

Annual Report

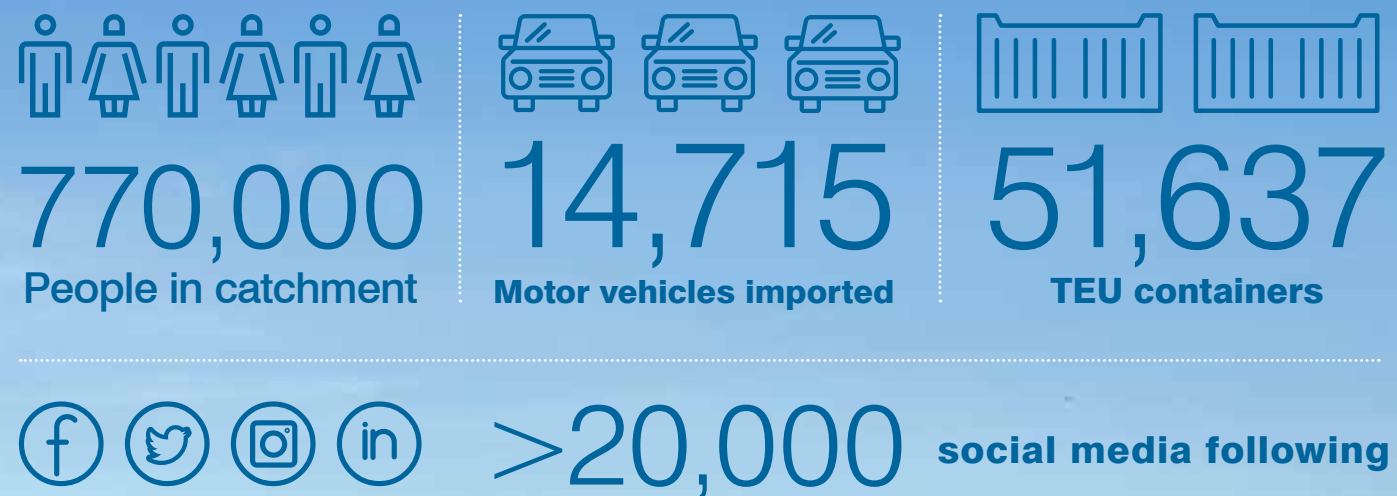
2016-17



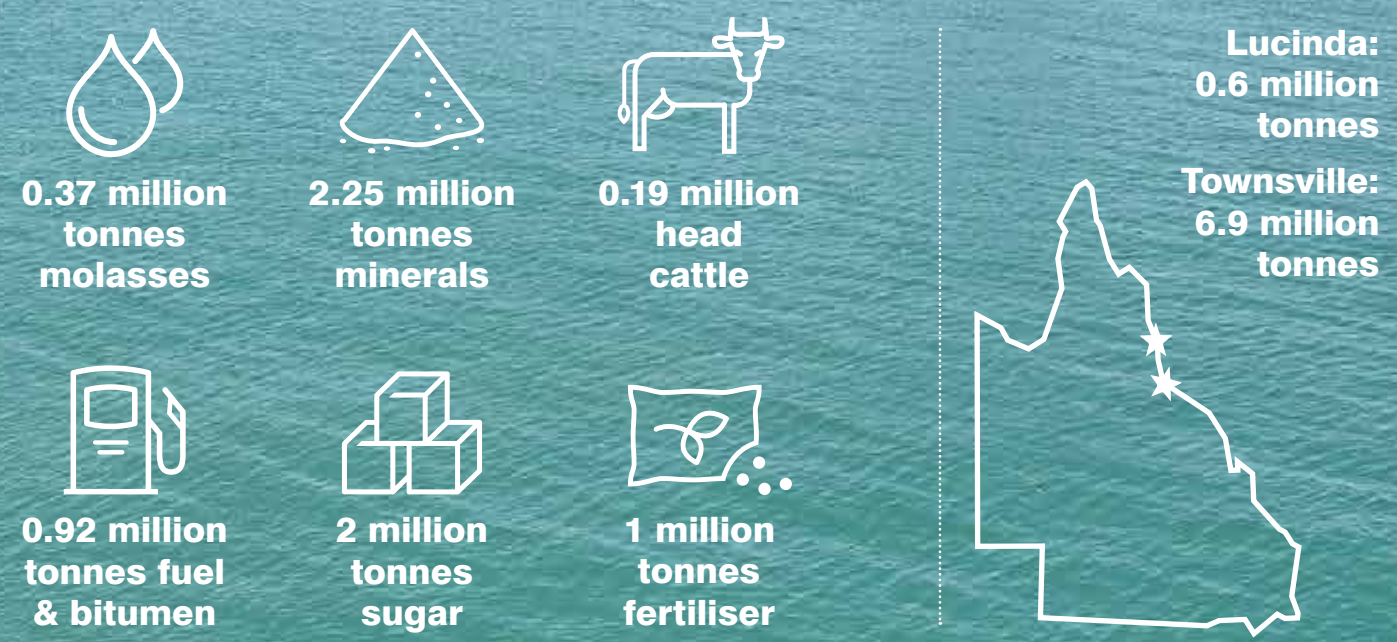
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Snapshot



2017 Trade Highlights:



About us

Vision

Northern Australia's Transport Link to the World

Purpose

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

Values

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



Our ports

Port of Townsville

Is northern Australia's largest container, automotive and general cargo port, supporting over 70% of Northern Australia's population. It is Australia's largest sugar, copper, zinc, lead and fertiliser port, servicing the North West Minerals Province, the significant Burdekin sugar-growing district, major cattle and other agriculture precincts and the copper and zinc refineries located in Townsville.

It is one of four designated Priority Ports in Queensland under the *Sustainable Ports Development Act 2015* (Qld). It also is providing an increasingly strategic role in cruise shipping operations, and Australia's Defence capabilities, particularly with the Navy's two new flagship vessels, *HMAS Canberra* and *HMAS Adelaide*. The city is a key defence site with the RAAF base and Lavarack Barracks which is home to the 2nd Battalion with more than 4,500 soldiers and civilian employees.

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.

Our business

Port of Townsville Limited (POTL) is a company Government Owned Corporation established pursuant to the *Corporations Act 2011* (Cwth) and the *Government Owned Corporations Act 1993* (Qld). POTL has 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 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.

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 on-line version of this Annual Report, and POTL's past Annual Reports, can be found at POTL's website at www.townsvilleport.com.au.

If you wish to receive a hardcopy 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 to community@townsvilleport.com.au.

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This report

This Annual Report presents the final performance results for 2016-17 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.

Chair/Chief Executive Officer Report

Since 1864 the Port of Townsville has been the economic cornerstone of the North Queensland region.

Across this region, almost 800,000 people rely on our ports for everyday goods, farmers export agricultural products, miners export minerals, and businesses export goods to markets around the world. With around \$10 billion of cargo moving through our ports each year, the importance of our ports to our economy is something that we are very proud to be part of.

Despite another challenging year for the North Queensland economy, our financial performance remained strong and our position as one of the most diverse ports in Australia was maintained. While overall trade volume decreased to 7.5 million tonnes, several trade sectors performed strongly, in particular, sugar exports through Townsville and Lucinda Ports increased 5% to almost two million tonnes,

molasses exports increased 22% to 376,000 tonnes, fertiliser trade remained strong at almost one million tonnes. Almost one million tonnes of fuel and bitumen was imported for the region, mineral exports totalled more than 1.26 million tonnes, and over 600,000 tonnes of refined zinc, copper and lead was exported. Townsville Port remains Australia's largest sugar, zinc, copper, lead and fertiliser port, and Northern Australia's largest container, automotive and general cargo port.

A number of new projects and expanded shipping services will see the Port of Townsville positioned well for future trade growth, including expanded international shipping services to Papua New Guinea, Malaysia, Singapore and Indonesia, the announcement of the Port of Townsville as the primary import hub for project cargo, fuel and general cargo for the Adani Carmichael mine, rail and port project, the export hub for MMG's Dugald River mine, and import hub for a number of the region's solar projects.

Cruise shipping increased significantly with 11 ships to be welcomed in 2017 and 19 cruise ship booking for 2018. P&O Australia also made the significant announcement of a trial partial ship turnaround in Townsville in September 2018 meaning people in Townsville will be able to board a cruise in their home city for the first time.

We are continuing to invest into infrastructure for the future and focussing on the services and supply chain efficiencies that allow our customers to get their products to markets as quickly and cost effectively as possible.

The \$1.64 billion **Townsville Port Expansion Project** reached a major milestone this year with the submission of the Additional Environmental Impact Statement having been in the planning phase for more than 10 years. The AEIS is currently being assessed by State and Federal Regulators. The \$193 million Channel Capacity Upgrade - by far our most significant investment in the future of Townsville and North Queensland to date - will see the start of the first stage of the Port Expansion.

The Channel Capacity Upgrade involves widening of the channel to give us capacity to host next generation commercial, cruise and defence ships. The project took a major step forward this year with the completion of the Business Case, delivering on the first commitment under the Port City initiative of the historic Townsville City Deal, and the State Government's \$75 million commitment toward the project which is subject to environmental approvals. We expect to complete funding and approvals by the end of 2017, enabling this vital project to get underway.

Our **\$40.5 million investment to upgrade Berth 4** for container terminal expansion and general cargo handling is in its final stages with construction on track to be completed by December 2017. On completion there will be further investment into state-of-the-art cranes and terminal areas. The overall project will see a doubling of our capacity for container and general cargo handling.

The **Townsville Eastern Access Rail Corridor (TEARC)** project took a significant step forward with the Business Case being led by Building Queensland to be completed late in 2017. This rail link will enable Townsville Port to meet future freight demand and improve efficiencies on the Mount Isa Rail Line.

Being a port city located in the heart of Townsville, the largest city in Northern Australia, our focus on sustainability, leading environmental practices and community engagement is a core part of who we are and what we do. Our **Harbour City Waterfront plans** will support activation of the city centre and the reconnection of the community with the waterfront. Planning for several catalyst projects advanced during the year which are expected to commence development in 2018.

Our Townsville Port Community Liaison Group meets monthly to review port operations, trade, developments, environmental management and community engagement matters, and is leading the development of a new performance dashboard for the marine environment of our harbour city. This will complement the work by the Port Stakeholder Working Group on the Townsville Port Operations & Air Quality Dashboard. Community interactions have grown considerably with increasing numbers of port tours, community and industry partnerships, and our social media following growing from 6,000 to more than 20,000.

All these efforts were rewarded this year when we retained our position as **Australia's Port or Terminal of the Year** at the Lloyds List Australian Maritime and Shipping Awards. Winning this award for the **second year in a row** reflects the exceptional talent and innovation of our people, and we are extremely proud of their efforts and commitment.

We would like to thank our employees for their dedication and hard work throughout the year, our customers for their business and support, and our shareholding Ministers, Board of Directors and executive team for their strategic leadership.

The Port of Townsville is proud to facilitate more than 8,000 jobs in the region. By continuing to invest in port infrastructure for the future and working in partnership with our customers and stakeholders, we will continue to support economic growth and job creation in our role as Northern Australia's Transport Link to the World.


Renita Garard
Chair


Raneë Crosby
Chief Executive Officer

Key Performance Results

Our Strategic Priorities

This Annual Report provides an overview of POTL’s performance against its strategic objectives outlined in its Statement of Corporate Intent for 2016-17. Our key actions and initiatives during the period were focussed on three key strategic objectives, further facilitating our Vision to be Northern Australia’s Transport Link to the World.

