

ANNUAL
REPORT
2018-19



OPPORTUNITY COMMUNITY ENVIRONMENT

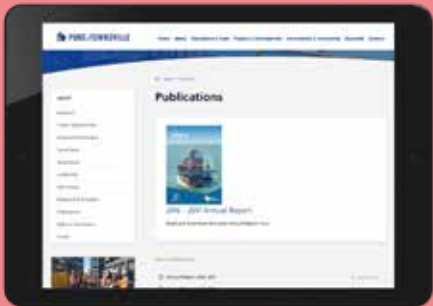
PORT OF
TOWNSVILLE
IS BUILT ON
THREE PILLARS
OF STRENGTH.

Focused approach
to economic growth,
community investment
and environmental
stewardship.



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THIS REPORT



This Annual Report presents the Port’s performance results for 2018-19 as well as details about strategic initiatives that we are pursuing to ensure we continue to deliver world class port facilities and services, and seamless maritime connections from Northern Australia.

PUBLIC AVAILABILITY

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

 www.townsvilleport.com.au



If you wish to receive a hardcopy of this Annual Report, please contact POTL:

 +61 7 4781 1500
 community@townsvilleport.com.au

INTERPRETER SERVICE ANNOUNCEMENT

We are committed to providing accessible services to stakeholders from culturally and linguistically diverse backgrounds.

If you have difficulty in understanding this Annual Report, please contact us:

 +61 7 4781 1500
 community@townsvilleport.com.au

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ACN 130 077 673 ABN 44 411 774 236

Total trade throughput:

7.68
million tonnes

4.7% increase on
previous year

An Independent Technical Advisory Committee (ITAC) provides

**independent scientific
and technical advice**

on the Dredge Management Plan
for the Channel Upgrade Project.



By 2023

commercial, cruise and
military vessels up to

300m long

will be able to access
Townsville Port.

143

FTE people
**directly
employed**
at the Port of Townsville



100%

of capital dredge material
will be brought ashore for
re-use in Port Reclamation
Area construction.



The Port of Townsville is
Northern Australia's

**largest
general cargo port**

More than
8,000 jobs
across North
Qld depend
on the Port



Break bulk cargo is comprised of general cargo, refined
copper, lead ingots, zinc ingots, motor vehicles and cattle.

2018-19 break bulk tonnage:
24% increase from 2017-18



The Port of
Townsville handled
a record-breaking

20,000
cruise visitors
in 2018-19

The Port has been **monitoring the marine environment
in Cleveland Bay for over 20 years.**

The data is shared with the community and research bodies
including James Cook University, AIMS, GBRMPA and the CSIRO.

Over the next 30 years, the Port
will deliver actions aligned to the
**United Nations Sustainable
Development Goals**

Sugar exports at both
Port of Townsville
and Port of Lucinda



increased 10%
in the 2018-19 financial year

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 STRATEGIC PRIORITIES

To succeed as a maritime port in Australia, it is essential that we act to safeguard our environment and protect the way of life for hundreds of thousands of people living in northern Australia.

At the Port of Townsville our strategy to be northern Australia's transport link to the world has provided us with the unique opportunity to protect the living environment whilst diversifying our business, ensuring that we will continue to drive success for our customers, shareholders, employees and community through every tide.

NORTHERN AUSTRALIA'S PREMIER TRADE AND BUSINESS HUB

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

STEWARDSHIP AND SUSTAINABILITY

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

OUR CAPABILITY

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

OUR BUSINESS

Port of Townsville Limited is a company Government Owned Corporation (GOC) established pursuant to the Corporations Act 2011 (Cwlth) and the Government Owned Corporations Act 1993 (Qld) (GOC Act).

The Port has two shareholding Ministers, the Honourable Jackie Trad MP (Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships), and the Honourable Mark Bailey MP (Minister for Transport and Main Roads). The Port owns and manages the ports of Townsville and Lucinda, with the head office located in Townsville.

VISION
PURPOSE
VALUES



CHAIR AND CHIEF EXECUTIVE OFFICER – YEAR IN REVIEW

The 2018-19 year was a significant one for the Port of Townsville, with growth in trade driven by a rebound in the resources sector, a strong net profit of \$15.96 million and the advancement of a number of major infrastructure projects.

Total trade throughput of 7.68 million tonnes is a 4.7% increase on the previous financial year. There were increases across a range of export commodities, in particular mineral concentrates, zinc ferrites, refined copper, smelted lead, sugar and cattle. Cruise ship visitation grew with 16 arrivals and a doubling the number of passengers and crew to almost 20,000 people.

We are now well advanced with the most significant expansion program in our history, with the \$193 million Channel Upgrade project now approved, funded and underway.

Widening of the channel will enable us to welcome larger ships, ensuring we remain competitive and responsive to changes in the shipping industry and capable of securing the region's economic prosperity.

In a significant boost for resources and agriculture exports, the Queensland Government announced \$20 million per annum to reduce rail freight costs on the Mount Isa Rail Line, together with \$380 million in upgrades over the next five years. Importantly, the \$48 million 'Pit to Port' solution in a common-user rail freight terminal at the Port of Townsville is set to start construction in 2020 with the State Government announcing a \$30 million contribution towards the project (subject to approvals). The proposed terminal will enable a modal shift from road to rail for minerals transported in half-height containers and intermodal cargo, offering flexibility for customers

to get their product to market from one of the world's richest mineral producing areas – the North West Province.

Our focus on growing containerised and general cargo is also pushing ahead with the \$30 million Crane and Cargo Handling Area project underway. A new 1.6-hectare container terminal is due to open early 2020, with a new post-Panamax ship-to-shore crane ordered, which will be commissioned by the end of 2020.

This growth is taking place against the backdrop of our unique position. The importance of our location in Cleveland Bay, in the Great Barrier Reef World Heritage Area, is not something we take for granted. The Port undertakes a comprehensive range of environmental monitoring programs and sustainability initiatives to ensure that the health of the bay and our surrounds is protected. This includes partnerships and collaboration with

industry, science, research, government and the community to identify and pursue priorities that will improve our catchment area and contribute to protection and resilience of the Great Barrier Reef World Heritage Area.

Our plans to reconnect the community with the waterfront through revitalisation of lands along the Ross Creek waterfront to the heart of Townsville have progressed substantially. The SeaLink/Honeycombe proposal for development of a \$55 million transport and tourism precinct at The Strand, including a hotel and food precinct, is now under assessment. The Great Barrier Reef House and marine science precinct also took a major step forward with Reef House Investment Group selected as the preferred proponent. Both of these projects could start construction by the end of the year, starting the transformation of the waterfront.

February's severe monsoonal flooding event was an unprecedented time for the region, and a showcase of the resilience of the communities of Northern Queensland. The response and recovery efforts across local, State and Federal Governments, by industry and the community were unparalleled. The restoration works to the extensive Mount Isa to Townsville Rail Line by Queensland Rail was an extraordinary result, with services fully restored within 12 weeks and the delivery of upgrades that have seen run time improvements on the line. Customers and logistics operators showcased their agility and flexibility throughout the event, bringing on line additional heavy truck haulage to keep trade moving.

In the coming year, we will finalise our Port Vision 2050, showcasing our priorities over the next 30 years and strengthening our sustainability agenda.

We thank our customers, stakeholders and shareholders for their continued support, and our dedicated and resourceful staff who push the bar higher every year. We are enormously proud of the achievements that together we have all been able to deliver, and we are looking forward to serving our customers and communities needs in the year ahead as we have done since 1864.


Renita Garard
Chair


Ranee Crosby
Chief Executive Officer

OUR PORTS

Founded in 1864, the Port of Townsville plays a significant role in the local, regional and State economy.

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

The Port of Lucinda is situated approximately 100 kilometres north of Townsville and is primarily dedicated to the export of raw sugar from the Herbert River sugar growing district. As one of Queensland's six bulk sugar terminals, the Port of Lucinda's main role in the bulk sugar industry network

is to receive, store and export raw sugar to domestic and international markets.

It also services nearby islands with regular general cargo barge services.

The Port's core business functions are to:

- establish, manage and operate effective and efficient port facilities and services;
- make land available for the establishment, management and operation of effective and efficient port facilities and port services by other persons, or other purposes consistent with the operation of our ports;
- demonstrate stewardship and sustainability of port operations within a growing urban centre;
- provide for ancillary services or works necessary or convenient for the effective and efficient operation of our ports;
- keep appropriate levels of safety and security in the provision and operation of our port facilities and port services;

- provide other services incidental to the performance of our other functions, or likely to enhance the usage of our ports;
- perform any other functions and exercise any other powers conferred on us under the *Transport Infrastructure Act 1994* (Qld) (TI Act), the GOC Act and Regulations or another Act or under our annual Statement of Corporate Intent or five-year Corporate Plan;
- provide port services and ancillary services whether in or outside our ports, whether in or outside Australia and whether for another port or for other parties; and
- carry out any activity that is incidental to the attainment of the objectives set out above.

