,947
- unused amounts reversed	-
Amounts transferred/reclassified	183,726
Amounts used during the period	-
Carrying amount at end of year	2,541,040

	2016	2015
	\$	\$
NOTE 3. OUR FINANCIAL POSITION (continued)		

(K) OTHER LIABILITIES

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 \$26,400,000 (\$1,200,000 current, \$25,200,000 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 POTL's Nexus Business Park. The balance at reporting date is \$1,762,500 (\$33,333 current, \$1,729,167 non-current).

(L) 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		
Amount at the reporting date - 103,062,706 (2015: 103,062,706) ordinary shares of \$1 each fully paid	103,062,706	103,062,706

Issued Capital - Ordinary Shares

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

Capital Risk Management

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

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

(M) 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). The balance standing to the credit of the surplus may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

Balances of Asset Revaluation Surplus by category are as follows:

Channels and Swing basins	73,377,455	81,905,786
Land	39,385,486	42,776,321
Wharves	42,388,366	47,362,098
Breakwaters	36,229,306	40,412,974
Buildings	5,433,682	6,032,803
Small Boat Harbours	1,992,365	1,966,261
Plant and Equipment	452,368	452,368
Infrastructure	23,981,726	26,533,852
Land and Buildings transferred to Investment Properties	1,930,585	1,873,843
	225,171,339	249,316,306

(N) 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.

Ordinary Shares

Dividends provided calculations are based on 100% (2015: 80%) of net profit after an adjustment for upwards revaluations, in consultation with shareholding Ministers.

Dividends provided for or paid	17,720,082	13,095,181
Dividends per share	0.172	0.127

Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of POTL, excluding adjustments for the effect of revaluations.

Profit attributable to equity holders	17,720,082	17,054,263
Number of Shares	103,062,706	103,062,706
Earnings per share	0.172	0.165

	2016	2015
	\$	\$
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:

Property Plant and Equipment	29,082,566	8,059,090
Intangibles	-	29,039
	29,082,566	8,088,129

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	602,284	257,025
	602,284	257,025

Future Minimum Lease Commitments Receivable

Future minimum lease amounts receivable under non-cancellable operating leases at balance date

Not later than one year	9,040,966	10,675,390
Later than one year but not later than five years	35,681,698	46,078,052
	44,722,664	56,753,442

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

(C) CONTINGENT ASSETS/LIABILITIES

There were no known contingent assets/liabilities of a significant nature at 30 June 2016 (2015: Nil).

(D) FINANCIAL RISK MANAGEMENT

POTL has exposure to credit risk, liquidity risk, market risk and interest rate risk from its use of financial instruments. This note presents information about POTL's exposure to each of these risks, its 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 POTL, 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 POTL's activities. POTL, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. POTL has major customers, of which the top five contribute 49% of revenue. Ageing of past due trade and other receivables is shown in Note 3(B).

Liquidity Risk

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

	2016	2015
	\$	\$
NOTE 4. OTHER (continued)		

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

	2016				
	Payable In			Total Contractual Cash Flows	Carrying Amount
	< 1 year	1-5 years	> 5 years		
Payables	5,354,119	-	-	5,354,119	5,354,119
QTC Borrowings	8,117,003	32,468,011	64,936,021	105,521,035	76,471,157

	2015				
	Payable in			Total Contractual Cash Flows	Carrying Amount
	< 1 year	1-5 years	> 5 years		
Payables	4,745,290	-	-	4,745,290	4,745,290
QTC Borrowings	7,905,924	31,623,695	72,618,594	112,148,213	80,363,674

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

Market Risk

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

Interest Rate Risk

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

	0-1 Years		Fixed Rate Maturing In 1-5 Years		Over 5 Years	
	2016	2015	2016	2015	2016	2015
Financial Assets						
Cash on Hand	-	-	-	-	-	-
Cash at Bank	2,049,779	4,044,530	-	-	-	-
Term Deposits	20,476,731	24,924,193	-	-	-	-
Receivables	-	-	-	-	-	-
Financial Liabilities						
Payables	-	-	-	-	-	-
QTC Borrowings	4,394,864	3,925,557	24,723,859	22,950,946	47,352,434	53,487,171

	Non Interest Bearing		Carrying Amount as per Balance Sheet		Weighted Average Book Rate	
	2016	2015	2016	2015	2016	2015
Financial Assets						
Cash on Hand	500	500	500	500	-	-
Cash at Bank	-	-	2,049,779	4,044,530	1.94%	2.41%
Term Deposits	-	-	20,476,731	24,924,193	2.81%	2.83%
Receivables	10,778,821	11,972,709	10,778,821	11,972,709	-	-
Financial Liabilities						
Payables	5,354,119	4,745,290	5,354,119	4,745,290	-	-
QTC Borrowings	-	-	76,471,157	80,363,674	5.21%	5.04%

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 2016 was \$89,254,676 (30 June 2015: \$87,748,590). Borrowings recorded a market value adjustment of \$12,783,519 (2015: \$7,384,916) 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 POTL's financial assets and liabilities.