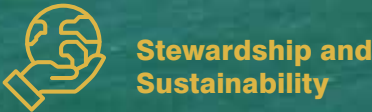
Performance Indicators	2015-16 Actual	2016-17 Budget	2016-17 Actual	Movement (from 2015-16)
FINANCIAL				
Operating Revenue (\$M)	75.07	75.94	69.26	(5.81)
Operating Expenditure (\$M)	45.17	45.70	43.21	(1.95)
Trade Income (\$M)	63.13	62.92	57.55	(5.58)
Property & Facilities Income (\$M)	10.73	11.58	10.57	(0.16)
EBIT (\$M)*	29.90	30.23	26.05	(3.85)
NPAT (\$M)*	17.72	16.90	15.18	(2.54)
Dividend (\$M)	17.72	16.90	-	(17.72)
Accounting Return on Assets EBIT (%)	4.65	5.17	4.27	(0.38)
Accounting Return on Assets NPAT (%)	2.83	2.82	2.55	(0.28)
Return on Equity (%)	3.8	4.03	3.41	(0.39)
Current Ratio	1.01	0.73	2.41	1.40
Interest Cover Ratio (EBIT)	6.07	4.97	5.33	(0.74)
Debt to Equity Ratio	0.17	0.23	0.22	0.05
Capital Investments (\$M)	19.95	36.34	30.42	10.47
NON-FINANCIAL				
Trade Throughput (Million Tonnes)	9.78	8.14	7.52	(2.26)
Vessels to Port	667	674	588	(79)
Reportable Security Incidents	-	-	-	-
Reportable Environmental Incidents	-	-	-	-
Lost Time Injury Frequency Rate	8.5	-	8.22	(0.28)
Full-time Equivalent Employees	111.45	113.25	121.11	9.66
Community Satisfaction:				
Stakeholder Sentiment Rating	97%	>85%	91%	(6%)
Community Engagement Reporting				
• Port Stakeholder Working Group Meetings	3	11	11	8
• Community Information Sessions	1	2	2	1
• Social media followers (Facebook, Twitter, LinkedIn, Instagram)	5,564	5,000	18,799	15,475
• Post Engagement	8,522	7,000	21,417	14,884

* Financial performance results for the year affected by decreased user charges, which has been offset by continued focus on reducing discretionary spending and non-core operations.



Northern Australia's Premier Trade and Business Hub

Growing and diversifying trade and business opportunities to deliver long term financial returns and to support investments into existing and new infrastructure, environmental, security and community projects and initiatives.



Stewardship and Sustainability

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



Our Capability

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

Trade & Shipping

Trade throughput totalled 7.5 million tonnes for the year

76%
of export trade with Asia



This included 6.9 million tonnes of trade through the Port of Townsville and 613,000 tonnes through Port of Lucinda. A total of **590 vessels** visited Townsville and Lucinda.

Mining

Mining cargo accounted for 33% of Port of Townsville trade in 2016-17. Several new mining projects are expected to commence in 2017-18 with exports of copper, lead and zinc expected to flow through the Townsville Port from January 2018.

Metal Concentrates

The bulk of POTL mining exports were metal concentrates, with approximately **1.8 million tonnes** shipped. Combined exports of refined metals, including copper, zinc and lead totalled 608,000 tonnes. Zinc concentrate, zinc ferrite, copper, silver and lead concentrates accounted more than 1.26 million tonnes in the financial year.

Australia's number one sugar export port



Agriculture

**Sugar, molasses
and fertiliser
comprised
45% of overall
trade volume**

Sugar

2016-17 was a strong year for sugar exports - nearly two million tonnes of the North Queensland grown product was exported. The Port of Townsville maintained its status as Australia's number one sugar export port at 1.37 million tonnes; 606,000 tonnes were exported from Port of Lucinda. These figures represent a **2% increase** from the previous year for Townsville Port and a **11% increase** for Lucinda Port.

Townsville Port has an efficient supply chain for sugar, equipped with excellent rail infrastructure connecting it to the four Burdekin sugar processing mills and a ship loader that can load bulk vessels at more than a thousand tonnes per hour. Korea, Indonesia, Japan and China are POTL's top export destinations for sugar.

Cattle

189,000 head of live cattle were exported to ASEAN countries. Our largest export trading countries for live cattle are Indonesia 63% and Vietnam 35%. Remaining exports include meat and meat by-products, as well as containerised legumes.

Molasses

Molasses performed strongly during 2016-17, recording exports of 376,000 tonnes, a **22% increase** from the previous year.

Fertiliser

Fertiliser trade was almost on par with 2015-16, recording 872,000 tonnes of exports and 122,000 tonnes of imports.

Cargo

Liquid Commodities

During 2016-17, 27% of Port of Townsville's trade was general and industrial cargo. This includes containers, break bulk and liquid bulk commodities such as petroleum products. The **strongest performing import** during the 2016-17 was petroleum products and bitumen at 918,000 tonnes imported from Asia. This includes the fuel for North and Central Queensland's cars, public transport, diesel for farm and mining machinery as well as military consumption, and bitumen for regional roads.

Industrial Cargo

Cement import trade remained steady with 355,000 tonnes traded.

Motor Vehicles

14,715 motor vehicles were imported through the Port of Townsville during 2016-17. Brands imported through Townsville include Toyota, Mitsubishi, Mazda, Ford, Subaru, Nissan, Honda, Holden, Hyundai and Suzuki.

Containers

51,637 TEU containers moved through the Port of Townsville during the financial year with China, Singapore, Indonesia, Taiwan and Papua New Guinea the predominant trading countries.

Containerised cargo increased towards the end of 2016-17 due to an influx of solar project cargo. This growth will continue strongly into 2017-18 with several solar farm projects already in progress, or recently approved in the region.





POTL attended and participated in a number of forums and events during 2016-17 to develop trade opportunities.

These included:

- The Noosa Mining and Exploration Conference
- Export in Focus Pacific Trade Roundtable Event
- Australian Bureau of Agricultural and Resource Economics and Sciences Conference (ABARES) Conference
- Charters Towers Annual Rodeo and Sale Yard Event
- Pitching for International Success Trade Event at the Port of Townsville
- Trade Commissioners Annual General Meeting hosted at the Port of Townsville
- Rotary Far North Queensland Field Day in Mareeba
- North Queensland Mining and Resources Forum

Over 30 delegations visited the Port of Townsville to explore trade opportunities including:

- Energy Australia
- Ministry of Agriculture, Forestry and Fisheries hosting a Japanese delegation
- Austrade General Manager
- Vietnam Delegation
- IMDO Tiandi Ecosystems Technology Delegation Group
- Chinese Delegation Group Visit
- China Migration Agent Visit
- Townsville Enterprise Emerging Leaders Port visit

Image: Adani announces Carmichael Mine project cargo to be imported through the Port of Townsville

Cruise & Defence Shipping

Increasing cruise ship visitation numbers to Townsville is a key strategic focus for POTL.



White and Grey Ship-Attraction Committee

POTL Chairs the Townsville White and Grey Ship Attraction Committee (WGSAC) which formed in late 2015 with a clear objective of increasing white (cruise) ship visits to boost tourism, and grey (Defence) ship visitation to Townsville for rest and recreation activities.

During the reporting period, P&O Cruises Australia announced the trial of a partial ship turnaround at the Port of Townsville in September 2018, meaning that passengers, for the first time, can board a cruise in Townsville.

Cruise ship visits to Townsville:



2015-16	2016-17	2017-18
04	08	16

Navy vessel visits to Townsville:



2015-16	2016-17
16	16

Property

POTL manages a property portfolio of around 250 hectares, with around 140 tenancy arrangements that support port operations and services.

Current Leasing

A number of new leases and permits were entered into over the last 12 months to support new trades and port-related industries, and extensions of several existing leases were granted. Activities primarily driving growth inland take-up at the Port include laydown areas for project cargo for solar farms and mine development, container handling, car imports and storage facilities for industrial uses.

Future Leasing

POTL is developing a long term Property Development Strategy to identify and prepare lands required to facilitate trade growth into the future. This strategy incorporates development opportunities for existing Port lands, the Townsville State Development Area as well as lands created through the Townsville Port Expansion Project.



Port Developments

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



Quayside Terminal

Quayside Terminal facilitated passengers from eight cruise ships, and hosted 29 events including weddings, music festivals and corporate events during 2016-17.



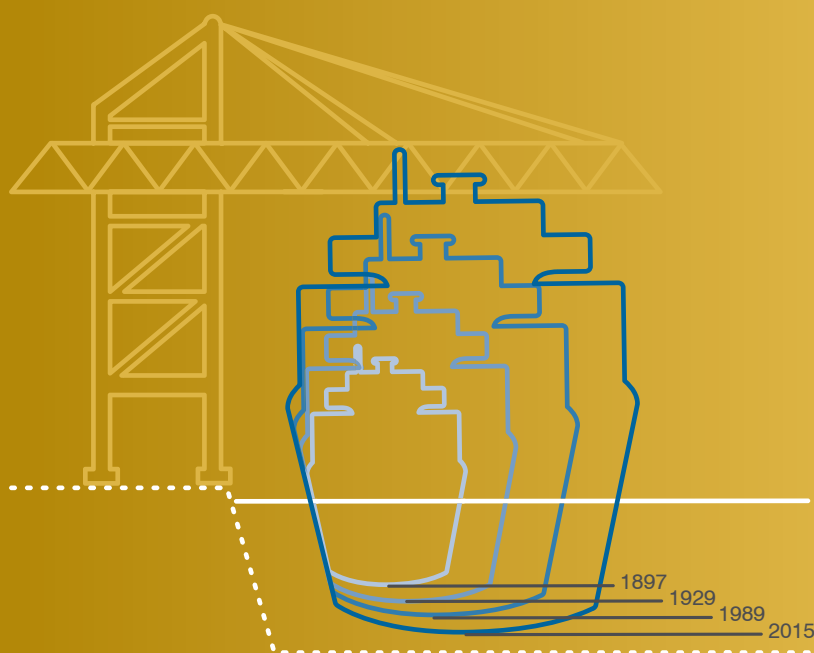
Townsville Port Expansion Project

Trade volumes through the Port of Townsville are forecast to treble over the next 30 years,

driven by global demand for base minerals such as zinc and copper and for agricultural products including fertilisers, sugar, rice, grains and pulses, as well as containerised cargo, fuel and motor vehicle imports to support North Queensland's growing population.



The \$1.64 billion Townsville Port Expansion Project involves the staged construction of six new berths in the Outer Harbour, creation of port land through reclamation works and channel widening and deepening. The Project reached a major milestone this year with the submission of the Final Additional Environmental Impact Statement (AEIS), which has been in the planning phase for more than 10 years. Decisions on the AEIS by Federal and State regulators are anticipated by the end of 2017.



\$1.64 billion

Townsville Port Expansion Project over 30 years



Channel Capacity Upgrade



The project will create 120 local FTE jobs during construction and return over \$580 million of value to Queensland.

The \$193 million Channel Capacity Upgrade is part of Stage 1 of the Townsville Port Expansion, and will be the Port's largest infrastructure investment to date.

The project involves widening of the Platypus and Sea channels to allow access for larger commercial, cruise and defence ships which are currently constrained due to

the narrow channel width. The project took a major step forward this year with the completion of the Business Case, delivering on the first commitment under the Port City initiative of the historic Townsville City Deal, and the State Government's \$75 million commitment toward the project, subject to environmental approvals. We expect to complete funding and approvals by the end of 2017, enabling this vital project to get underway.