KEY PERFORMANCE RESULTS

Performance Indicators	2017-18 Actual	2018-19 Budget	2018-19 Actual	Movement (from 2017-18)
FINANCIAL				
Operating Revenue (\$M)	77.30	80.91	80.40	3.10
Operating Expenditure (\$M) ¹	50.41	54.41	53.24	2.83
Trade Income (\$M) ²	61.81	68.64	63.49	1.68
Property & Facilities Income (\$M)	11.11	11.35	10.87	-0.24
EBIT (\$M)	26.89	26.50	27.16	0.27
NPAT (\$M)	15.01	14.61	15.96	0.95
Dividend (\$M)	15.01	14.61	13.21	-1.80
Accounting Return on Assets EBIT (%)	4.35	3.88	3.73	-0.62
Accounting Return on Assets NPAT (%)	2.34	2.02	1.96	-0.38
Return on Equity (%)	3.37	2.98	3.05	-0.32
Current Ratio	1.55	1.35	3.29	1.74
Interest Cover Ratio (EBIT)	5.81	4.71	4.90	-0.91
Debt to Equity Ratio	0.21	0.20	0.16	-0.05
Capital Investments (\$M)	16.99	79.68	18.90	1.91
NON-FINANCIAL				
Trade Throughput (Million Tonnes)	7.34	8.64	7.68	0.34
Vessels to Port	613	613	624	11
Reportable Security Incidents	0	0	0	0
Reportable Environmental Incidents	0	0	0	0
Lost Time Injury Frequency Rate	11.67	0	11.17	-0.50
Full-time Equivalent Employees	FTE 129	-	FTE 143.18	+14.18

¹ Total Expenses less Finance Costs

² User Charges less Property and facilities Income

OPPORTUNITY

Growing and diversifying trade and business opportunities to support investments into infrastructure, environmental stewardship and community initiatives.

TRADE HIGHLIGHTS

The Port's tonnage continued the growth trend in 2018-19, surpassing the previous year by 345,829 tonnes.

This growth of trade throughput totalling 7,682,743 million tonnes equating to an increase of 4.7%, includes 7,035,058 tonnes through the Port of Townsville and 647,685 tonnes through the Port of Lucinda.

Trade in the year was characterised by a sizeable increase in mineral concentrate and refined metal exports in addition to a significant increase in live cattle exports.

The increase in overall exports was offset by a similar, although a slightly smaller decrease in imports. General cargo imports dropped by 17% in 2018-19 with slower than expected development of mining projects and a marked decline in renewable project cargo imports. Fertiliser imports were down 36%, as were fertiliser exports, both significantly impacted by the monsoonal event of February 2019.

CONTAINERISED CARGO

Containerised cargo comprises general cargo, fertiliser, mineral concentrates, zinc ingots, meat and bone meal.

General cargo imports service the mining, agricultural and industrial sectors of north and central Queensland. The Port handles an increasingly diverse range of general cargo export commodities including agricultural produce, refined metal, marble and timber.

Imports in fertiliser and solar project cargo decreased this financial year. However the increase in containerised exports of lead, timber and copper cathode provided a balance in total throughput of containerised trade.

A slower than expected rise in agricultural and coastal shipping trade also contributed to the modest results of containerised trade in 2018-19.

DRY BULK

Dry bulk throughput was impacted by the monsoonal event early in 2019 but the decrease in fertiliser imports and exports was more than compensated by the increases in mineral concentrate and zinc ferrite exports.

Sugar exports at both Port of Townsville and Port of Lucinda increased 10% in the 2018-19 financial year.

The Herbert and Burdekin regions recorded above average sugar production in the year.

Mineral concentrate exports increased by 33% compared to 2017-18, an additional 333,098 tonnes exported from Port of Townsville, whilst refined copper exports increased by a similar 27% amounting to an extra 51,460 tonnes of export compared to the previous financial year. There was also a modest increase in the export of zinc ferrites. Glencore's Lady Loretta Mine is ramping up to full production driving strong results in this sector.

LIQUID BULK

Liquid bulk comprises of petroleum, bitumen, sulphuric acid, caustic soda, tallow and molasses.

In 2018-19, liquid bulk accounted for 1,320,335 tonnes which was a 7% decrease from 2017-18, accounting for 17% of total tonnage.

Petroleum product imports in 2018-19 ended similarly to previous financial year volumes at 836,489 tonnes a 3% decrease. Bitumen fell by 23% from 2017-18 with around 14,000 tonnes less being imported this financial year. Bitumen imports continue to be impacted by the downturn in new development construction.

Exports of molasses for 2018-19 totalled 271,910 tonnes, a decrease of 24%, impacted by strong domestic demand rather than export demand due to drought conditions and the requirement to use molasses as a feed stock.

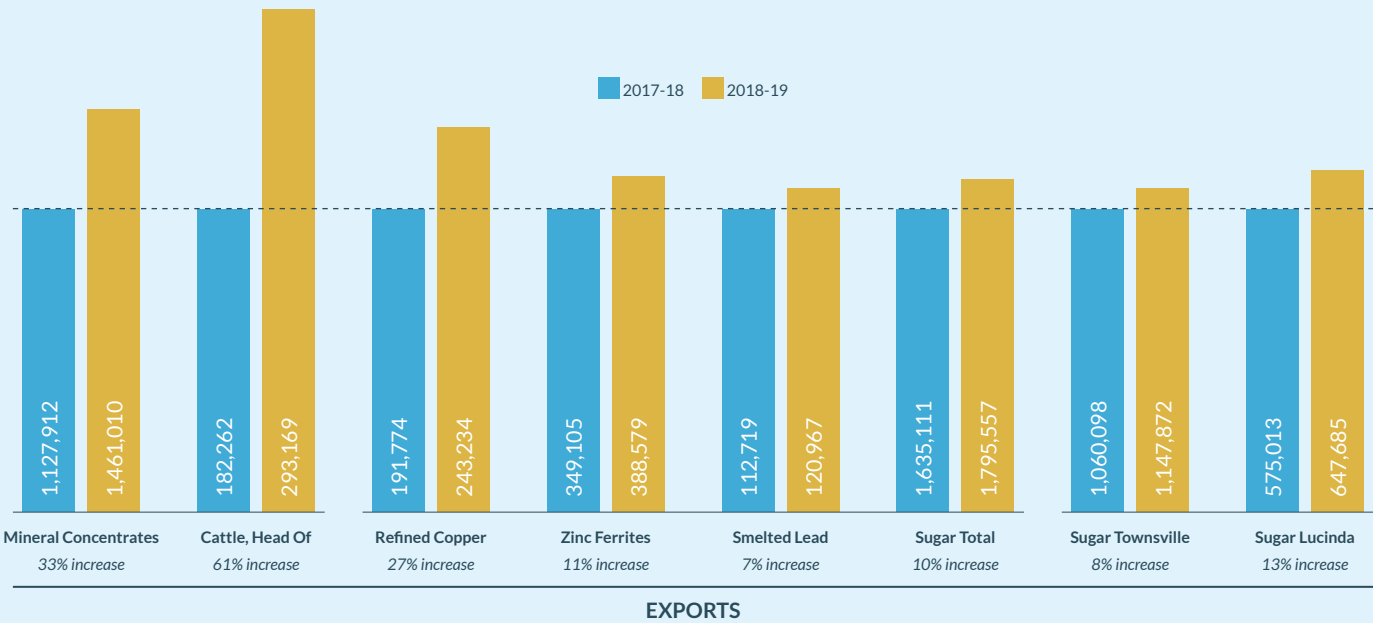
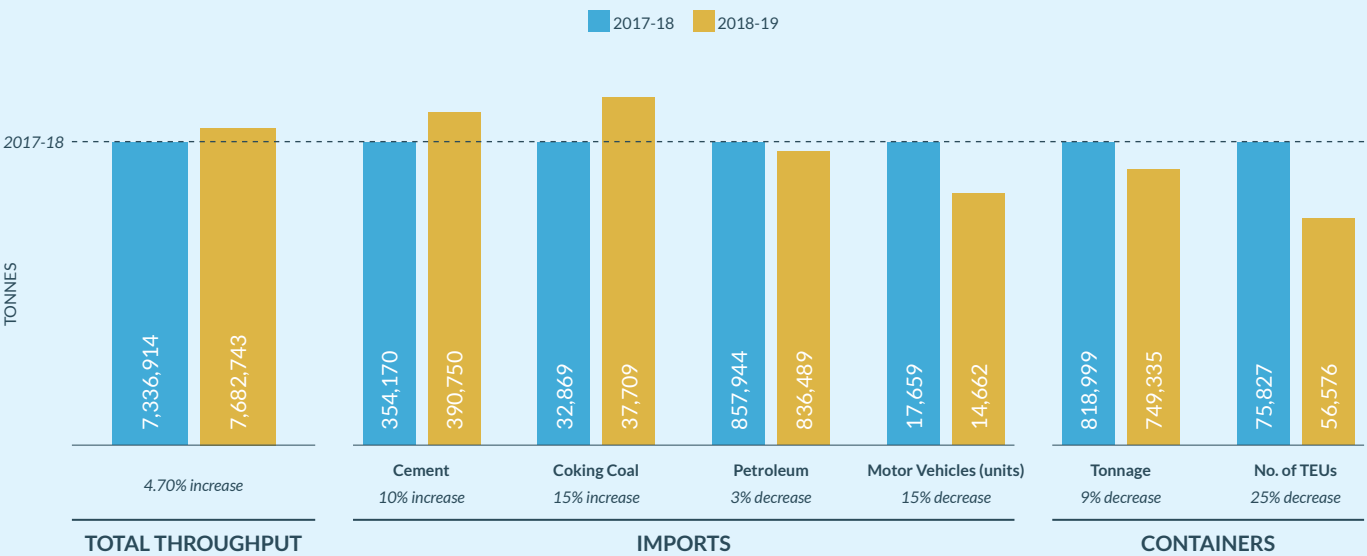
BREAK BULK

Break bulk cargo is comprised of general cargo, refined copper, lead ingots, zinc ingots, motor vehicles and cattle.