	Carrying Amount	Interest Rate Risk			
		- 1% Increase/(Decrease) Profit	+ 1% Increase/(Decrease) Equity	- 1% Increase/(Decrease) Profit	+ 1% Increase/(Decrease) Equity
Financial Assets					
Cash and Cash Equivalents	22,527,010	(225,270)	225,270	225,270	(225,270)
Receivables	10,778,821	-	-	-	-
Financial Liabilities					
Payables	5,354,119	-	-	-	-
QTC Borrowings	76,471,157	764,712	(764,712)	(764,712)	764,712

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

Net Fair Values

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

	2016	2015
	\$	\$
NOTE 4. OTHER (continued)		

(E) KEY MANAGEMENT PERSONNEL

Details of Directors

Directors in office at 30 June 2016 are as follows:

Director	Date of Appointment	Date of Termination/Resignation
Ms R. Garard (Chair)	1 October 2015	30 September 2018
Mr B. Webb	1 October 2011, Re-appointed 2 October 2014	30 September 2017
Mr A. Pidgeon	12 December 2013	30 September 2016
Mr S. Hanran	3 December 2015	30 September 2018
Ms M. Heywood	3 December 2015	30 September 2018

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 (Chair)	2015/2016 2014/2015	37,500 -	5,102 -	4,047 -	46,649 -
Mr Bradley Webb	2015/2016 2014/2015	25,750 24,130	6,073 10,201	3,023 3,219	34,846 37,550
Mr Shayne Hanran	2015/2016 2014/2015	15,021 -	2,186 -	1,635 -	18,842 -
Ms Megan Heywood	2015/2016 2014/2015	15,021 -	2,916 -	1,704 -	19,641 -
Mr Allan Pidgeon	2015/2016 2014/2015	25,750 24,130	5,101 8,744	2,931 3,123	33,782 35,997
Mr Patrick Brady (Chairman) - term expired 30 September 2015	2015/2016 2014/2015	12,500 47,996	4,372 17,488	1,603 6,221	18,475 71,705
Mr Ian Jessup - term expired 30 September 2015	2015/2016 2014/2015	6,437 24,130	2,551 8,017	854 3,054	9,842 35,201
Ms Dominique Tim So - term expired 30 September 2015	2015/2016 2014/2015	6,437 24,130	2,551 8,017	854 3,054	9,842 35,201
Total Remuneration Specified Directors	2015/2016 2014/2015	144,416 144,516	30,852 52,467	16,651 18,671	191,919 215,654
Insurance premiums to indemnify liabilities while acting as a Director	2015/2016 2014/2015	- -	- -	- -	57,698 48,636

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.

POTL'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 2013*.

The senior executive remuneration strategy and practices of POTL 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 POTL'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. POTL's policy in relation to performance payments is consistent with Queensland Treasury policy.

	2016	2015
	\$	\$
NOTE 4. OTHER (continued)		

Details of remuneration provided to Specified Executives at 30 June 2016 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	2015/2016 2014/2015	308,218 298,005	34,420 34,504	9,363 9,363	12,817 13,605	- -	364,818 355,477
Mr D. Sibley Chief Financial Officer	2015/2016 2014/2015	211,701 198,567	22,781 24,659	12,236 12,236	15,863 16,725	- -	262,581 252,187
Mr K. Gebers General Manager Infrastructure & Planning	2015/2016 2014/2015	216,347 194,696	21,866 18,496	- -	13,826 -	- -	252,039 213,192
Mr J. Kalma General Manager Marine & Logistics	2015/2016 2014/2015	223,869 190,657	22,556 18,420	- -	13,599 -	- -	260,024 209,077
Ms C. Brumme-Smith General Manager Trade and Property	2015/2016 2014/2015	210,111 208,283	28,445 26,556	- -	12,984 -	- -	251,540 234,839
Total Remuneration Specified Executives	2015/2016 2014/2015	1,170,246 1,090,208	130,068 122,635	21,599 21,599	69,089 30,330	- -	1,391,002 1,264,772

Loans to Key Management Personnel

There are no loans outstanding to POTL from key management personnel.

Other Transactions with Key Management Personnel

No transactions were entered into by POTL and key management personnel other than compensation paid to key management personnel by POTL.

(F) RELATED PARTY TRANSACTIONS

Control

POTL is a Queensland Government Owned Corporation, with all shares held by shareholding Ministers on behalf of the State of Queensland.