The Environmental Impact Statement for the project includes comprehensive scientific

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

The project will see freight directly imported and exported through Townsville Port that otherwise is trucked or railed to capital centres, as well as enabling significant growth in cruise shipping with the accommodation of larger vessels.



Berth 4 Upgrade

Construction of the \$40.5 million upgrade of Berth 4 for container and general cargo progressed well during the year, with local contractor CivilPlus Constructions delivering the primary wharf works. The works include construction of a new deck and quayline, upgrades to cargo handling pipelines, extension of quay crane lines, berth pocket deepening and the clearing of land behind the berth to provide flexibility and capacity for cargo handling.

The upgrade works will extend the life of the asset by approximately 50 years. The project will see a doubling of the capacity of Berth 4, which is essential for accommodating growth in containerised and general cargo handling.

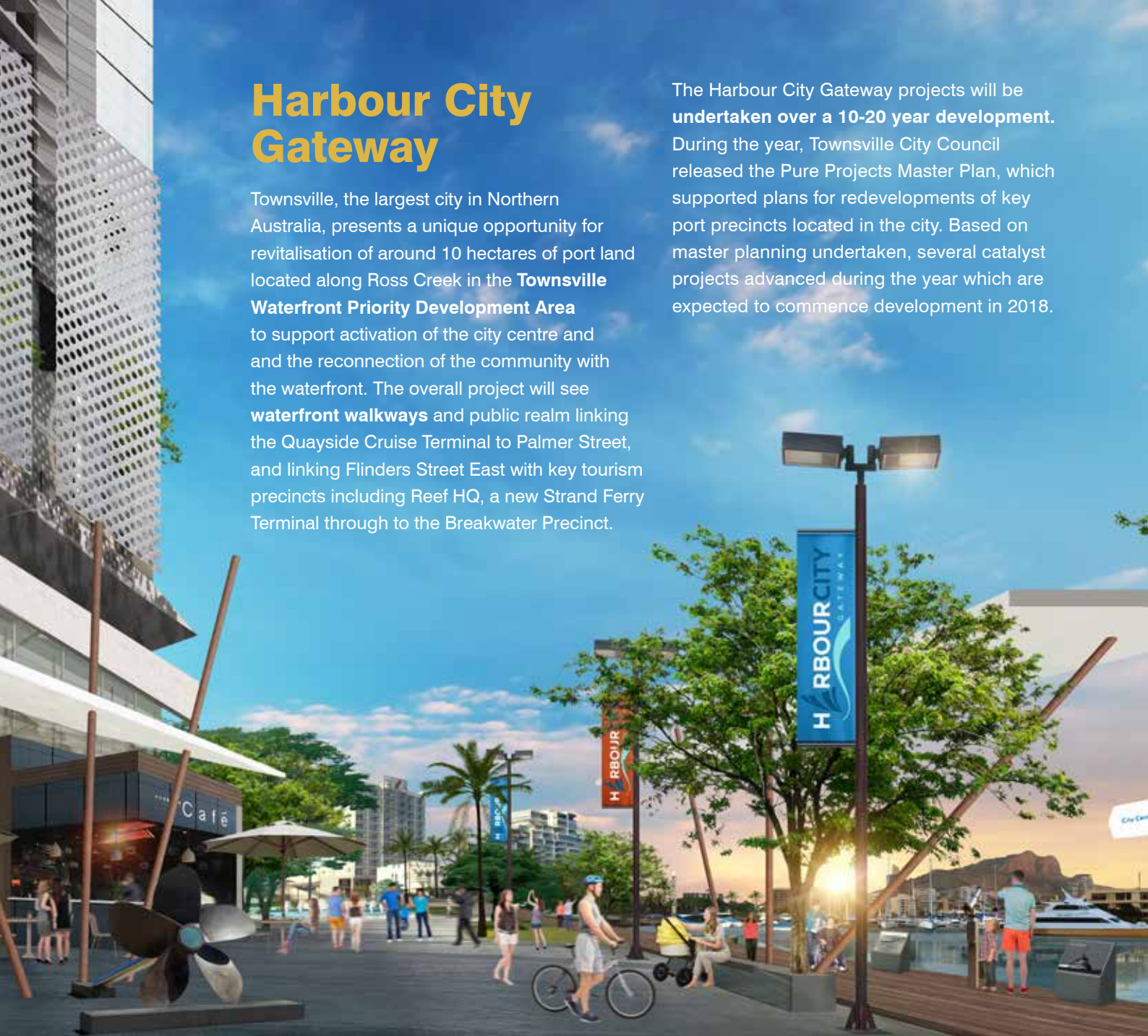
The upgrade project is on track to be completed by December 2017.

During the year a competitive market process was undertaken to identify options for investment into state-of-the-art cranes and terminal areas to support growth in containerised and general cargo. Three parties were shortlisted to enter into negotiations, with the outcome to be announced in the second half of 2017.

Harbour City Gateway

Townsville, the largest city in Northern Australia, presents a unique opportunity for revitalisation of around 10 hectares of port land located along Ross Creek in the **Townsville Waterfront Priority Development Area** to support activation of the city centre and and the reconnection of the community with the waterfront. The overall project will see **waterfront walkways** and public realm linking the Quayside Cruise Terminal to Palmer Street, and linking Flinders Street East with key tourism precincts including Reef HQ, a new Strand Ferry Terminal through to the Breakwater Precinct.

The Harbour City Gateway projects will be undertaken over a 10-20 year development. During the year, Townsville City Council released the Pure Projects Master Plan, which supported plans for redevelopments of key port precincts located in the city. Based on master planning undertaken, several catalyst projects advanced during the year which are expected to commence development in 2018.





Townsville Eastern Access Rail Corridor

The Townsville Eastern Access Rail Corridor (TEARC) project is a proposed new **eight kilometre rail freight link** which would connect the North Coast Line and Mount Isa Rail Line directly into the Port of Townsville through the Townsville State Development Area. 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.

The project took a significant step forward with the Business Case being led by Building Queensland to be completed late 2017, and a **\$150 million funding commitment** for the project by the Federal Government.



Engineering & Maintenance Works

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

- \$2.1 million to undertake **maintenance dredging** of the channels and harbour areas
- \$2.6 million for the **purchase of a new pilot vessel** to replace the existing vessel which has been in operation for more than 30 years. Delivery of the new vessel is scheduled for October 2017 and will ensure reliable, efficient and safe transfer of pilots to vessels and back to the harbour at the Port of Townsville

- \$1 million **upgrades to the port road network** to improve the efficiency of truck movements around the Port, in particular to facilitate triple road train movements completed by Mendi Construction
- \$1.7 million **pile encapsulation works at Berth 8/9** by Bluewater Processing
- **Fender refurbishment works at Berth 9** as part of a four year replacement program
- \$755,000 to **remove the breakwater stub at the harbour entrance** by WILCO Logistics, widening the entrance to the harbour and improving ship accessibility and navigational safety.



Safety & Security



The safety of our people and of visitors and contractors to our Ports is a key priority.

We actively pursue our goal of an injury free working environment.

Safety

POTL's **Safety Management System (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 AS/NZS 4801 and OHSAS 18001. During 2016-17 the SMS was audited by an external third party auditor and granted recertification with **zero non-conformances reported**.

Three injuries to POTL employees in 2016-17 resulted in time off work and a further three incidents required medical attention. **These were all short-term injuries.**

A comprehensive **Drug and Alcohol program** was undertaken during 2016-17. Approximately 178 tests were conducted during the reporting period. The program includes education sessions and random testing for all staff and POTL Contractors.

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



Security

POTL maintains **strict security standards and procedures** at the Port as per the legislative requirements of the Australian Border Force (Department of Immigration and Border Protection) and the Office of Transport Security (Department of Infrastructure and Regional Development). To achieve these obligations POTL Security Services operates within the Port and **employs up to 18 staff** (full time and casual). In 2016-17 numerous external audits and reviews of the port were undertaken by Australian Border Force (ABF) and the Office of Transport Security (OTS) with **zero non-compliance issues reported**.

POTL continues to have a strong focus on Security Services improvement to ensure all legislative obligations are met while minimising

the impact to port operations and customers. To achieve this, POTL strives to develop strong relationships with the regulators and other Australian ports by being an active participant in numerous industry forums and **establishing direct dialog with several capital city and regional ports**. During 2016-17 POTL has been a member of the Maritime Industry Security Consultative Forum, OTS Organised Crime Working Group, Attorney Generals Criticality Project Workshops, as well as the Ports Australia Security Group.

POTL continues to engage with key stakeholders to develop a **sustainable long term security strategy** for the Port of Townsville which ensures legislative obligations are met and provides a safe workplace for all while minimising operational / customer impacts.



Camera upgrades and additional cameras

POTL upgraded the capability of its security cameras at the Port during 2016-17. SAPE Industries was awarded the works which delivered the **replacement of 44 cameras** with higher power and resolution cameras, as well as **12 new cameras and hardware**. The cameras are critical for POTL operational activities.

Environment & Sustainability



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

Zero non-compliance issues reported



Performance and Compliance

POTL is fully compliant with all permits and approvals. In 2016-17, POTL moved to electronic capture and reporting, with 85 site inspections and observations undertaken.

In 2016-17, nine internal audits and an external third party recertification and transition audit were undertaken. POTL's Environmental Management System was certified to the revised ISO 14001:2015, ensuring environmentally sound operational activities and tracking **continual improvement**.

Monitoring

POTL has comprehensive integrated monitoring programs in place to ensure that the environments surrounding the

Port of Townsville are safeguarded. This includes an extensive network of air quality monitors and water quality monitors as well as programs for sediment, seagrass, noise and stormwater monitoring.

Results for 2016-17 for air quality show that **all relevant guidelines are being met**, with trends showing decreases in metals over the past 12 months. During the year a new real-time air quality monitoring station was commissioned, and the Port commenced publication of monthly air quality performance dashboards to provide increased transparency for the community.

2016-17 marine water quality results confirmed **no detectable hydrocarbon presence in Inner Harbour**.

POTL, in conjunction with AIMS (Australian Institute of Marine Science) and the Marine Monitoring Program (GBRMPA), continuously monitor turbidity and Photosynthetically Active Radiation (PAR) [referring to light penetration through the water to corals and seagrasses].

Results from 2016-17 sediment grab samples indicate that trends for metals in sediments remain consistent with the previous 12 months of monitoring. Sediments in dredging areas were tested in accordance with National Assessment Guidelines for Dredging (NAGD 2009) which is undertaken every five years. These results also remain similar to the last Sampling and Analysis Plan with some areas showing an improved result.