In 2018-19, break bulk cargo accounted for 6% of trade volumes. Break bulk tonnage was 462,923 tonnes in 2018-19, a 24% increase from 372,158 tonnes in 2017-18.

Port of Townsville live cattle exports increased by 61% in this financial year, with 146,585 tonnes exported, up 55,454 tonnes from 2017-18. Refined copper break bulk exports increased by 10% with 55,815 tonnes exported while smelted lead exports increased by 7% with 120,967 tonnes exported.

Motor vehicle imports fell by 15% in 2018-19 with 26,534 tonnes imported compared to 31,158 tonnes imported the previous financial year. Motor vehicle imports were impacted by a nation-wide decrease in new car sales, driven by weaker consumer demand.



FORUMS AND EVENTS

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

- Bowen Gumlu Growers Association General Meetings
- Kennedy Energy Park Community Open Day
- Building North Queensland's Defence Supply Chain Project - Industry Focus Workshop
- JCU Asian Market Forum
- Austcham Roadshow Networking Function
- Port Supply Chain Awareness Workshop in Brisbane
- Austrade Exporter's Workshop
- Australian Logistics Council Forum 2019
- Bowen Basin Mining Club Networking Event
- Women's International Trade Association (WISTA) Far North Queensland Launch
- Townsville Bulletin Business Breakfast: Northern Advantage 2019
- Sugar Terminals Limited Lucinda Tour and Function
- FNQ Rotary Agricultural Field Days Mareeba
- MineX Forum Mount Isa
- Townsville Enterprise Mining and Resources Forum 2019
- Bowen Gumlu Grower's Association Annual Dinner
- Timber Consultation Forum Cairns
- Agforce Cattle Export Forum
- CBFCA Convention (Customs Brokers & Forwarders Council of Australia)
- Queensland Annual Transport & Infrastructure Conference
- Townsville Industry Breakfasts
- Launch of CRC's Agricultural Market and Supply Chain Study
- 2019 Australian Ports Business and Operational Conference

Several delegations and industry groups also visited the Port of Townsville to explore trade opportunities including:

- Taiwan Trade Delegation
- Department of Foreign Affairs and Trade (DFAT) graduates
- Austrade Mining and Energy Team
- Trade Investment Queensland Acting CEO
- Container Supply Chain Roundtable
- Trade Investment Queensland Trade Commissioners - India, Taiwan and Japan
- Paddock to Port Forum

Top right: 0930HRS | Paddock to Port Tour
Right: 0700 HRS | FNQ Rotary Field Day, Mareeba
Large: 1145 HRS | Ports Australia Business and Operations Conference, Berth 9



PORT DEVELOPMENTS

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

CHANNEL UPGRADE PROJECT

The \$193 million Channel Upgrade Project is Stage 1 of the broader Townsville Port Expansion Project and will be the largest infrastructure investment to date. The project involves the widening of the 14.9km shipping channel to allow access for longer commercial, cruise and defence ships plus the creation of a 62 hectare reclamation area. At 92 metres, Townsville has one of the narrowest channels for a comparable Australian commercial port. This width means that ships with a maximum length of 238 metres are currently able to access the Port.

By 2023, channel widening will allow ships of up to 300 metres in length to safely access the Port.

The Environmental Impact Statement (EIS) approvals for the Port Expansion Project (PEP) have allowed this project to progress as a commitment under the Port City initiative of the historic Townsville City Deal. Funding commitments of \$75 million each by the Queensland and Federal Governments were made in 2018, with Port of Townsville Ltd contributing the remaining \$43 million to the Channel Upgrade Project.

The EIS for the project includes comprehensive scientific assessments and consultation processes to address key issues, as well as controls to ensure that the health of Cleveland Bay is safeguarded.

All capital dredge material will be beneficially reused through placement in a fully contained 62-hectare Port Reclamation Area.

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

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

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

The project will create 120 local Full Time Equivalent (FTE) jobs during construction and return more than \$580 million of value to Queensland. The Port of Townsville Ltd has established a target of 10% Indigenous employment. The project will result in freight directly imported and exported through Townsville Port that would otherwise be trucked or railed from capital cities. The project will also provide the capacity for significant growth in cruise shipping with the accommodation of longer vessels.

Project planning and pre-works have begun, with construction of Channel Upgrade site offices and associated facilities completed in late 2018. Trial deliveries of rock from Holcim Australia's Roseneath quarry began in April 2019, with the potential for other rock suppliers to be engaged as the project progresses.

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

Management Plans relating to rock wall construction and possible environmental impacts have been submitted to the Federal Department of the Environment and Energy. In line with the requirements of the *Environment Protection and Biodiversity Conservation Act 1999*, the first of two phases of consultation with Traditional Owners has also occurred.

The Port of Townsville has also engaged community representatives about the Management Plans through the Port's Community Liaison Group.



Top: 1400 HRS | Channel Upgrade Project site
Right: 1030 HRS | Trial Rock Delivery, Channel Upgrade Project

INTERMODAL TERMINAL

'Pit to Port' solutions will become a reality following the announcement of a new \$48 million common-user rail freight terminal at the Port of Townsville (subject to approvals).

The State Government has committed to provide \$30 million towards the Intermodal Terminal which is designed to achieve modal shift from road to rail. The proposed terminal will offer flexibility for customers of one of the world's richest mineral producing areas – the North West Minerals Province – to get their products to market.

It will potentially create 50 jobs during construction and 45 jobs ongoing, reduce costs for mining companies and take trucks off the roads. The works will also provide a boon for local contractors and suppliers, enhancing their capabilities and producing a significant economic benefit for the region.

The planned Intermodal Terminal was instigated to support a growing trend in transporting metals and mineral concentrates to the port in half height containers for export amid a forecast trend in containerised cargo.

A feasibility study undertaken in 2018-19 by the Port and an expert logistics consultant, with support from stakeholders, confirmed the selected location between the existing balloon loop and East Port satisfied all the key criteria including rail and trucking operations, berth access and a 2021 timeframe. The initial facility will allow 1,000 metre trains with 24-hour operations by multiple common users and will be scalable by expanding northwards into the Port Expansion Project area to service future berths.

Preliminary investigation and design commenced mid-2019 to refine the layouts and construction costs and to inform the business case.

BERTH 4 UPGRADE

Townsville construction company Formset was awarded a \$10 million contract to build a 1.6-hectare container handling area as part of a \$30 million Crane and Cargo Handling Area on Berth 4.

The work follows the recent \$40 million upgrade of Berth 4 to support the growth in containerised and bulk cargo. The Ship-to-Shore crane will have the capabilities to service larger container vessels to ensure the Port can support northern Australia with direct international shipping and minimise the time to export products to overseas.

Formset was expected to create more than 40 jobs during construction of the new container terminal, which would substantially increase logistics capability, once complete. The project provided a further commitment to local contractors while helping to create jobs, enhance capabilities and boost the economic development of the region.

The project followed an open tender process with the construction and fabrication contracts awarded in the first half of 2019. Berth 4 Handling Area is expected to be operational by February 2020 while the Ship-to-Shore crane is expected in December 2020.

BERTH 10 CAR CARRIER WHARF EXTENSION

To provide efficiency in the delivery of motor vehicles, the Port has commenced investigation and design of an extension to the Berth 10 Secondary Wharf.

This move is in response to the shipping industry and trade forecasts which show an increasing demand for larger vessels. The extension will allow car carrier vessels, also known as Pure Car Carrier (PCC) and Pure Car and Truck Carrier (PCTC) vessels, with a beam up to 38m to deliver vehicles directly to Townsville with berthing priority to reduce freight costs and delivery times.

The concept development and detailed design will also allow for the efficient and cost-effective future extension when PCC and PCTC vessels become larger.

BERTH UPGRADE CAPACITY GAP REVIEW

The Port has commenced a significant review of existing wharf capacity, to coincide with the works to increase channel capacity to facilitate larger vessels.

The review will determine future vessel characteristics of draft, overall length, beam, arrival displacement, cargo types and cargo handling equipment and compare these to existing wharf capabilities.

This is another piece in the plan to improve all Port components.

TRUCK STAGING AREA - BENWELL BERTH UPGRADE CAPACITY GAP REVIEW ROAD

Increased efficiency of truck movements and capacity for multi combination vehicles, ie triples and quads, is required as part of the Ports' growth in containerised and break bulk cargo.

It will also improve the logistics capacity across Port infrastructure. The design of a 15,000m² truck staging facility on Benwell Road was approved and commenced in May 2019.

The area will allow stevedoring companies to call trucks into cargo storage areas in sequence such that cargo, principally containers, can be handled and stacked efficiently, while limiting road congestion within the Port. The area will also allow large loads to be prepared and assembled so that approved times and requirements for access to public roads are complied with.

EAST PORT & SOUTHERN LINK ROAD

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

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

In response, the Port undertook a further master planning process in late 2018 that fully integrated the existing Port and rail, TEARC, Townsville Port Access Road, Townsville Marine Precinct, East Port, Intermodal Terminal, and Port Expansion Project to best allow the support of future trade demands. Following this, the design for East Port and the Southern Link Road recommenced within new alignments including service corridor easements, a roundabout instead of a four-way intersection connection at Benwell Rd/ Hubert St and the ability to expand the link road and roundabout to four lanes when required.