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 POTL. 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, POTL has dealt with:

- AECOM, of which Mr S. Hanran is an employee. POTL made payments for a number of engineering works during the year as follows:

Works	Amount
Berth 4 Works	\$ 1,478,486
Pavement/Road works	\$ 132,552
Environmental Consultancy	\$ 14,729
General advice/consultancy	\$ 46,207
Environmental Impact Study	\$ 407,352
- Line King Pty Limited, of which Ms R. Crosby is related to the owner of the company. POTL made payments in relation to Benwell Road line works for \$41,408 during the year.
- Townsville Enterprise Limited, of which Ms R. Crosby is a Board Member. POTL made payment for membership fees of \$36,850, and contribution to Reef Blitz 2015 for \$1,250.
- Townsville Commerce, of which Ms R. Crosby is a Board Member. POTL made payment for membership fees of \$1,428.
- Maritime Museum, of which Mr B. Webb is Chairman, Ms E. Slocombe and Mr D. Sibley are Directors. POTL made a donation of \$25,000 and contributed \$108,736 to the refurbishment of the HMAS Townsville during the year.

Transactions with State of Queensland Controlled Entities

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

Revenue

Queensland Treasury Corporation: - Interest Revenue	687,238	719,763
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	2016 \$	2015 \$
NOTE 4. OTHER (continued)		
<i>Expenses</i>		
Queensland Audit Office (QAO) - Audit fees	77,000	70,000
Queensland Transport - Crown boat harbour mooring fees	-	902
QR Limited:		
- Track Maintenance	29,152	28,843
Queensland Treasury Corporation:		
- Loan interest expense	3,916,491	3,885,262
- Loan administration charge	96,917	102,262
- Competitive Neutrality Fee	908,953	1,128,682
- Financial Advisory Services	8,300	5,500
Office of State Revenue:		
- Payroll Tax	634,292	596,074
- Land Tax	1,875,911	1,811,292
WorkCover Queensland - Workers Compensation	206,233	167,808
Ergon Energy - Electricity	734,447	621,297
Contributions to QSuper on behalf of employees	1,150,397	1,068,787
<i>Assets</i>		
Queensland Treasury Corporation:		
- Short Term Investment	20,476,731	24,924,193
<i>Liabilities</i>		
Queensland Treasury Corporation:		
- Financial Liabilities	76,471,157	80,363,674
Provision for Dividend to Queensland Treasury	17,720,082	13,095,181

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 2016 there were no guarantees provided by POTL on behalf on 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 2016 that has significantly affected, or may significantly affect:

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

NOTE 5. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
<i>Reconciliation of Operating Result from Continuing Operations After Income Tax Expense to Net Cash Inflow from Operating Activities</i>		
Operating Result for the Year	17,720,082	17,829,705
Depreciation	11,781,477	14,894,109
(Profit) Loss on Disposal of Non-Current Assets	(25,112)	(19,810)
Net Revaluation Increments - Non-Current Assets	-	(775,441)
<i>Changes in Assets and Liabilities</i>		
(Increase) Decrease in Trade Debtors	1,319,919	(5,868,187)
(Increase) Decrease in Prepayments	49,704	30,168
Increase (Decrease) in Trade and Other Payables	(452,819)	(608,839)
Increase (Decrease) in Provisions	478,937	110,438
Increase (Decrease) in Provision for Taxation and Deferred Tax balances	(303,979)	7,256,104
Net Cash Inflow from Operating Activities	30,568,209	32,848,247

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2016

In the Directors' opinion:

- (a) the financial statements and associated notes are in accordance with the *Corporations Act 2001* (Cth) including:

(i) complying with Accounting Standards and Interpretations, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the financial position of POTL as at 30 June 2016 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that POTL will be able to pay its debts as and when they become due and payable.

Note 1(C) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Ms Renita Garard
Chair

23 August 2016

Mr Allan Pidgeon
Director

23 August 2016

INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED 30 JUNE 2016

To the Board of Port of Townsville Limited

REPORT ON THE FINANCIAL REPORT

I have audited the accompanying financial report of Port of Townsville Limited, which comprises the Statement of Financial Position as at 30 June 2016, 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 significant accounting policies and other explanatory information, and the Directors' Declaration.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* , and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* , that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

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

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

Opinion

In my opinion -

- (a)the financial report of Port of Townsville Limited is in accordance with the *Corporations Act 2001* , including

(i)giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

(ii)complying with Australian Accounting Standards and the *Corporations Regulations 2001* ; and
- (b)the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

OTHER MATTERS - ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



Mr David Adams FCPA
Director
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane



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