Cleveland Bay Seagrass Monitoring

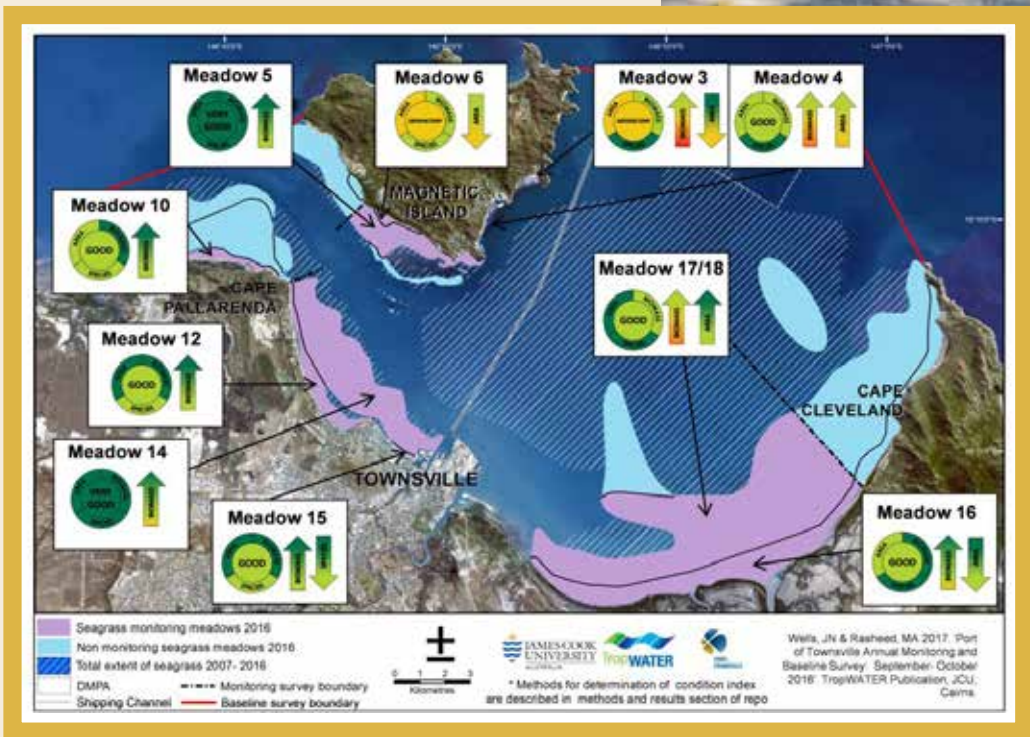
POTL continued its long-standing partnership with James Cook University / tropWATER to conduct annual seagrass surveys in Cleveland Bay in 2016. The latest survey shows that seagrasses in Cleveland Bay are in good condition overall and have increased in total area for the fifth consecutive year, reaching the second largest spatial distribution since monitoring began. The seagrass were ranked “good” or “very good” for biomass and species composition indicators in all monitoring meadows.

National Environmental Science Programme

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 work will assist in continuing to build the science and knowledge around dredging.

Reef 2050 Commitments

POTL works proactively with the Queensland Ports Association and State and Federal governments to implement the actions from Reef 2050.



Seagrass Monitoring



Maintenance Dredging Strategy

In 2016-17 the Queensland Government released the Maintenance Dredging Strategy for Great Barrier Reef World Heritage Ports. POTL’s maintenance dredging in 2016-17 has been conducted in compliance with this strategy and other relevant State and Federal regulations.

Magnetic Island Reef Recovery Project

POTL is a partner 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, including the snorkel trail, as a pilot project to assist in coral growth and recovery. While 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.

Port of Townsville Master Plan

Townsville Port is one of four Priority Ports in Queensland. The Department of State Development, in conjunction with POTL, is progressing with the Port of Townsville Master Plan, as outlined in the *Sustainable Ports Development Act 2015*. The first draft is due by the end of 2017.

Port Land Management

POTL’s Land Use Plan, in accordance with the *Sustainable Planning Act 2009* and the Integrated Development Assessment System, ensures effective and efficient development on Strategic Port Land within the Ports of Townsville and Lucinda.



Our Community

POTL places great importance and emphasis on communication and engagement with its community.

During 2016-17 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:

- POTL substantially increased its following on social media during 2016-17 from **6,000 to more than 20,000 followers** on its four chosen platforms - Facebook, Instagram, Twitter and LinkedIn. This was achieved by posting regular content about what the port does, and how it relates to the everyday lives of our community. POTL's goal is to become "the most social port in the world."
- POTL introduced the monthly **What's Happening** series of notices in printed media and on radio to keep our community and stakeholders informed about trade performance, projects, environmental monitoring and community initiatives.
- Development and publication of the **Townsville Port**

Operations & Air Quality Dashboard. The monthly Dashboard provides updates to our community on shipping movements and cargo carried, as well as air quality monitoring results around the port.

- Establishment of the **Townsville Port Community Liaison Group (CLG)** in March 2016. The CLG consists of 24 members of the community, organisations and business that have a strong interest in the operations of the port, port sustainability and future development plans, and work with the POTL team by providing feedback, opinions and input into our operations, stakeholder engagement and future plans.
- The **Annual Community Information Session (CIS)** was held at Quayside Terminal in October 2016. The CIS provides community members with presentations on trade, major projects, environmental monitoring, Harbour City and the activity of the Port Stakeholder Working Group.
- **29 port tours were conducted** for school and tertiary students, aged-care home residents and general community groups during 2016-17.



Sponsorships, Donations & Corporate Events

- POTL continued its financial support of the Townsville Maritime Museum during 2016-17.
- POTL provided \$1,800 for prize money to JCU student awards in several fields of study relating to marine sciences.
- A total of \$15,000 was raised for the Pyjama Foundation in Townsville at POTL's annual charity golf day. The Foundation provides volunteers called "Pyjama Angels" to children in foster care to help them with learning, life skills and confidence building.



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.
- POTL also continued its membership of the economic group. Mount Isa Townsville Economic Zone (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 holds annual memberships with (the Townsville) Chamber of Commerce, Queensland Ports Association, Ports Australia and Australian Cruise Association.
- POTL participates in the Townsville City Council Sister Cities Program.



Our People

The strength of our organisation arises from our valued people



POTL employs 126 people (121.11 full time equivalents) across a wide range of disciplines including pilotage, engineering, planning, maintenance, marine services, security, governance and legal, customer relations, trade and property and business and commercial services.

Average employee turnover in 2016-17

12%*

Male employees

73%

Female employees

27%

Average age of employees (years)

47.5

Employees over 50 years of age

47%

Average years of service

8

Percentage of employees with service under five years

48%

This includes Marine Pilots, two years with POTL and Maritime Security Guards, less than one year with POTL.

* Turnover percentage relates to those 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.

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 six participants. Two further employees accessed individual study units of the Program. Program units are recognised against the completion of a Diploma in Management and Leadership.

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

There are nine employees who are currently undertaking study courses supported by POTL. Work experience opportunities were provided to several high school and college students during the financial year, as well as a placement for a university student.

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



Implementation of Enterprise Content Management

Port of Townsville implemented TechnologyOne's industry-leading ECM solution, leveraging the simplicity, improved compliance, and efficiency of TechnologyOne's enterprise solution.

TechnologyOne's ECM solution alleviates issues of duplication, streamlining information into a centralised, easy-to-use search capability.



Looking Forward – 2017-18 Strategies

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



Board of Directors

Ms Renita Garard (OAM)
Non-Executive Chair



Mr Bradley Webb
Non-executive Director



Ms Megan Heywood
Non-executive Director



Mr Shayne Hanran
Non-executive Director



Hon Mike Reynolds AM
Non-executive Director

Senior Management

Ranee Crosby
Chief Executive Officer



Claudia Brumme-Smith
General Manager Business Development



David Sibley
Chief Financial Officer

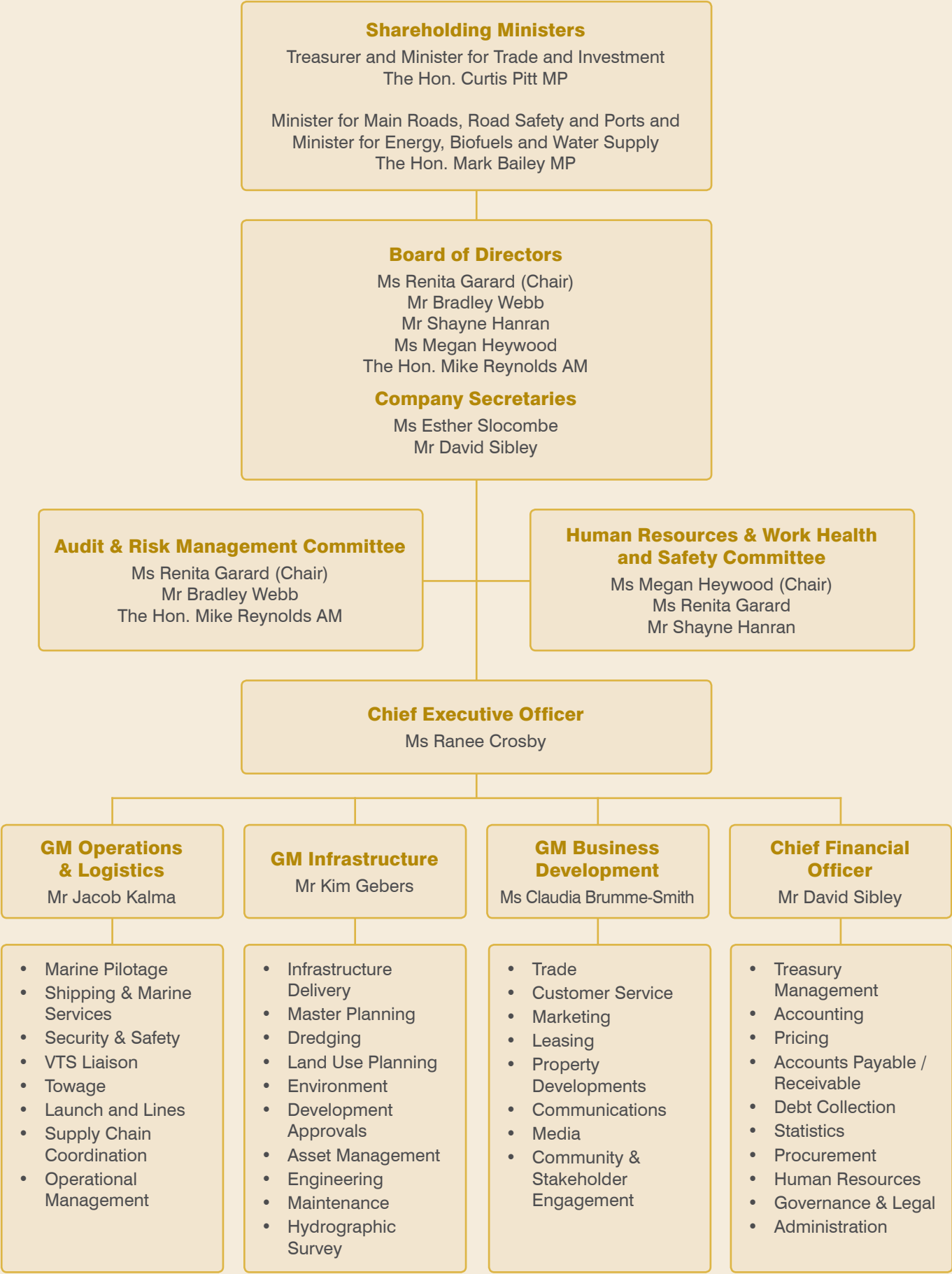


Jacob Kalma
General Manager Operations and Logistics



Kim Gebers
General Manager Infrastructure

Governance



Structure of the Board

POTL’s Board of Directors comprises five non-executive Directors who have been appointed by the Governor in Council in accordance with the GOC Act. Directors’ name and tenure details as at 30 June 2017 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
Ms Megan Heywood	Director	3 December 2015	Not Applicable	30 September 2018
Mr Shayne Hanran	Director	3 December 2015	Not Applicable	30 September 2018
Mr Mike Reynolds AM	Director	16 December 2016	Not Applicable	30 September 2019
Mr Allan Pidgeon	Director	12 December 2013	Not Applicable	30 September 2016

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 are included in the financial report.

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

Board Evaluations

The Board carries out regular formal and informal reviews of its performance to evaluate the effectiveness of the Board in meeting its objectives, discharging its functions and responsibilities, and to identify self-improvement or process improvement opportunities that can be pursued to enhance the overall performance of the Board.