The project is expected to be completed in 2022.



HARBOUR CITY

The Port, Townsville City Council and Economic Development Queensland work collaboratively to support, promote and facilitate development of the Townsville Waterfront Priority Development Area (PDA). The PDA includes approximately 97.2 hectares of land located on both sides of Ross Creek in close proximity to Townsville's Central Business District (CBD). An additional 30,000 people are predicted to live and work in the wider CBD by 2030.

The Port owns around 10-hectares of land in the heart of Townsville, which presents a unique opportunity for the revitalisation of the area.

Development of the Port land in the PDA will support activation of the city centre and the reconnection of the community with the waterfront. The overall project will result in waterfront walkways and public realm from the Quayside Cruise Terminal to Palmer Street and the linking of Flinders Street East with key tourism precincts including the Museum of Tropical Queensland, Reef HQ Aquarium, and a new Strand Ferry Terminal in the Breakwater Precinct. Projects on Port land within the PDA will be undertaken over a 10 to 20-year development period.

Catalyst projects advanced during the past year include:

- The \$55 million plus SeaLink Townsville Regional Marine Solution Market Led Proposal which will deliver a new ferry terminal and two new ferries (manufactured in Queensland) to improve passenger amenity and grow tourism for Townsville and the greater North Queensland region. The development, which received a \$15 million Federal Government grant, includes a four-star hotel and some retail. Completion of this development is targeted for 2021 (subject to approvals).
- Reef House Investment Group was chosen as the preferred proponent to build a premium development on the site of the old Great Barrier Reef Marine Park Authority offices, between Reef HQ and the Museum of Tropical Queensland. The proposed waterfront Flinders Street Research and Tourism project will provide tenancies for a Marine Science Centre of Excellence and 'head office' for agency reef management, science, education and research. Extensive waterfront Public Realm forms part of the project with tenancies for tourism, food outlets and retail. The development will be completed and ready for operation in 2021 (subject to approvals).



COMMERCIAL PROPERTY

The Port manages a property portfolio of 300 hectares and 110 tenancy agreements supporting port operations and services.

The Port new lease enquiry levels remained steady with existing customers and new operators expressing interest in acquiring long-

term leases in the Inner Port and Centre Port Precincts as well as East Port development area in 2020 and beyond. Container trade and renewable project cargo imports maintained a steady demand for short-term land storage permits.

Substantial demand for cargo laydown and storage areas is incorporated

in master planning for the East Port Precinct which will see the creation of a 25-hectare subdivision over the next five years. This will integrate the existing port with the Port Expansion Project area, supported by substantial investments in new intermodal, road and rail infrastructure to deliver a precinct highly attractive to bulk and general cargo operators.



ENGINEERING AND MAINTENANCE WORKS

A number of engineering and maintenance projects were completed during the year ensuring our assets are well maintained, reliable and efficient to service our customers including:

- \$3.8 million to undertake maintenance dredging of the channels and harbour areas
- \$70,000 Lucinda public and operational facilities
- \$210,000 Berth 1 concrete remedial repairs
- \$40,000 land maintenance of the Port's Granitevale quarry

- \$25,000 Berth 11 biannual above water structural steel and concrete inspection
- \$460,000 Berth 3 bollard replacement and localised pavement repair
- \$1.3 million repair and upgrade of port roads.

Left: 1115 HRS | SIRIUS HIGHWAY maiden voyage plaque presentation

Top right: 1315 HRS | Fender upgrade, Berth 9

Bottom right: 1400 HRS | Pilot Simulation, MSQ Smartships Brisbane



OPERATIONS AND LOGISTICS

In 2018-19, the team attended to 592 vessels in Townsville and 14 vessels in Lucinda, equating to 1,300 pilot movements.

The Port of Townsville also provides pilotage on behalf of Maritime Safety Queensland for the Port of Abbot Point. During this financial year, pilots conducted 737 vessel movements.

The Port actively engages with working groups; specifically, the Cargo Facilitation Working Group (CFWG), which plays an important role in consultation of port efficiencies. The revised Berthing Priority Protocols was implemented July 2018 and provides best practice for agents and operators clarifying the order of vessels berthing.

The Port is undertaking a program to upgrade the incumbent port management information system. The new system will deliver efficiencies in management of shipping information for a range of internal and external stakeholders by incorporating industry best practices into the new solution.

After extensive engagement with the Regional Harbour Master, vessels owners and pilots undertook training sessions at the Smartship simulator in Brisbane resulting in the Port accepting a new class of car carriers with a beam of 38 metres. Prior to these trials the maximum beam that could call on Townsville Port was 32.3 metres. To date three of these vessels have successfully called into Townsville.

The Port of Townsville commenced training of the next generation of pilots with three new trainee pilots being recruited in the past 12 months. The pilots go through a rigorous program that combines theory and practical training on and off-water over a two-year period to become fully licenced for Townsville, Lucinda and Abbot Point ports.

The number of pilot vessels in the Port fleet is planned to increase. A detailed business case was formed to purchase a new pilot vessel in 2019-20 financial year. The new vessel will ensure the Port has enough vessels to adequately service all ports.

COMMUNITY

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.

1000 HRS | Pacific Eden, partial cruise turanaround Quayside Terminal



PORT VISION 2050

During this past year the Port has embarked on the development of the Port Vision 2050 strategic plan.

This plan will set out the strategic goals and objectives for the Port over the next 30 years. Port Vision 2050 is underpinned by our Mission and Core Values and provides alignment and meaningful actions to deliver on our strategic objectives.

During this process we have consulted with internal and external stakeholders to assess materiality of the issues that inform the strategic plan to ensure the Port Vision is

aligned with economic, social and environmental drivers. Whilst defining the vision for the Port over the next 30 years we have incorporated alignment and actions for the delivery of the relevant United Nations Sustainable Development Goals.

Port Vision 2050 will be further developed and finalised in the coming year and will give the port, customers and community a clear picture of the future ahead.

CRUISE SHIPPING

Townsville is a port city that has embraced cruise ships and their passengers exploring our region. The cruise season in Australian waters generally runs from October through to April. This is when cruise lines deploy their vessels to Australia and the South Pacific region for the southern hemisphere summer.

The Port of Townsville handled a record-breaking 20,000 cruise passengers and crew in 2018-19 which represents a near-doubling of passenger volumes from the previous year.

Cruise ship arrivals also increased to 16 this financial year, compared with 12 last year and eight two years ago. This growth complements national and international

trends partly as a reflection of cruise demographics getting younger and seeking a wider array of unique experiences.

Total spending by cruise passengers, crew and cruise lines in Townsville amounted to an estimated \$5.38 million* in 2018-19.

On average, an international cruise passenger spends an estimated \$215* per day while domestic cruise passengers spent an estimated \$165 per day. Food and beverage and shore excursions accounted for almost 78% of total passenger onshore expenditures.

In September 2018, P&O Cruises Australia undertook a partial ship turnaround with Pacific Eden resulting in

250 passengers embarking at the Port's Quayside Terminal. This success of the trial was an important step for Townsville's cruise industry to pitch for home porting. Home porting represents a potentially lucrative opportunity for the city with passengers frequently extending the stays before or after a cruise.

The Port of Townsville also has a distinct advantage over many other Queensland ports by being able to offer fuel directly

to ships via a quay line fuel valve.

The Port also offers:

- quay line potable water valve connecting to Townsville mains,
- quay line sewage value for fresh water sewage connecting to Townsville city sewage system,
- quay line and landside connections to Port of Townsville saltwater fire systems,

- LV and HV power for wharf activities,
- berth lighting for 24-hour operations,
- free WiFi for crew and passengers.

The Port of Townsville's Channel Upgrade Project represents a significant opportunity for the future of cruise ships coming to the region. Currently vessels up to 238 metres in length can safely access the Port. By doubling the width of the channel to 180 meters, vessels up to 300 meters will be able to access the Port by 2023.

As the Channel Widening project progresses, it is envisaged that progressively larger vessels will be able to access the Port. The first confirmed vessel larger than 238 meters will occur in February 2021, the 250 metre Crystal Serenity.

Quayside Terminal is one of Townsville's largest venues. It facilitated 16 cruise ship visits and hosted 44 events including weddings, music festivals and corporate events in 2018-19.

** Source: Economic Impact Assessment of Cruise Tourism in Australia 2017-18, prepared by AEC Group Pty Ltd*

STAKEHOLDER ENGAGEMENT

The Port of Townsville is a city port that operates 24-hours a day, seven days a week. That means we have a duty and obligation to minimise impacts on the community, industry and environment.

To help identify issues, we have established four consultative committees that bring together diverse community, industry and scientific stakeholders to facilitate discussions about port related issues. The groups include:

- Community Liaison Group (CLG)
- Port Advisory Body (PAB) – which is divided into sub-groups: Cargo Facilitation Working Group; Planning and Environment Working Group
- Independent Technical Advisory Committee – ITAC. (See Channel Upgrade Project)

Community feedback is vital to help the Port understand the impacts of operations on local communities and better plan, manage and identify areas for improvement. The Port:

- Investigates community complaints, issues and enquiries; and
- Responds to complaints and enquiries and works with port users to minimise impacts

The Port also publishes an Air Quality Dashboard which is a monthly report that provides updates to our community about shipping movements and cargo as well as air quality monitoring results around the port.