The Chairman continuously monitors the performance of individual Directors, the Board and Board Committees on an informal basis. The Directors also conduct a formal assessment of their own and the Board’s collective performance annually. The Board may seek an independent appraisal of its performance if it is deemed that an independent review would facilitate a more effective evaluation process.

The results of the formal evaluations are communicated to the Board and shareholding Ministers. The results are analysed for trends and areas for improvement so that the Board is able to decide on the actions necessary to enhance overall performance. Strategies formulated by the Board to improve Board effectiveness are then implemented.

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 Mike Reynolds AM (and formerly 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. Human Resources and Work Health and Safety 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 and attendance records of Directors on each Board Committee are detailed in the Directors report. Board Committee Charters can be viewed on POTL’s website at www.townsville-port.com.au/about-us/governance/.

Shareholders

In 2016-17 the Board was responsible to POTL’s two shareholding Ministers, the Honourable Curtis Pitt MP (Treasurer and Minister for Trade and Investment), and the Honourable Mark Bailey MP (Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply).

POTL is required by the GOC Act to develop a five-year Corporate Plan and an annual Statement of Corporate Intent (SCI) (including an annual Employment and Industrial Relations Plan), which are submitted to 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 2016-17 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. Shareholding Ministers have directed POTL not to pay a dividend to shareholders for the 2016-17 financial year to facilitate investment in POTL’s Channel Capacity Upgrade Project.

Risk Management

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

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

Audits

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

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 payroll, procurement, asset management and maintenance and risk management. 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 Quality (ISO9001:2015), Information Security (ISO27001:2005), Occupational Health and Safety (OHSAS 18001:2007 and AS4801:2001) and Environment (ISO14001:2015).

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.townsville-port.com.au/about-us/governance/. 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.townsville-port.com.au/privacy-policy/. 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. This information is located on POTL's website at www.townsville-port.com.au/about-us/release-of-information/. POTL did not receive or process any Right to Information applications during the reporting period.

Summary of Directions and Notifications Given Under the GOC Act

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

However POTL was notified on 26 October 2016 of approved changes to the Queensland Government Charter for Local Content which aims to strengthen local content to ensure that local businesses are given a full, fair and reasonable opportunity to tender for Queensland Government contracts. Following notification of the changes, POTL revised its policy on local content which can be viewed on POTL's website.

POTL was also notified on 22 March 2017 that the Queensland Minister for Employment and Industrial Relations rescinded the Implementation Guidelines to the Queensland Code of Practice for the Building and Construction Industry effective from 20 February 2017 and compliance with the Guidelines was not required under existing contracts. The Code of Practice for the Building and Construction Industry continues to apply to provide Queensland Government agencies with overarching guidance on ethical and appropriate practices in Queensland's building and construction industry.

In accordance with the GOC Act, POTL was directed not to pay dividend for 2016-17.

Overseas Travel

Board Director, Hon. Mike Reynolds AM travelled to Port Moresby, to participate in a Papua New Guinea Business Delegation led by the Mayor of Townsville, Cr. Jenny Hill, from 16 to 19 May 2017.

Financial Report

2016-17

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Directors Report

The Directors present their report together with the financial statements of Port of Townsville Limited (POTL) for the year ended 30 June 2017 and the auditor's report thereon.

Directors

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

- Ms Renita Garard (Chair)
- Mr Bradley Webb
- Ms Megan Heywood
- Hon. Mike Reynolds AM
- Mr Shayne Hanran
- Mr Allan Pidgeon - Term of office expired 30 September 2016

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

Profit from continuing operations before income tax expense remained strong at \$21.16 million (2016: \$24.98 million) with a continued focus on expenditure constraints given the challenging economic climate. POTL's operating result for the year after income tax of \$15.18 million (2016: \$17.72 million), with the decrease from the previous year primarily due to lower trade volumes relating to the Yabulu nickel refinery closure and reduced mining activity in the region. Total trade throughput for the year was 7.52 million tonnes (2016: 9.79 million tonnes).

Future trade and shipping outlook remains positive, with a number of new mines expecting to commence export operations in 2017-18. Increases in containerised cargo are forecast with Townsville Port providing a freight hub for a number of solar farms in the region, as well as an import base for major mines in the North West Minerals Province and the Galillee Basin. During the year, a number of new shipping services from Townsville Port were announced to provide



fast and direct services to key international markets including Papua New Guinea, Singapore, Indonesia and Malaysia. Cruise shipping is experiencing significant growth with 19 bookings for 2018 and a trial ship turnaround announced for Townsville in 2018, enabling passengers to board the vessel in Townsville.

During the year POTL continued its program of investments and strategic approvals to cater for anticipated trade growth, in particular containerised freight, agriculture, fuel, cars and cruise shipping. POTL completed \$30.4 million of capital works during the year, including \$19.5 million towards the Berth 4 Upgrade. The \$40.5 million Berth 4 Upgrade project will double the capacity of the berth to cater for growth in containerised and general cargo. Construction started in April 2016 and is scheduled to be completed in December 2017. An operator for Berth 4, who will invest into state-of-the-art cranes and terminal areas, will be announced in the second half of 2017.

The staging and construction methodology for the \$1.64 billion Townsville Port Expansion Project was reviewed to ensure beneficial reuse of all capital dredge material for the project as required by the *Sustainable Ports Development Act 2015* (Qld). POTL completed the Additional Environmental Impact Statement (AEIS) for the project which was submitted to State and Federal regulators for assessment.

In June 2017, the Queensland Government committed \$75 million towards the Townsville Channel Capacity Upgrade Project. The \$193 million project, which forms part of the first stage of the Port Expansion, involves widening of the channels to cater for larger ships, ensuring North Queensland remains a competitive trade gateway for imports and exports. It will also enable Townsville to attract larger cruise ships to support growth of the local tourism industry, and improve strategic capability for Defence. Works could commence in 2018, subject to finalising environmental approvals and final funding, with access for larger ships within two years and full project completion expected in 2023.

As one of four Priority Ports in Queensland, a Master Plan is required to be developed for the Port of Townsville under the *Sustainable Ports Development Act 2015*. The Department of State Development is leading the development of the Master Plan in conjunction with POTL. Engagement with stakeholders has been an integral part of this process, and public consultation will be undertaken prior to the finalisation of the Master Plan. It is anticipated the Master Plan will be completed and approved during the 2017-18 financial year.

During the year, POTL continued work with Townsville City Council and Economic Development Queensland on planned developments in the Townsville Waterfront Priority Development Area (PDA). POTL owns 10 hectares of waterfront land in the PDA which are of strategic importance and will be redeveloped to link the Port to the City Centre, creating vibrant mixed uses and public realm whilst ensuring port operations are appropriately protected.

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

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

		2017	2016
Return on Assets	<i>Net Profit After Tax / Total End of Year Assets</i>	2.55%	2.83%
Return on Equity	<i>Net Profit After Tax / Total End of Year Equity</i>	3.49%	3.90%
Interest Cover Ratio	<i>Earnings Before Interest and Tax / Total Finance costs (inclusive of capitalised costs)</i>	5.33	6.07
Debt to Equity	<i>Total Debt / Total Equity</i>	0.22	0.17

Dividends

Directors recommended payment of a final dividend of 100% (2016: 100%) of net profit after tax, however shareholding Ministers have approved retention of current year dividend to contribute to the cost of the Channel Capacity Upgrade Project. Therefore, the final dividend amounts to \$0 (2016: \$17,720,082).

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 2017 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

Environmental regulation

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

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

<i>Coastal Protection and Management Act 1995</i> (Qld)	<i>Great Barrier Reef Marine Park Act 1993</i> (Cth)
<i>Environmental Protection Act 1994</i> (Qld)	<i>Environment Protection (Sea Dumping) Act 1981</i> (Cth)
<i>Fisheries Act 1994</i> (Qld)	<i>Environment Protection and Biodiversity Conservation Act 1999</i> (Cth)
<i>Marine Parks Act 2004</i> (Qld)	<i>National Greenhouse and Energy Reporting Act 2007</i> (Cth)
<i>Nature Conservation Act 1992</i> (Qld)	<i>Waste Reduction and Recycling Act 2011</i> (Qld)
<i>Biosecurity Act 2014</i> (Qld)	<i>Biosecurity Act 2015</i> (Cth)
<i>State Development and Public Works Organisation Act 1971</i> (Qld)	<i>Sustainable Ports Development Act 2015</i> (Qld)

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

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



The Board of Directors



Ms Renita Garard (OAM)

Non-Executive Chair
Appointed 1 October 2015

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 Queensland Rugby Football League Limited 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 (HR&WHS) Committee



Mr Bradley Webb

Non-executive Director
Appointed 1 October 2011

Mr Webb 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, Mr Webb purchased 240 hectares of land at the Bohle, which is now known as Webb Drive Industrial Estate. The estate is now home to over 80 businesses, many of which are accommodated in buildings designed and constructed to suit customer requirements.

Mr Webb has achieved numerous construction, corporate, environmental, humanitarian and personal awards, including most recently Townsville Citizen of the Year in 2003 and special recognition from General Peter John Cosgrove AC MC, for providing food to the community as part of the Cyclone Larry Recovery Taskforce in 2006.

Mr Webb'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. Mr Webb is currently Director of Queensland Country Credit Union and founding Chairman of Food Relief NQ.



Ms Megan Heywood

Non-executive Director
Appointed 4 December 2015

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.



Mr Shayne Hanran

Non-executive Director
Appointed 4 December 2015

Shayne Hanran 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.



Hon Mike Reynolds AM

Non-executive Director
Appointed 16 December 2016

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

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

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

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

Mike is a non-executive Director with North and West Remote Health (2012 to 2017).

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 for more than nine 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 currently holds the position of Chief Financial Officer at POTL.

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

Meetings of directors

The number of meetings of POTL’s Board of Directors and of each board committee held during the year ended 30 June 2017, 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	11	11	4	4	3	3
Mr Brad Webb	11	9	4	1	N/A	N/A
Mr Shayne Hanran	11	11	N/A	N/A	3	3
Ms Megan Heywood	11	10	N/A	N/A	3	2
Hon. Mike Reynolds AM	6	6	2	2	N/A	N/A
Mr Allan Pidgeon	3	3	1	1	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 utilised 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 the company

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

Auditor’s independence declaration

The auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is contained within the report.

Rounding of amounts

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

This report is made in accordance with a resolution of directors on 22 August 2017.



Ms Renita Garard
Chair
22 August 2017



Hon. Mike Reynolds AM
Director
22 August 2017



Auditor’s Independence Declaration

To the Directors of Port of Townsville Limited

This auditor's independence declaration has been provided pursuant to s307C of the *Corporations Act 2001*.

INDEPENDENCE DECLARATION

As lead auditor for the audit of Port of Townsville Limited for the year ended 30 June 2017, 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
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

Annual Financial Statements

PURPOSE AND SCOPE

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

Port of Townsville Limited
Benwell Road
Townsville QLD 4810.