The Port has a significant presence on social media with more than 31,000 followers across four platforms including dedicated pages for Quayside Terminal.

facebook.com/PortofTownsvilleLimited

facebook.com/quaysideterminal

linkedin.com/company/port-of-townsville-limited

instagram.com/port_of_townsville

instagram.com/quaysidetownsville

twitter.com/townsvilleport

INDUSTRY INVESTMENT

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

- Ports Australia (\$38,054)
- Townsville Enterprise Limited (\$35,642)
- Mount Isa to Townsville Economic Zone (MITEZ) (\$15,000)
- Queensland Ports Association (\$9,000)
- Australian Cruise Association (\$3,885)
- Tourism Magnetic Island (\$1,500)
- Townsville Chamber of Commerce (\$1,364)
- Bowen Gumlu Growers Association (\$1,000)
- Townsville City Council Sister Cities Program (FOC)

SPONSORSHIPS, DONATIONS AND CORPORATE EVENTS

One of the most significant events of the year for the Port of Townsville was hosting the inaugural Ports Australia Business and Operations Conference. The Port welcomed more than 130 maritime and logistics experts to the two-day conference in June. The nation's top port professionals were provided with an update of our major projects and treated to a harbour tour and demonstration of a pilot transfer by helicopter. The Minister for Transport and Main Roads the Honorable Mark Bailey MP, opened the event with the support of Port Chair, Renita Garard and Ports Australia Chief Executive Mike Gallacher.

Partnerships, sponsorships and donations in 2018-19 included:

- the Townsville Fishing & Outdoor Expo, where an estimated 10,000 people attended the two-day event. Fishing Ambassadors were also given a Channel Upgrade presentation and taken on a Port Tour (\$2,500)
- presenting to the 2019 Mining and Resource Industry Expo (\$2,750),
- financial assistance to NQ Flood Relief as part of flood appeal efforts (\$5,000)
- Magnetic Island Father's Day event as part of Sealink Race Week (\$3,000) and production of underwater snorkel cards for Magnetic Island trail

- ongoing donation to the Maritime Museum for operational requirements (\$25,000) and a further donation to upgrade and light the iconic lighthouse on Palmer St (\$2,500)
- prize money to James Cook University student awards in fields of engineering and marine sciences (\$1,400).

The Port is also represented on the Board of the Museum of Underwater Art, which is designed to usher in a new era of tourism and cultural and environmental awareness. The donation totalling \$50,000.

The Port's Annual Charity Golf Day, which was held in September raised \$13,069 to benefit the charity, The Cure Starts Now.

Left: 000 HRS | Burdekin School Port Tour
Centre: 0845 HRS | Fishing and Outdoor Expo
Right: 1100 HRS | Magnetic Island Father's Day Regatta





NEW SAFETY BRANDING

In 2019, the publication of the new health and safety branding initiative of 'Zero Harm' was integrated into the Port of Townsville's everyday operations. The Zero Harm branding has been designed to connect all workers, contractors, volunteers and visitors to remind them of the shared commitment towards creating a sense of a strong health and safety culture.

COMPLIANCE WITH INJURY MANAGEMENT REQUIREMENTS

In accordance with the *Queensland Workers' Compensation and Rehabilitation Act 2003*, the Port of Townsville has developed return-to-work programs for all employees who have sustained a workplace injury. The programs are designed to assist employees achieve a positive and timely return-to-work outcome. The programs are regularly monitored and updated on a case-by-case basis.

HEALTH AND SAFETY STATISTICS

	2017-18	2018-19
Total number of incidents reported	13	18
Number of Lost Time Injuries	3	3
Number of Medical Treated Injuries	0	4
Lost Time Injury Frequency Rate (LTIFR)	11.67	11.17
Total Recordable Injury Frequency (TRIFR)	11.7	28.30
Total of planned WHS meetings	140	79
Total of Health and Safety Committee meetings	5	5
Random Drug and Alcohol testing completed	121	147

SAFETY

Port of Townsville is committed to maintaining a safe and healthy work environment for all employees, volunteers, contractors and visitors by abiding with relevant Work Health and Safety legislation, codes of practice and appropriate standards.

The Port is a zero-injury workplace. Our strategy is to build resilience and drive an early intervention culture to prevent injuries and illness, minimise business impacts and return employees to pre-injury duties.

The Port's Health and Safety goal is to provide a safe and healthy work environment that is free from workplace injury and illness. We recognise that this can only be achieved through the participation, co-operation and commitment of everyone in the workplace. This goal has been stated within the amendment of the Health and Safety Policy.

The Port's Board, Executive and management maintain a close watch on safety performance and take a strong leadership role in achieving and maintaining a safe workplace.

Consultation, participation and communication with staff and contractors are priorities that are reinforced through the Port's Health and Safety Committee that meets monthly. The committee's membership comprises representatives of all departments at the Port. Initiatives that have arisen from the Health and Safety Committee include ergonomic assessments of work stations and manual handling training.

The Port of Townsville's Safety Management System has been certified by a third-party in accordance with AS/NZS 4801. The Port maintains a strategic approach towards promoting the health and safety of our employees and contractors, recognising that effective systems and a positive safety culture are vital to achieving optimum safety results.

A Safety Improvement Plan has been created and implemented for the continual improvement of the current Safety Management System. The aim of the Plan is to achieve the highest level of health and safety performance through systematic elimination or reduction of risk.

Left: 1045 HRS | Manager of Marin Pilots, Berth 9

Right: 1430 HRS | Break Bulk Cargo, Berth 3



SECURING OUR OPERATING ENVIRONMENT

To operate a safe and efficient working environment, the Port of Townsville requires a secure working environment.

Security Service department aims to provide a safe working environment and ensure the security of port facilities, employees and Port users.

Despite increased activity within the Port of Townsville Security Regulated Port zone during 2018-19, there were no non-compliant security incidents identified through audits by Australian Border Force or the Federal Department of Home Affairs (Maritime Security Division). The financial year also saw the Port of Townsville identified under the *Security of Critical Infrastructure Act 2018* (Commonwealth) which regulates the higher risk sectors of ports, electricity, gas and water.

The Port of Townsville maintains the Maritime Security Plan that establishes operating security zones such as Landside Restricted Zones, Waterside Restricted Zones and Cargo Terminal Zones. Security Services works closely with port operators by monitoring and controlling access to the various established zones, including bulk liquid vessels and cruise ships.

The Port's Maritime Security Plan is regularly reviewed and revised to incorporate changes to relevant Federal Government legislation. Port Security Committee meetings are attended by law enforcement agencies as well as stakeholders operating under the Maritime Security Plan.

Defence vessels are also a strategic priority for the Port of Townsville. Security Services work closely with the Department of Defence to ensure appropriate security arrangements are in place for Australian and allied naval vessels; 885 hours of security protection for defence vessels were performed during 2018-19.

Security measures are in place to ensure that the Port also meets national and international requirements under the *International Ship and Port Facility Security (ISPS) Code* guidelines and the *Maritime Transport and Offshore Facilities Security Act and Regulations* to allow facilitation of security-regulated vessels. These measures also apply to an increasing number of cruise ships that are visiting the Port. The Port's Security Services provide security personnel and secure facilities during the visits by cruise ships visits to Townsville.

During the 2018-19 cruise ship season, 16 cruise vessels visited Townsville. These visits involved the movement of more than 20,000 passengers and crew through Townsville Port Quayside Terminal without incident or the identification of any non-compliant issues.

There is strong demand in North Queensland for the Port of Townsville to be a point of embarkation for cruise ship passengers. On 7 September 2018, the Port of Townsville undertook the first Cruise ship 'partial-turnaround' through Quayside Terminal. This included the successful processing of approximately 250 embarking passengers. The operation followed 12-months of planning by departments including Security Services, Marine Services and Corporate Affairs in conjunction with Inchcape Shipping Services, Townsville Enterprise, Australian Border Force and Customs and the Department of Water and Environmental Regulation (Bio-security). The extensive preparation for the turnaround contributed to its success, and invaluable lessons were learnt for future turnarounds.

Port Security is overseen by the Security Services Manager, supported by the Security Supervisor and a team of 15 casual Maritime Security Guards. The Port Security Manager is also chair

of the Port Security Committee. Port Security Management works closely with new and existing stakeholders on the ongoing development of security practices, shared responsibilities and the creation of a cooperative intelligence culture among staff and stakeholders.

Throughout 2018-19, potential breaches of Customs Regulations were identified by the Security Services. These included the organised smuggling of packaged baby formula and illegal tobacco, details of which were communicated to Australian Border Force officers.

Port Security now includes the monitoring of the Port Channel Upgrade Project site access point on Sandspit Drive. This adds to the Security Services/Marine Services shared responsibility in access management by staffed gate entries and the monitoring of some 85 CCTV cameras across the port precinct. Throughout this reporting period, Security Services provided CCTV evidence and images of incidents to Queensland Police, Australian Border Force and associated port users at their request.

Security Services has recently reviewed and updated the following zonal maps and plans:

- Maritime Security Plan (LRZ / WRZ's Zones) – MTOSFA
- Security Regulated Port Map – MTOSFA
- Section 15 zone/cargo Terminal zone/Wharf Boundaries - Customs Act
- Access to the Security Regulated Port zone map will be available to the public via the website early in the next reporting period.