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

These Statements have been prepared:-

- to satisfy the provisions of the *Corporations Act 2001* (Cth), the *Financial Accountability Act 2009* (Qld) and other prescribed requirements; and
- to communicate information concerning POTL's financial performance for the year and its financial position at year end to a variety of information users including:-
 - its shareholding Ministers - Treasurer and Minister for Trade and Investment, 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 POTL's operations and its principal activities is included in the Directors Report on pages 3 to 7 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

	Notes	2017 \$	2016 \$
REVENUES FROM CONTINUING OPERATIONS			
User Charges	2(A)	68,115,583	73,861,033
Interest Received		454,592	727,523
Other Revenue	2(A)	688,795	480,573
		69,258,970	75,069,129
EXPENSES FROM CONTINUINNNG OPERATIONS			
Employee Related Expenses	2(B)	15,397,302	14,169,827
Supplies and Services	2(B)	13,613,294	17,141,426
Depreciation and Amortisation Expense	3(F)	12,125,817	11,781,477
Finance Costs	2(B)	4,885,146	4,922,360
Other Expenses	2(B)	2,075,167	2,073,834
		48,096,726	50,088,924
OPERATING RESULT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		21,162,244	24,980,205
Income Tax Expense	2(C)	(5,979,598)	(7,260,123)
OPERATING RESULT FROM CONTINUING OPERATIONS AFTER INCOME TAX EXPENSE		15,182,646	17,720,082
OPERATING RESULT FOR THE YEAR		15,182,646	17,720,082
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO OPERATING RESULT:			
Increase in Revaluation Surpluses (net of tax effect)	3(M)	(33,897,219)	(24,144,967)
TOTAL COMPREHENSIVE INCOME		(18,714,573)	(6,424,885)

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

Statement of Financial Position

	Notes	2017 \$	2016 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3(A)	20,066,449	22,527,010
Trade and Other Receivables	3(B)	12,322,946	10,778,821
Current Tax Receivable		1,069,892	-
Other Assets		490,874	591,904
Inventories		60,770	52,909
Non-Current Assets Held for Sale	3(D)	-	380,000
TOTAL CURRENT ASSETS		34,010,931	34,330,644
NON-CURRENT ASSETS			
Property, Plant and Equipment	3(E)	515,531,015	547,223,439
Intangibles	3(E)	543,925	137,534
Investment Properties	3(G)	45,245,282	43,771,603
TOTAL NON-CURRENT ASSETS		561,320,222	591,132,576
TOTAL ASSETS		595,331,153	625,463,220
CURRENT LIABILITIES			
Trade and Other Payables	3(H)	7,005,862	5,354,119
Financial Liabilities	3(I)	111,213	4,394,864
Current Tax Liabilities		-	2,016,157
Provisions	3(J)	3,183,662	18,933,711
Other Liabilities		3,835,329	3,157,407
TOTAL CURRENT LIABILITIES		14,136,066	33,856,258
NON-CURRENT LIABILITIES			
Financial Liabilities	3(I)	96,137,543	72,076,293
Deferred Tax Liabilities	2(C)	23,117,206	35,762,746
Provisions	3(J)	739,627	2,541,040
Other Liabilities	3(K)	25,604,167	26,929,167
TOTAL NON-CURRENT LIABILITIES		145,598,543	137,309,246
TOTAL LIABILITIES		159,734,609	171,165,504
NET ASSETS		435,596,544	454,297,716
EQUITY			
Contributed Equity	3(L)	103,062,706	103,062,706
Accumulated Surplus		141,259,718	126,063,671
Asset Revaluation Surplus	3(M)	191,274,120	225,171,339
TOTAL EQUITY		435,596,544	454,297,716

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

Statement of Changes in Equity

	Notes	2017 \$	2016 \$
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		126,063,671	126,051,922
Operating result for the year		15,182,646	17,720,082
Transfer from reserves on disposal / derecognition of property, plant and equipment		19,145	16,785
Deferred tax adjustment for disposals of property, plant and equipment		(5,744)	(5,036)
Dividends provided for	3(N)	-	(17,720,082)
Balance at the end of the year		141,259,718	126,063,671
ASSET REVALUATION SURPLUS			
Balance at beginning of the year		225,171,338	249,316,306
Property, plant and equipment revaluation increment/(decrement) - gross		(48,405,453)	(34,476,026)
Deferred tax adjustment for revaluations		14,527,379	10,347,844
Transfer to accumulated surplus on disposal/derecognition of property, plant and equipment		(19,145)	(16,785)
Balance at the end of the year	3(M)	191,274,119	225,171,338

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

Statement of Cash Flows

	Notes	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		66,392,292	74,267,756
Payments to Suppliers and Employees		(29,406,610)	(32,059,120)
GST collected from Customers		6,688,134	6,986,696
GST paid to Suppliers		(3,803,015)	(3,167,808)
GST received from the Australian Taxation Office		151,329	-
GST paid to the Australian Taxation Office		(3,036,449)	(3,818,887)
Interest Received		454,592	727,523
Interest Paid/Competitive Neutrality Fee		(4,535,783)	(4,803,848)
Income Tax Equivalents Paid		(7,189,755)	(7,564,103)
Net Cash Inflow from Operating Activities	5	25,714,735	30,568,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant and Equipment		(30,417,747)	(19,948,917)
Proceeds from Sale of Property, Plant and Equipment		333,771	99,091
Net Cash Outflow from Investing Activities		(30,083,976)	(19,849,826)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		38,000,000	-
Repayment of Borrowings		(18,371,238)	(4,065,415)
Dividends Paid		(17,720,082)	(13,095,181)
Net Cash Inflow (outflow) from Financing Activities		1,908,680	(17,160,596)
Net (Decrease) / Increase in Cash and Cash Equivalents		(2,460,561)	(6,442,213)
Cash and Cash Equivalents at Beginning of the Financial Year		22,527,010	28,969,223
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		20,066,449	22,527,010

Reconciliation of Operating Result to Net Cash Inflow from Operating Activities

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

Operating Result for the Year	15,182,645	17,720,082
Depreciation	12,125,817	11,781,477
(Profit) Loss on Disposal of Non-Current Assets	(254,938)	(25,112)
Net Revaluation Increments - Non-Current Assets	-	-
<u>Changes in Assets and Liabilities</u>		
(Increase) Decrease in Trade Debtors	(1,515,973)	1,319,919
(Increase) Decrease in Prepayments	101,030	49,704
Increase (Decrease) in Trade and Other Payables	1,117,692	(452,819)
Increase (Decrease) in Provisions	168,619	478,937
Increase (Decrease) in Provision for Taxation and Deferred Tax balances	(1,210,157)	(303,979)
Net Cash Inflow from Operating Activities	25,714,735	30,568,209

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

Notes to the Financial Statements

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 22 August 2017. 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.

(C) STATEMENT OF COMPLIANCE

The financial statements comply with Australian Equivalents to International Financial Reporting Standards (AEIFRS) and Interpretations adopted by the International Accounting Standards Board (IASB). Compliance with AEIFRS results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 2017. 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 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 its 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 2014-10 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 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15 <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019
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 2019
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 2019
AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15 <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019
AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019
AASB 2017-2 Amendments to Australian Accounting Standards - Clarification of AASB 12 <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2019

(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)

2017
\$

2016
\$

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.

(i) User Charges

Cargo Charges	32,752,058	37,709,329
Berthage	10,888,747	12,981,237
Properties and Facilities	10,570,171	10,730,887
Charges for Services	7,611,175	5,687,504
Pilot Transfer Service	6,293,432	6,752,076
	68,115,583	73,861,033

(ii) Other Revenue

	2017 \$	2016 \$		
Proceeds - Sale of Property, Plant & Equipment & Investment Properties	333,771	97,727		
Carrying Value of Disposed Property, Plant & Equipment	(76,877)	(44,577)		
Gain on Sale of Property, Plant & Equipment	256,894	53,150	256,894	53,150
Works Undertaken on Behalf of Other Parties			80,882	23,188
Other Revenue			351,019	404,235
			688,795	480,573

(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 on employees with greater than ten years service. Long service leave provision is presented as current if POTL does not have an unconditional right to defer settlement for at least 12 months, otherwise they are presented as non-current.

	2017 \$	2016 \$
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NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

Retirement Benefit Obligations

A number of employees of POTL are members of the defined benefit fund managed by QSuper. The defined benefit fund 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	11,678,681	10,489,023
Annual Leave	611,445	583,299
Long Service Leave	325,858	502,174
Superannuation	1,452,093	1,319,981
Payroll Tax	702,559	634,292
Fringe Benefits Tax	167,672	167,602
Workers Compensation	204,245	206,233
Other Employee Related Expenses	254,749	267,223
	15,397,302	14,169,827

	2017 \$	2016 \$		
(ii) Supplies and Services				
Payments to Contractors (other than those for Maintenance of Assets or Dredging below)			2,905,832	3,981,166
Payments to Consultants				
Professional/Technical	1,102,067	907,610		
Human Resource Management	7,825	11,275		
Finance/Accounting	99,365	54,938		
	1,209,257	973,823	1,209,257	973,823
Insurance			1,214,508	1,246,186
Bad Debts			-	1,131,831
Maintenance of Assets			3,278,468	4,087,707
Dredging			2,546,224	2,817,844
Other Supplies and Services			2,459,005	2,902,868
			13,613,294	17,141,426

To allow the notes to more accurately reflect the components of Supplies and Services, there was a reclassification of the dissection methodology for Payments to Contractors, Maintenance to Assets, Dredging and Other Supplies and Services. The comparatives for these items have been adjusted.

(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	4,043,874	4,013,407
Competitive Neutrality Fee	841,272	908,953
	4,885,146	4,922,360

	2017 \$	2016 \$		
(iv) Other Expenses				
Proceeds from sale of Property, Plant & Equipment	-	1,364		
Carrying Value of Disposed Property, Plant & Equipment	(1,956)	(29,402)		
Loss on Sale of Property, Plant & Equipment	(1,956)	(28,038)	1,956	28,038
Land Tax			1,872,586	1,875,911
Internal Management Review Fees			118,625	92,885
Audit Fees - year end financial statement review			82,000	77,000
			2,075,167	2,073,834

NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

(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.

(i) Income Tax Equivalents

Income tax equivalents expense		
Current Tax/(Revenue)	4,474,958	6,652,929
Deferred Tax/(Revenue)	1,881,840	607,194
Under/(Over) Provision in Prior Years	(377,200)	-
	5,979,598	7,260,123

Income Tax Equivalents Expense is attributable to:		
Profit from Operations	6,356,798	7,501,796
Under/(Over) Provision in Prior Years	(377,200)	(241,673)
	5,979,598	7,260,123

Deferred Income Tax (Revenue) Expense included in Income Tax Expense comprises:		
Decrease/(Increase) in Deferred Tax Assets	298,426	(148,319)
(Decrease)/Increase in Deferred Tax Liabilities	1,583,414	755,513
	1,881,840	607,194

Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit from Operations before Income Tax Expense	21,162,244	24,980,205

Tax at the rate of 30% (2016 - 30%)	6,348,673	7,494,061
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Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	14,073	7,735
Other	(5,948)	-

Under/(Over) Provision in Prior Years	6,356,798	7,501,796
	(377,200)	(241,673)
Income Tax Equivalents Expense	5,979,598	7,260,123

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	(5,744)	(5,036)
Net deferred tax - debited/(credited) direct to equity as a result of net increment in Revaluation Surpluses	14,527,379	10,347,844

	14,521,635	10,342,808
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	2017 \$	2016 \$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		
(ii) Deferred Taxes		
Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Allowance for doubtful debts	373,504	373,504
Accrued payables	20,889	15,179
Provision for annual leave	280,117	291,349
Provision for long service leave - current	662,749	59,795
Provision for long service leave - non current	221,888	762,312
Accrued superannuation	9,379	4,812
Deferred grant revenue	7,560,000	7,920,000
Total Deferred Tax Assets	9,128,526	9,426,951
Set-off of deferred tax liabilities pursuant to set-off provisions	(9,128,526)	(9,426,951)
Net Deferred Tax Assets	-	-
Movements:		
Opening balance at 1 July	9,426,951	9,278,632
Credited/(charged) to the income statement	(298,425)	148,319
As at 30 June	9,128,526	9,426,951
Deferred tax assets expected to be recovered within 12 months	1,706,637	1,104,638
Deferred tax assets expected to be recovered after more than 12 months	7,421,889	8,322,313
	9,128,526	9,426,951
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Prepayments	-	30,916
Property, plant and equipment	(49,728,890)	(51,343,222)
Property, plant and equipment (revaluation component)	81,974,622	96,502,002
Total Deferred Tax Liabilities	32,245,732	45,189,697
Set-off of deferred tax liabilities pursuant to set-off provisions	(9,128,526)	(9,426,951)
Net Deferred Tax Liabilities	23,117,206	35,762,746
Movements:		
Opening balance at 1 July	45,189,697	54,776,990
Credited/(charged) to the income statement	1,583,414	755,513
Credited/(charged) to equity	(14,527,379)	(10,342,808)
As at 30 June	32,245,732	45,189,697
The Deferred tax liability includes amounts recognised directly in equity as follows:		
Revaluation of Property, Plant and Equipment	81,974,623	96,502,002

	2017 \$	2016 \$
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	2,730,568	2,049,779
Cash Management Fund	17,335,381	20,476,731
	20,066,449	22,527,010
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 monthly instalments for the income tax year with the final payment/refund occurring in the following December after year end.		
(B) TRADE AND OTHER RECEIVABLES		
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. Trade receivables are due for settlement no more than 30 days from the date of recognition for POTL's 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	13,567,960	12,023,835
Allowance for Impairment	(1,245,014)	(1,245,014)
	12,322,946	10,778,821
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	10,938,910	9,202,445
30 - 60 days	10,648	47,057
over 60 days	1,373,388	1,529,319
	12,322,946	10,778,821
Impaired Trade Receivables		
As at 30 June 2017 current trade receivables of POTL with a nominal value of \$1,245,014 (2016: \$1,245,014) 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	1,245,014	-
Increase / decrease in allowance for impairment	-	1,245,014
	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	1,245,014	356,930
	1,245,014	1,245,014

	2017 \$	2016 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Past Due but not Impaired

As of 30 June 2017 trade receivables of \$139,022 (2016: \$331,363) 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	24,137	311,609
3 to 6 months	-	19,754
Over 6 months	114,885	-
	139,022	331,363

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.

(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.

Management has undertaken a review of the land parcels that were identified as surplus to operations in 2012 in the Ross River area as a result of a number of other parcels transferred to the State to enable construction of boat ramps for the community. Due to unsuccessful marketing campaigns, it has been the decision to retain these properties at this time. The properties have been re-classified as Investment Properties at their current values (\$380,000) as qualitative research indicates that investment property prices have remained flat over the last twelve months.

(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 on a pro rata basis. 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).

	2017 \$	2016 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

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

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 2017.

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	7.87%	The higher the discount rate the lower the fair value
CPI/Inflation	2.50%	The higher the CPI rate the higher the fair value
Terminal Value	EBIT multiple (18.7)	The higher the terminal value the higher the fair value
Forecast Trade	Maximum capacity of 18.5 million tonnes	The higher the trade forecast the higher the fair value
Other Revenue	As per Approved Budget, inflation thereafter	The higher the revenues the higher the fair value
Expenses	As per Approved Budget, inflation thereafter	The higher the expenses the lower the fair value
Capital Expenditure	Limited to replacement of existing assets	The higher the capital expenditure the lower the fair value

The income based valuation was undertaken by POTL as at 30 June 2017 using the following key assumptions:

- Detailed cash flow projections are prepared consisting of projections of nominal after tax cash flows up to and including the year ending 30 June 2117. The future cash flows are denominated in Australian dollars and are projected on a nominal, ungeared, post-tax basis over the expected useful lives of the assets (100 years). Mid of period discounting (to discount future cash flows to their net present value) has been adopted.
- 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.
- Forecast revenue assumptions have been based on customer contracts (where applicable), advice from customers, assessment of feasibility of new trades or increases in capacity of supporting infrastructure, global market conditions for commodities and long-term historical trade patterns. Forecast trade is however limited to capacity of existing infrastructure and volumes subsequent to that are assumed to be constant. A 1% change in the trade projection results in 1.52% change in fair value.
- Determined charges for revenues are based on current established rates and increased at a rate of inflation of 2.5% thereafter.
- Expenditure cash flows are based on prudent and efficient operating costs which are assumed to be largely fixed in nature due to the underlying nature of maintenance required on port assets remaining constant, irrespective of volumes.
- Net cash flows assume a discount rate equal to the relevant Corporate Weighted Average Cost of Capital (WACC), with a CPI of equivalent to the RBA average inflation target being utilised for cash flow growth rates (2.5%). 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 18.16%, but a sympathetic increase of 1% in both indices has a sensitivity of -1.46%.
- 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 0.1119%.
- 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 17.18%. Average variance to terminal value calculations from 20 to 90 years is 5.88%
- Future capital expenditure beyond that already approved in the budget has been limited to the replacement of existing assets, noting the \$193 million Channel Capacity Upgrade project is included. No revenue has been included that would necessitate the expansion of Port facilities nor would require additional expenditure above what has been included.
- Working capital balances are assumed to increase in line with the general growth of revenues and expenditures.
- Tax calculations in the cash flow projections assume a corporate tax rate of 30%.
- Asset are not valued above their recoverable value.

		2017 \$	2016 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Assessment of Useful Lives

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

		2017 \$ Gross	2017 \$ Accumulated Depreciation / Amortisation	2017 \$ Carrying Amount
		\$	\$	\$
Channels and Swing Basins	At Valuation 2017	143,161,192	-	143,161,192
	At Valuation 2016	160,356,845	-	160,356,845
Land	At Valuation 2017	71,664,370	-	71,664,370
	At Valuation 2016	80,360,899	-	80,360,899
Wharves	At Valuation 2017	113,008,064	-	113,008,064
	At Valuation 2016	125,205,219	-	125,205,219
Breakwaters	At Valuation 2017	45,525,665	-	45,525,665
	At Valuation 2016	54,402,475	-	54,402,475
Buildings	At Valuation 2017	16,507,548	-	16,507,548
	At Valuation 2016	18,231,590	-	18,231,590
Small Boat Harbours	At Valuation 2017	7,178,312	-	7,178,312
	At Valuation 2016	7,577,180	-	7,577,180
Infrastructure	At Valuation 2017	64,094,906	-	64,094,906
	At Valuation 2016	69,970,397	-	69,970,397
Plant and Equipment	At Cost 2017	18,851,240	11,953,390	6,897,850
	At Cost 2016	17,771,899	11,549,838	6,222,061
Intangibles	At Cost 2017	1,906,154	1,362,229	543,925
	At Cost 2016	1,388,362	1,250,828	137,534
*Capital Works in Progress	At Cost 2017	47,493,108	-	47,493,108
	At Cost 2016	24,896,773	-	24,896,773
Total 2017		529,390,559	13,315,619	516,074,940
Total 2016		560,161,637	12,800,666	547,360,973

*Capital Works in Progress

Harbour Works	40,851,399	22,568,540
Eastern Port Development	4,396,438	1,126,987
Equipment	2,245,271	1,201,246
	47,493,108	24,896,773

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	72,729,794	72,335,991
Land	25,120,931	25,177,749
Wharves	81,089,972	81,981,114
Breakwaters	1,115,034	400,584
Buildings	15,804,476	16,497,243
Small Boat Harbours	5,471,284	5,933,843
Infrastructure	45,375,127	46,760,880
	246,706,618	249,087,404

	2017 \$	2016 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Reconciliation of Carrying Amounts

	\$ Carrying Amount at 1 July 2016	\$ Additions	\$ Disposals & Derecognitions	\$ Transfers	\$ Revaluations Recognised in Statement of Comprehensive Income	\$ Revaluations Recognised in Revaluation Surplus	\$ Depreciation / Amortisation Expense	\$ Carrying Amount at 30 June 2017
Level 3 Assets								
Channels and Swing Basins	160,356,845	718,542	-	-	-	(16,291,177)	(1,623,018)	143,161,192
Land	80,360,899	-	-	-	-	(8,696,529)	-	71,664,370
Wharves	125,205,219	1,698,000	(1,700)	-	-	(9,338,644)	(4,554,811)	113,008,064
Breakwaters	54,402,475	-	-	-	-	(7,864,871)	(1,011,939)	45,525,665
Buildings	18,231,590	-	-	-	-	(1,039,397)	(684,645)	16,507,548
Infrastructure	69,970,397	1,940,083	-	-	-	(4,953,113)	(2,862,461)	64,094,906
Small Boat Harbours	7,577,180	-	-	-	-	(221,722)	(177,146)	7,178,312
Assets at Cost								
Plant & Equipment	6,222,061	1,853,318	(77,132)	-	-	-	(1,100,397)	6,897,850
Intangibles	137,534	517,792	-	-	-	-	(111,401)	543,925
Capital Works in Progress	24,896,773	22,596,335	-	-	-	-	-	47,493,108
	547,360,973	29,324,070	(78,832)	-	-	(48,405,453)	(12,125,817)	516,074,940

	\$ 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	61,472,808	-	-	-	-	(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	75,021,491	1,114,910	-	-	-	(3,645,895)	(2,520,113)	69,970,397
Small Boat Harbours	7,705,818	-	-	-	-	37,291	(165,930)	7,577,180
Assets at Cost								
Plant & Equipment	6,521,716	774,179	(39,149)	-	-	-	(1,034,684)	6,222,061
Intangibles	257,262	-	-	-	-	-	(119,728)	137,534
Capital Works in Progress	26,419,408	(1,522,635)	-	-	-	-	-	24,896,773
- transfers to / from Investment Properties	-	392,721	-	-	-	-	-	-
	574,443,620	19,948,918	(73,979)	(307,362)	-	(34,476,026)	(11,781,477)	547,360,973

	2017 \$	2016 \$
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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	
	2017	2016		2017	2016
Channels and Swing Basins	1.00%	1.01%		1.00%	1.00%
Wharves	1.16% - 10.00%	1.23% - 10.00%		2.90%	2.90%
Breakwaters	1.0% - 2.00%	1.00% - 2.00%		1.30%	1.30%
Buildings	1.59% - 6.67%	1.60% - 6.67%		3.20%	3.00%
Infrastructure	0.81% - 20.00%	1.00% - 36.00%		2.70%	2.50%
Small Boat Harbours	1.94% - 2.40%	1.90% - 2.50%		2.10%	2.20%
Plant and Equipment	0.03% - 79.94%	0.05% - 33.00%		14.40%	12.40%
Intangibles	9.19% - 25.00%	25.00%		16.10%	25.00%

(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	29,146,134	27,724,514
Buildings	16,099,148	16,047,089
	45,245,282	43,771,603

	2017 \$	2016 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Land		
Opening balance at 1 July	27,724,514	27,499,520
Acquisitions	1,041,620	-
Transfers to/from property plant and equipment or assets held for sale	380,000	224,994
Closing balance at 30 June	29,146,134	27,724,514
Buildings		
Opening balance at 1 July	16,047,090	15,572,000
Acquisitions	52,059	392,722
Transfers to/from property plant and equipment	-	82,368
Closing balance at 30 June	16,099,149	16,047,090
Amounts recognised in the Statement of Comprehensive Income for Investment Properties		
Rental income	1,223,030	1,357,449
Direct operating expenses from property that generate rental income	(40,797)	(58,850)
Direct operating expenses from property that did not generate rental income	(23,839)	(126,090)
Comprehensive Income	1,158,394	1,172,509

(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	6,471,244	5,041,303
Competitive Neutrality Fee	422,514	221,987
Retention	112,104	90,829
	7,005,862	5,354,119

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 \$8,801,144 (2016: \$12,783,519) principally as a result of past movements in the market value of liabilities in the Debt Pools giving a market debt outstanding of \$105,049,900 (2016: \$89,254,676).