The Port of Townsville continues to be active in the national arena to ensure that the application of government security regulations is complementary to business and development through the attendance and participation in national security working groups such as:

- The Maritime Industry Security Consultative Forum,
- Security Providers Association of Australia Limited,
- The Queensland Police Service Security and Counter-Terrorism Command Forum,
- Attendance at national and local forums and conferences assists the Port of Townsville in future, planning for the ports security needs and identifies necessary upgrades.



1015 HRS | GM Infrastructure and Manager Marine Operations, Berth 9

OUR PEOPLE

People are the greatest contributors, they underpin our ability to deliver our vision to create the employer of choice.

Average employee turnover was 7.4%. Each employee exit is reviewed and the three main reasons for leaving were:

- Further career opportunity
- Relocation with family
- Retirement

No voluntary early retirement packages were taken in the financial year.

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

Male Employees (%)	69%
Female Employees (%)	31%
Average Age of Employees	48
Over 50 years (%)	46%
Women at Level POTL 5 or Above	27
Women Working in Senior and Middle Management	8
Female Representation on Board (%)	40%
Average Length of Service	7.1 years
% Employees <5yrs	43%



EMPLOYEE RELATIONS FRAMEWORK

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

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

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

The Port promotes attraction, retention, employee commitment and job satisfaction through the provision of an appropriate and stable organisational structure and initiatives such as flexible work practices, the Port’s 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

The Port is proactive in encouraging and assisting employees in undertaking professional development.

In conjunction with TAFE North Queensland, The Port continued the accredited Developing Managers and Leaders Program which three employees completed. Two employees underwent further professional development attaining a Diploma in Leadership and Management.

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

EQUAL EMPLOYMENT OPPORTUNITY

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

Any reported breaches of the 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 the Disciplinary Procedure.

There are currently 27 women classified in Level 5 positions and above; eight women working in executive, senior and middle management. There are two women represented on the Board including the Chair.

SUCCESSION PLANNING

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

LOOKING FORWARD – 2019/20 STRATEGIES

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

ENVIRONMENT

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

1145 HRS | Environmental Technician



PERFORMANCE AND COMPLIANCE

In 2018-19, the Port's team of five environmental specialists undertook 74 site inspections and observations relating to the Port as well as general port operations performance.

The Ports of Townsville and Lucinda operate under a fully certified Environmental Management System (certified to ISO 14001:2015) which provides a robust structure to ensure operational activities are environmentally sound, tracking continual improvement and fully compliant with all permits and approvals.

Continuing the EcoBiz Partnership, the Port achieved an overall reduction in energy use (fuel and electricity) over the period.

MONITORING

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

Real time air monitoring equipment was installed at the Environmental Park air station in June 2019, with data publicly available on the Department of Environment and Science website. The data from the three boundary monitor locations allows port customers to get real time feedback and assists with the

continual improvement undertaken on their sites and during vessel loading. Air quality dashboards of monthly air quality and the Boundary Air Monitoring Plan are available on the website and are shared with the Port's Community Liaison Group which meets bi-monthly.

Due to natural events (bushfire/dust haze) in the Townsville area, airborne particulate values (PM10/Total Suspended Particles) at the Port's boundary air stations were above the guideline limit on three occasions in 2018-19. All other parameters at all three air monitoring stations (Coast Guard, Lennon Drive and Environmental Park) were below relevant guidelines during this period.

In 2018-19 marine water and sediment samples were collected from waters surrounding the Port and showed similar trends to the previous 12 months. The Port data was supplied and incorporated into the Dry Tropics Partnership for Healthy Waters pilot annual report card.

The Port had Several monitoring buoys and frames were deployed in Ross River, Cleveland Bay and Magnetic

Island during the severe Townsville flooding event in February 2019. The buoys monitor a range of parameters including turbidity, pH, electrical conductivity and temperature.

One of the real time water quality buoys positioned at the mouth of Ross River recorded very high turbidity results (>600NTU), which is approximately 30 times higher than normal levels. This provided an indication of the amount of sediment that was mobilised to Cleveland Bay from the February 2019 flooding event. Unfortunately, this buoy was extensively damaged during the flooding event and had to be removed from the water.

Sediment levels at other locations were raised during the February flooding event, but not to the extent described above. The range of monitors also showed that the freshwater plume extended across Cleveland Bay during the extreme weather event, but that salinity returned to normal levels relatively quickly.

Following the detection of Per-and Poly-fluoroalkyl Substances (PFAS) in groundwater around the Port of Townsville in April 2018, the Port

completed a preliminary investigation with the assistance of a specialist consultant (GHD) and Queensland government departments to understand the nature and extent of PFAS, within and beyond the Port boundary. Further detailed investigations have been undertaken in 2018-19, and ongoing testing of PFAS has been included in routine environmental programs throughout this period.

Proceeding the significant flooding in Townsville that impacted the entire Ross River basin in February 2019, sampling indicated that groundwater results remained stable even after the flood. However, surface water sampling detected PFAS across Ross Creek, Ross River and locations in Cleveland Bay. This is because waterbodies across the entire catchment were connected during the flood.

Port operators with PFAS containing firefighting foam on site were required by 1 July 2019 to comply with the Queensland Government Environmental Management of Firefighting foam policy. The Port successfully replaced its PFAS containing firefighting foam by the 1 July 2019 timeframe.

CLEVELAND BAY SEAGRASS MONITORING

The Port continued the long standing partnership with James Cook University/TropWATER in 2018 to conduct annual seagrass surveys in Cleveland Bay. The latest survey shows that seagrasses in Cleveland Bay continue to be in good overall condition. Their average above ground biomass remained in 'good' or 'very good' condition, and species composition remained stable or improved at most monitoring meadows.

The total area remained above the long term average at all the monitoring sites, reaching the second largest spatial distribution since monitoring began in 2007. Dugong feeding trails were observed at the inshore meadows at Shelly Beach, Rowes Bay and Pallarenda, indicating a relatively high use of these seagrass areas by these marine mammals.

Seagrass monitoring is undertaken each October. Due to the significant weather event in February 2019, there were some concerns that seagrass health may have been impacted. An additional survey was commissioned by the Port in April and undertaken by James Cook University/TropWATER.

Findings from the April survey indicated that there had not been a major impact from the flood to the intertidal seagrasses in the area. In general, the seagrass appeared to be in reasonable condition for the time of year (senescent season). All Townsville intertidal seagrass species previously recorded were present. All historical intertidal baseline and monitoring meadows were also present, and most appeared to cover a similar area to that covered before the flood. Natural systems are complex with many drivers and impacts of which the Port will continue to monitor and report.

NATIONAL ENVIRONMENTAL SCIENCE PROGRAM

The Port is an industry partner for work being undertaken to risk-assess dredging activities in shallow-water mesophotic reefs. The work is being undertaken by Australian Institute of Marine Science (AIMS) and JCU in collaboration with the Australian Government's National Environmental Science Program. This project brings learnings from Western Australian research into inshore coastal reefs of the Great Barrier Reef where turbidity regimes and light levels are very different to those of offshore reefs.

The program has considered long term water turbidity and light measurement data in Cleveland Bay, and utilised 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.

The work conducted and subsequent analysis will assist in continuing to build the science and knowledge around dredging and is currently nearing completion with the final report to be published in late 2019.

REEF 2050 COMMITMENTS

The Port has worked with the Queensland Ports Association on a study to address the Water Quality Action (WQA-17) in the Reef 2050 Long Term Sustainability Plan. This was finalised in July 2018 and is available on the website.

As part of this work, consultant BMT WBM prepared a quantitative sediment budget of the entire Great Barrier Reef (GBR) and regions surrounding GBR ports. This work focused on considering ports in the broader context of sediment movement and suspension in the GBR to help inform management decisions and broadscale drivers of sediment dynamics in the future. Information from this work was incorporated into the Port's Long-term Maintenance Dredging Management Plans.

MAINTENANCE DREDGING STRATEGY

The Long-term Maintenance Dredging Management Plan (LMDMP) was finalised and publicly available on the Port's website in December 2018. This plan responds to both State and Commonwealth requirements for maintenance dredging, sea and land placement. The Plan considers and incorporates Ports Australia's code of practice; and takes into consideration a range of research and monitoring undertaken by Queensland Ports Association under Reef 2050. This is a living document that was developed in accordance with the Queensland Government's Maintenance Dredging Strategy and will continue to evolve; incorporating improvements in knowledge, research and input from our community and stakeholders.

MASTER PLAN

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

Public consultation on the plan was undertaken late in 2018, with a range of forums and information sessions undertaken as well as formal feedback and comments via a submission process. This feedback has been incorporated into the Master plan, and further work is occurring on the associated overlay.

PORT LAND MANAGEMENT

The Port's Land Use Plan, in accordance with the *Planning Act 2016* and the Integrated Development Assessment System, ensures effective and efficient development on Strategic Port Land within the Ports of Townsville and Lucinda. Twenty-one approvals for development were issued in 2018-19, and 187 planning enquiries were fielded in this period.



Above: 1030 HRS | Minister for Transport and Main Roads Mark Bailey, MP Aaron Harper and CEO Raneen Crosby, Channel Upgrade site.
Left: 1400 HRS | Water Monitoring, East Port

GOVERNANCE



BOARD OF DIRECTORS

The Port of Townsville Board of Directors comprised of four non-executive Directors as at 30 June 2019 who were appointed by the Governor in Council in accordance with the GOC Act.