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 2.00 times.
- A Debt to EBITDA ratio of no more than 3.50 times.

POTL has complied with these covenants throughout the reporting period.

	2017 \$	2016 \$
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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	40,776	43,151
Employee Benefits - Long Service Leave	2,209,164	199,315
Employee Benefits - Annual Leave	933,722	971,162
Dividend	-	17,720,082
	3,183,662	18,933,711
Non-Current		
Employee Benefits - Long Service Leave	739,627	2,541,040
	739,627	2,541,040

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. In the current year, amounts have been transferred from non-current to current due to calculations historically estimating the current portion to be based on the premise that not all employees would take the full amount of accrued long service leave or require payment within the next 12 months; whereas now the current portion has been calculated on employees with greater than ten years service.

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	17,720,082	43,151	199,315	971,162
<u>Charged/(credited) to the income statement</u>				
- additional provisions recognised	-	170,229	157,373	1,077,650
- unused amounts reversed				
Amounts transferred/reclassified			2,007,455	
Amounts used during the period	(17,720,082)	(172,604)	(154,979)	(1,115,091)
Carrying amount at end of year	-	40,776	2,209,164	933,722

	Employee Benefits - Long Service Leave \$
Non-Current	
Carrying amount at start of year	2,541,040
<u>Charged/(credited) to the Income Statement</u>	
- additional provisions recognised	206,042
- unused amounts reversed	-
Amounts transferred/reclassified	(2,007,455)
Amounts used during the period	-
Carrying amount at end of year	739,627

	2017 \$	2016 \$
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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 \$25,200,000 (\$1,200,000 current, \$24,000,000 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 \$1,729,167 (\$125,000 current, \$1,604,167 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 (2016: 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	61,973,630	73,377,455
Land	33,113,885	39,385,486
Wharves	35,837,914	42,388,366
Breakwaters	30,723,897	36,229,306
Buildings	4,706,104	5,433,682
Small Boat Harbours	1,837,159	1,992,365
Plant and Equipment	452,368	452,368
Infrastructure	20,514,548	23,981,726
Land and Buildings transferred to Investment Properties	2,114,615	1,930,585
	191,274,120	225,171,339

(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. Directors recommended payment of a final dividend of 100% (2016: 100%) of net profit after tax, however shareholding Ministers have approved retention of current year dividend to contribute to the cost of the Channel Capacity Upgrade Project. Therefore, the final dividend calculation is \$0 (2016: \$17,720,082).

Ordinary Shares

Dividends provided for or paid	-	17,720,082
Dividends per share	-	0.172

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	15,182,646	17,720,082
Number of Shares	103,062,706	103,062,706
Earnings per share	0.147	0.172

	2017 \$	2016 \$
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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	9,086,407	29,082,566
Intangibles	-	-
	9,086,407	29,082,566

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	779,467	602,284
	779,467	602,284

Future Minimum Lease Commitments Receivable

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

Not later than one year	9,493,042	9,040,966
Later than one year but not later than five years	39,459,367	35,681,698
	48,952,410	44,722,664

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 2017 (2016: 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 80% 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.

	2017 \$	2016 \$
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NOTE 4. OTHER (continued)

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

	2017				
	< 1 year	Payable In 1-5 years	> 5 years	Total Contractual Cash Flows	Carrying Amount
Payables	7,005,862	-	-	7,005,862	7,005,862
QTC Borrowings	3,531,668	18,169,996	96,137,543	117,839,206	96,248,756

	2016				
	< 1 year	Payable in 1-5 years	> 5 years	Total Contractual Cash Flows	Carrying Amount
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

POTL has available a business card facility with a limit of \$175,000. Loan facilities as shown in Note 3(l) 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	
	2017	2016	2017	2016	2017	2016
Financial Assets						
Cash on Hand	-	-	-	-	-	-
Cash at Bank	2,730,568	2,049,779	-	-	-	-
Term Deposits	17,335,381	20,476,731	-	-	-	-
Receivables	-	-	-	-	-	-
Financial Liabilities						
Payables	-	-	-	-	-	-
QTC Borrowings	3,531,668	4,394,864	18,169,996	24,723,859	96,137,543	47,352,434

	Non Interest Bearing		Carrying Amount as per Balance Sheet		Weighted Average Book Rate	
	2017	2016	2017	2016	2017	2016
Financial Assets						
Cash on Hand	500	500	500	500	-	-
Cash at Bank	-	-	2,730,568	2,049,779	1.44%	1.94%
Term Deposits	-	-	17,335,381	20,476,731	2.50%	2.81%
Receivables	12,322,946	10,778,821	12,322,946	10,778,821	-	-
Financial Liabilities						
Payables	7,005,862	5,354,119	7,005,862	5,354,119	-	-
QTC Borrowings	-	-	96,248,756	76,471,157	4.73%	5.21%

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 2017 was \$105,049,900 (30 June 2016: \$89,254,676). Borrowings recorded a market value adjustment of \$8,801,144 (2016: \$12,783,5196) 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%		+ 1%	
		Increase/(Decrease) Profit	Equity	Increase/(Decrease) Profit	Equity
Financial Assets					
Cash and Cash Equivalents	20,066,449	(200,664)	(200,664)	200,664	200,664
Receivables	12,322,946	-	-	-	-
Financial Liabilities					
Payables	7,005,862	-	-	-	-
QTC Borrowings	96,248,756	962,488	962,488	(962,488)	(962,488)

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.

	2017 \$	2016 \$
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NOTE 4. OTHER (continued)

(E) KEY MANAGEMENT PERSONNEL

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

Details of Directors

Directors in office at 30 June 2017 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 S. Hanran	3 December 2015	30 September 2018
Ms M. Heywood	3 December 2015	30 September 2018
Hon. M. Reynolds	16 December 2016	30 September 2019

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)	2016/2017 2015/2016	50,000 37,500	10,203 5,102	5,719 4,047	65,922 46,649
Mr Bradley Webb	2016/2017 2015/2016	25,750 25,750	5,101 6,073	2,931 3,023	33,782 34,846
Mr Shayne Hanran	2016/2017 2015/2016	25,750 15,021	5,344 2,186	2,954 1,635	34,048 18,842
Ms Megan Heywood	2016/2017 2015/2016	25,750 15,021	5,831 2,916	3,000 1,704	34,581 19,641
Hon. Mike Reynolds	2016/2017 2015/2016	15,021 -	3,279 -	1,739 -	20,039 -
Mr Allan Pidgeon - term expired 30 September 2016	2016/2017 2015/2016	6,437 25,750	1,093 5,101	715 2,931	8,245 33,782
Total Remuneration Specified Directors	2016/2017 2015/2016	148,708 119,042	30,851 21,378	17,058 13,340	196,617 153,760
Insurance premiums to indemnify liabilities while acting as a Director	2016/2017 2015/2016	- -	- -	- -	57,698 57,698

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.

	2017 \$	2016 \$
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NOTE 4. OTHER (continued)

Details of remuneration provided to Specified Executives at 30 June 2017 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	2016/2017 2015/2016	320,796 308,218	33,240 34,420	5,194 9,363	- 12,817	- -	359,230 364,818
Mr D. Sibley Chief Financial Officer	2016/2017 2015/2016	219,578 211,701	21,163 22,781	3,184 12,236	- 15,863	- -	243,925 262,581
Mr K. Gebers General Manager Infrastructure & Planning	2016/2017 2015/2016	224,708 216,347	21,874 21,866	5,544 -	- 13,826	- -	252,126 252,039
Mr J. Kalma General Manager Marine & Logistics	2016/2017 2015/2016	233,345 223,869	22,140 22,556	- -	- 13,599	- -	255,485 260,024
Ms C. Brumme-Smith General Manager Trade and Property	2016/2017 2015/2016	219,978 210,111	28,047 28,445	- -	- 12,984	- -	248,025 251,540
Total Remuneration Specified Executives	2016/2017 2015/2016	1,218,405 1,170,246	126,464 130,068	13,922 21,599	- 69,089	- -	1,358,791 1,391,002

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. There was no income received, or due and receivable, by the shareholding Ministers from POTL during the year. No shareholding Minster has received or become entitled to receive any benefit by reason of a contract made by POTL.

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 4(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	\$ 1,389,348
Land Planning and Design	\$ 56,575
General advice/consultancy	\$ 79,807

- Line King Pty Limited, of which Ms R. Crosby is related to the owner of the company. POTL made payments in relation to line works within Port limits for \$15,717 during the year.
- Townsville Enterprise Limited, of which Ms R. Crosby is a Board Member. POTL made payment for membership fees of \$37,500, and contribution for Cruise Ship Sector Development Activities for \$6,600.
- 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 to the Museum during the year.

Transactions with State of Queensland Controlled Entities

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

Revenue

Queensland Treasury Corporation:		
- Interest Revenue	433,741	687,238
Department of Transport and Main Roads (Maritime Safety Queensland) - Pilotage transfers	6,293,432	6,752,076

	2017 \$	2016 \$
NOTE 4. OTHER (continued)		
<i>Expenses</i>		
Queensland Audit Office (QAO) - Audit fees	82,000	77,000
Oleave - Portable long service leave	30,163	21,804
QR Limited:		
- Track Maintenance	29,521	29,152
Queensland Treasury Corporation:		
- Loan interest expense	3,803,895	3,916,491
- Loan administration charge	90,706	96,917
- Competitive Neutrality Fee	841,272	908,953
- Financial Advisory Services	-	8,300
Office of State Revenue:		
- Payroll Tax	702,559	634,292
- Land Tax	1,872,586	1,875,911
WorkCover Queensland - Workers Compensation	204,245	206,233
Ergon Energy - Electricity	529,651	734,447
Contributions to QSuper on behalf of employees	1,243,699	1,150,397
<i>Assets</i>		
Queensland Treasury Corporation:		
- Short Term Investment	17,335,381	20,476,731
<i>Liabilities</i>		
Queensland Treasury Corporation:		
- Financial Liabilities	96,248,756	76,471,157
Provision for Dividend to Queensland Treasury	-	17,720,082

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 2017 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 2017 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.

Directors' Declaration

In the Directors' opinion:

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

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

(ii)giving a true and fair view of the financial position of POTL as at 30 June 2017 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

Hon. Mike Reynolds
Director

22 August 2017

22 August 2017

Independent Auditor’s Report

To the Members of Port of Townsville Limited

Report on the Audit of the Financial Report

Opinion

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

In my opinion, the financial report:

- (a) gives a true and fair view of the company's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- (b) complies with the *Corporations Act 2001* , the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for Opinion

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

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

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

Responsibilities of the Company for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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



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



Queensland Audit Office
Brisbane

Glossary

Acronym	Detail
ACCC	Australian Competition and Consumer Commission
AIMS	Australian Institute of Marine Science
CLG	Community Liaison Group
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	<i>Government Owned Corporations Act 1993</i> (Qld)
GRRMPA	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
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



P +61 7 4781 1500
F +61 7 4781 1525
E info@townsvilleport.com.au
W www.townsvilleport.com.au

Registered Office Location
Administration Building
Benwell Road
South Townsville Q 4810

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