Directors' name and tenure details during the 2018-2019 financial year are shown below:

Name	Position	Initial appointment	Last re-appointed	Appointment expiry
Ms Renita Garard	Chairperson	1 October 2015	1 October 2018	30 September 2021
Mr Bradley Webb	Director	1 October 2011	12 October 2017	30 September 2020
Mr Shayne Hanran	Director	3 December 2015	1 October 2018	30 September 2021
Hon. Mike Reynolds CBE, AM	Director	16 December 2016	Not Applicable	30 September 2019
Ms Megan Heywood	Director	3 December 2015	Not Applicable	30 September 2018

The Port's Directors are paid fees for their services. The amount of the fees is determined by shareholding Ministers. Remuneration arrangements for the Chief Executive Officer and senior executives are determined by the Board in accordance with guidelines issued by shareholding Ministers. In accordance with the disclosure requirements for GOCs, details of Directors' remuneration for the reporting period are located on page 87 of this report.

The Board has adopted a Disclosure of Interests Policy to ensure the independence of Directors is appropriately assessed and any potential conflicts are identified, disclosed, and managed. It is considered by the Board that none of the Directors' interests disclosed during the reporting period interfered with the ability of those Directors to act in The Ports best interests.

Disclosure of interests is further dealt with in the Disclosure of Interests Policy found on website at: townsville-port.com.au/about-us/governance/.

*NOTE: Ms Claudia Brumme-Smith, General Manager Business Development, was on leave from 19 November 2018 to 30 June 2019.

BOARD COMMITTEES

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

1. Audit and Risk Management Committee	2. Human Resources and Work Health and Safety Committee	3. Major Projects Committee
Chair – Ms Renita Garard	Chair – Ms Renita Garard	Chair – Mr Shayne Hanran
Members – Mr Bradley Webb and Hon. Mike Reynolds CBE, AM	Members – Ms Renita Garard and Mr Shayne Hanran	Members – Mr Bradley Webb and Ms Renita Garard
The primary objective of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its responsibilities prescribed in the <i>Financial Accountability Act 2009 (Qld)</i> , <i>Corporations Act 2001 (Cth)</i> and other relevant legislation and prescribed requirements by providing independent comment, advice and counsel to the Board of Directors on financial, audit, risk and other matters considered by the Committee at its regular meetings.	The primary objective of the Human Resources and Workplace Health and Safety (HR&WHS) Committee is to assist the Board of Directors in fulfilling its corporate governance responsibilities by reviewing recommendations, monitoring and establishing HR&WHS policy frameworks. Frameworks shall be consistent with the business needs and objectives, commercial profile and relevant legislation.	<p>The primary objective of the Major Projects Committee is to assist the Board of Directors in fulfilling its responsibilities by facilitating the delivery of major infrastructure projects being undertaken by THE PORT in a timely, efficient and cost-effective manner.</p> <p>The qualifications of Directors on each Board Committee are detailed on pages 60 of this report. Board Committee Charters can be viewed on the Port’s website at www.townsville-port.com.au/about-us/governance/.</p>

DIRECTOR ATTENDANCE

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

Director	Board Meetings		Audit & Risk Management Committee		HR & WHS Committee		Major Projects Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard	9	9	3	3	3	3	0	N/A
Mr Brad Webb	9	7	3	2	0	N/A	3	1
Mr Shayne Hanran	9	9	0	N/A	3	3	3	3
Hon. Mike Reynolds CBE, AM	9	9	3	2	0	N/A	3	2
Ms Megan Heywood	2	1	0	N/A	1	1	0	N/A

SHAREHOLDERS

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

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

Business performance reports are provided to the Board and shareholding Ministers on a quarterly and annual basis so the Port’s performance against agreed targets can be monitored. Moreover, the annual reports are published so the Port’s performance can be communicated to other stakeholders. This annual report provides an overview of the Port’s performance against its SCI for the 2018-19 reporting period.

DIVIDEND POLICY

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

The Port has recommended a dividend to shareholding Ministers of 100% of adjusted audited net profit after tax (NPAT), which the Port expects to be in the amount of \$13.21 million for the 2018-19 financial period.

RISK MANAGEMENT

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

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

BUSINESS MANAGEMENT SYSTEMS

The Port maintained its external certification for its integrated business management system during the reporting period, which includes elements such as Quality (ISO9001:2015), Information Security (ISO27001:2013), Safety (AS/NZS ISO 1401), Occupational Health and Safety (OHSAS 18001:2007 and AS4801:2001) and Environment (ISO14001:2015).

AUDITS

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

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

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

PUBLIC INTEREST DISCLOSURES

The Port has a Public Interest Disclosure (Whistleblowers) Policy, which sets out mechanisms for reporting, investigating, and providing protection in regard to public interest disclosures. This policy is available on the website at www.townsville-port.com.au/about-us/governance/.

The Port did not receive any actual or purported public interest disclosures during the reporting period.

PRIVACY

The Port has implemented a Privacy Plan consistent with the 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. A copy of the Plan is also available on the website at www.townsville-port.com.au/privacy-policy/. The Port did not receive or process any Information Privacy applications during the reporting period.

RELEASE OF INFORMATION

The Right to Information regime requires GOCs to provide greater proactive and routine disclosure of information to the public and gives individuals the right to apply for access to information held by GOCs.

Consistent with the spirit of the legislation, the Port has a publication scheme on the website which provides a number of internal policies and procedures for public availability. This information is located on the Port's website at www.townsville-port.com.au/about-us/release-of-information/.

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

SUMMARY OF DIRECTIONS AND NOTIFICATIONS GIVEN UNDER THE GOC ACT

The Port was notified by its shareholding Ministers during the reporting period of the application the 'Queensland Procurement Policy' and corresponding 'Best Practice Principles: Quality, Safe Workplaces' to Government Owned Corporations.

The Port has obtained shareholding Ministers' approval to its application of the Best Practice Principles for procurement associated with the Channel Upgrade Project which is subject to the application of the principles.

OVERSEAS TRAVEL

No overseas travel was undertaken by Directors and Executives of the Port during the 2018-2019 financial year.

FINANCIAL REPORT

For the year ending 30 June 2019

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GLOSSARY

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

DIRECTORS' REPORT

for the year ended 30 June 2019

The Directors present their report together with the financial statements of Port of Townsville Limited (POTL) for the year ended 30 June 2019 and the auditor's report thereon.

DIRECTORS

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

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

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 \$21.61 million (2018: \$22.26 million) with a continued focus on revenue diversification and cost management. POTL's operating result for the year after income tax remained steady at \$15.96 million (2018: \$15.01 million). Total trade throughput for the year increased by 4.7% on the previous year to 7.68 million tonnes (2018: 7.34 million tonnes).

During the year, POTL commenced works on the Berth 4 Crane and Cargo Terminal Area project. The \$30 million investment is expected to yield a significant step-change in the capacity of the Port of Townsville to handle containers and general cargo, supporting the region through more efficient and cost-effective transport solutions. A \$10 million contract to build a 1.6 hectare container terminal was awarded to Townsville construction company Formset. Formset is expecting to create more than 40 jobs during construction of the new container terminal, which is expected to be operational by February 2020. POTL has ordered a Liebherr post-Panamax ship-to-shore crane which will be commissioned on Berth 4 in December 2020.

The \$193 million Townsville Channel Upgrade Project is progressing well, with construction starting in 2019. Widening of the channels to cater for larger ships will ensure North Queensland remains a competitive trade gateway for imports and exports, and will also enable Townsville to attract larger cruise ships to support growth of the local tourism industry and improve strategic capability for Defence. The project is being funded by POTL (\$43 million), the Queensland Government (\$75 million) and the Federal Government (\$75 million). Several preliminary work packages commenced during the year including preparation of a 10 hectare site within the port to be used for rock receipt, storage, staging areas and site offices; engineering and environmental monitoring works and marine armour rock delivery. It is expected that access for larger ships can be expected within two years and full project completion by 2023.

A new \$48 million common user rail freight terminal was announced this year. The State Government has committed \$30 million towards an Intermodal Terminal project, designed to achieve modal shift from road to rail and additional flexibility for customers of the North West Minerals Province to facility product to market. The initial facility will cater for 1,000 metre trains, with 24 hour operations and will have the capacity of expanding northwards into the Port Expansion area to service future berth (subject to approvals).

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

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

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

		2019	2018
Return on Assets	<i>Net Profit After Tax / Total End of Year Assets</i>	1.96%	2.34%
Return on Equity	<i>Net Profit After Tax / Total End of Year Equity</i>	2.69%	3.30%
Interest Cover Ratio	<i>Earnings Before Interest and Tax / Total Finance costs (inclusive of capitalised costs)</i>	4.90	4.73
Debt to Equity	<i>Total Debt / Total Equity</i>	0.16	0.21

DIVIDENDS

Directors recommended payment of a final dividend of 100% of adjusted profits (2018: 100%). The final dividend amounts to \$13,205,003 (2018: \$15,011,381).

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 2019 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

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

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

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

Further detailed investigations have been undertaken in 2018-2019 and ongoing testing of PFAS has been included in routine environmental programs for local marine sediments and waters throughout 2018-2019. Some works were delayed due to the flooding that occurred in Townsville in February and work will continue in 2019-2020. Sampling following the significant flooding event that impacted the entire Ross River basin in February 2019, indicated groundwater results remained stable even post this event.

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

INFORMATION ON DIRECTORS

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

MS RENITA GARARD (OAM) CHAIR

Appointed 1 October 2015

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

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

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

MR BRADLEY WEBB NON-EXECUTIVE DIRECTOR

Appointed 1 October 2011

Brad Webb is Managing Director of BM Webb Industrial Property. Established in Townsville as an interstate truck haulage business in 1979, BM Webb has grown into a diverse, award-winning business that specialises in the construction and leasing of industrial warehouses.

Brad has an extensive knowledge within industries including construction, concrete, quarry, transport, bulk cement, rail and container terminal construction and international business and trade, which have all influenced the growth of his industrial estate. He has also received numerous business and personal awards, including Townsville Citizen of the Year in 2003, and special recognition from General Peter Cosgrove AC MC for providing relief to the Cyclone Larry Recovery Taskforce in 2006.

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

MS MEGAN HEYWOOD NON-EXECUTIVE DIRECTOR

Appointed 3 December 2015

Expired 30 September 2018

Megan has more than 20 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.

MR SHAYNE HANRAN NON-EXECUTIVE DIRECTOR

Appointed 3 December 2015

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

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

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

HON. MIKE REYNOLDS CBE, AM

Appointed 16 December 2016

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

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

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

Mr Reynolds was an Adjunct Professor at the Public Policy Institute at the Canberra Campus of the Australian Catholic University (2012-2013) and is the Australian Patron of Youth With a Mission Medical Ships Australia (2009-2018). Mr Reynolds is a non-executive Director with North and West Remote Health (2012 to 2018).

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

COMPANY SECRETARY

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

Ms Esther Slocombe

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

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

Esther has also completed a Diploma of Management.

Mr David Sibley

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

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

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

MEETINGS OF DIRECTORS

The number of meetings of POTL's Board of Directors and of each board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

Director	Board Meetings		Audit & Risk Management Committee		HR & WHS Committee		Major Projects Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard	9	9	3	3	3	3	0	N/A
Mr Brad Webb	9	7	3	2	0	N/A	3	1
Mr Shayne Hanran	9	9	0	N/A	3	3	3	3
Hon. Mike Reynolds CBE, AM	9	9	3	2	0	N/A	3	2
Ms Megan Heywood	2	1	0	N/A	1	1	0	N/A

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

DIRECTORS' SHAREHOLDING

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 64.

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 20 August 2019.

Ms Renita Garard
Chair
20 August 2019

Mr Brad Webb
Director
20 August 2019

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 2019, I declare that, to the best of my knowledge and belief, there have been -

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



Mr Vaughan Stemmett
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

ANNUAL FINANCIAL STATEMENTS

PURPOSE AND SCOPE

Port of Townsville Limited (POTL) is a company limited by shares, incorporated and domiciled in Australia and is a Government Owned Corporation (GOC) reporting under the

Government Owned Corporations Act 1993 (Qld). Its registered office and place of business is:

Port of Townsville Limited
Benwell Road
Townsville QLD 4810.

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

These Statements have been prepared:-

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

A description of the nature of POTL's operations and its principal activities is included in the Directors Report on pages 57 to 59 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	2019 \$	2018 \$
REVENUES			
User Charges	2(A)	74,358,110	72,916,730
Interest Received		981,342	468,830
Other Revenue	2(A)	784,459	762,262
Fair Value Gains on Investment Properties	3(G)	4,272,000	3,150,338
		80,395,911	77,298,160
EXPENSES			
Employee Related Expenses	2(B)	17,000,294	16,812,577
Supplies and Services	2(B)	20,536,800	18,504,004
Depreciation and Amortisation Expense	3(E)	12,845,303	11,717,165
Finance Costs	2(B)	5,547,905	4,631,726
Other Expenses	2(B)	2,520,103	2,004,887
Fair Value Decrements on Investment Properties	3(G)	335,000	1,370,620
		58,785,405	55,040,979
OPERATING RESULT BEFORE INCOME TAX EXPENSE		21,610,506	22,257,181
Income Tax Expense	2(C)	(5,649,603)	(7,245,800)
OPERATING RESULT AFTER INCOME TAX EXPENSE		15,960,903	15,011,381
OPERATING RESULT FOR THE YEAR		15,960,903	15,011,381
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO OPERATING RESULT:			
Increase / (Decrease) in Revaluation Surpluses (net of tax effect)	3(E)	74,983,093	18,509,940
TOTAL COMPREHENSIVE INCOME		90,943,996	33,521,320

STATEMENT OF FINANCIAL POSITION

	Notes	2019 \$	2018 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3(A)	11,870,550	12,160,032
Trade and Other Receivables	3(B)	14,282,849	13,752,633
GOC Advance Facility	3(C)	72,996,074	15,992,126
Current Tax Receivable		-	2,435,663
Other Assets		812,529	631,252
Inventories	3(D)	83,555	69,881
TOTAL CURRENT ASSETS		100,045,557	45,041,587
NON-CURRENT ASSETS			
Property, Plant and Equipment	3(E)	662,851,197	549,242,564
Intangibles	3(E)	361,689	481,577
Investment Properties	3(G)	50,962,000	47,025,000
TOTAL NON-CURRENT ASSETS		714,174,886	596,749,141
TOTAL ASSETS		814,220,443	641,790,728
CURRENT LIABILITIES			
Trade and Other Payables	3(H)	10,179,652	6,145,794
Current Tax Liabilities		207,062	-
Provisions	3(J)	16,592,121	18,479,748
Other Liabilities	3(K)	3,461,672	4,436,635
TOTAL CURRENT LIABILITIES		30,440,507	29,062,177
NON-CURRENT LIABILITIES			
Financial Liabilities	3(I)	96,137,543	96,137,543
Deferred Tax Liabilities	2(C)	71,364,747	36,942,704
Provisions	3(J)	689,383	611,851
Other Liabilities	3(K)	22,954,167	24,279,167
TOTAL NON-CURRENT LIABILITIES		191,145,840	157,971,265
TOTAL LIABILITIES		221,586,347	187,033,442
NET ASSETS		592,634,096	454,757,285
EQUITY			
Contributed Equity	3(L)	162,879,706	103,062,706
Accumulated Surplus		144,987,238	141,910,520
Asset Revaluation Surplus	3(M)	284,767,152	209,784,059
TOTAL EQUITY		592,634,096	454,757,285

STATEMENT OF CHANGES IN EQUITY

	Notes	2019 \$	2018 \$
CONTRIBUTED EQUITY			
Balance at beginning of the year		103,062,706	103,062,706
Shares Issued		59,817,000	
Balance at the end of the year	3(L)	162,879,706	103,062,706
ACCUMULATED SURPLUS			
Balance at beginning of the year		141,910,520	141,259,718
Operating result for the year		15,960,903	15,011,381
Transfer from reserves on disposal / derecognition of property, plant and equipment		458,313	929,719
Deferred tax adjustment for disposals of property, plant and equipment		(137,495)	(278,916)
Dividends provided for	3(N)	(13,205,003)	(15,011,381)
Balance at the end of the year		144,987,238	141,910,520
ASSET REVALUATION SURPLUS			
Balance at beginning of the year		209,784,059	191,274,119
Property, plant and equipment revaluation increment / (decrement) - gross		107,577,018	27,372,490
Deferred tax adjustment for revaluations		(32,135,612)	(7,932,831)
Transfer to accumulated surplus on disposal/derecognition of property, plant and equipment		(458,313)	(929,719)
Balance at the end of the year	3(M)	284,767,152	209,784,059

STATEMENT OF CASH FLOWS

	Notes	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		72,505,447	73,212,688
Payments to Suppliers and Employees		(36,439,635)	(39,360,407)
GST collected from Customers		7,083,604	6,978,612
GST paid to Suppliers		(2,831,766)	(3,966,938)
GST received from the Australian Taxation Office		-	34,855
GST paid to the Australian Taxation Office		(4,251,839)	(3,046,530)
Interest Received		981,342	468,830
Finance Costs		(5,579,396)	(4,692,253)
Income Tax Equivalents Refunds		4,384,960	1,996,574
Income Tax Equivalents Paid		(5,242,902)	(6,564,189)
Net Cash Inflow from Operating Activities		30,609,815	25,061,241
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant and Equipment		(18,903,695)	(16,993,351)
Proceeds from Sale of Property, Plant and Equipment		202,727	129,031
Advances to Queensland Treasury		(57,003,948)	(15,992,126)
Net Cash Outflow from Investing Activities		(75,704,916)	(32,856,446)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		-	(111,213)
Capital Issue		59,817,000	
Dividends Paid		(15,011,381)	-
Net Cash Inflow (outflow) from Financing Activities		44,805,619	(111,213)
Net (Decrease) / Increase in Cash and Cash Equivalents		(289,482)	(7,906,418)
Cash and Cash Equivalents at Beginning of the Financial Year		12,160,032	20,066,449
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		11,870,550	12,160,032

Notes to the Statement of Cash Flows

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

Operating Result for the Year	15,960,903	15,011,381
Depreciation and Amortisation	12,845,303	11,717,165
(Gain) / Loss on Disposal of Non-Current Assets	(56,062)	(73,855)
Net Revaluation Increments - Non-Current Assets	(3,937,000)	(1,779,718)
Changes in Assets and Liabilities		
(Increase) / Decrease in Trade and Other Receivables	(214,610)	351,535
(Increase) / Decrease in Other Assets	(181,277)	(140,378)
Increase / (Decrease) in Trade and Other Payables	1,404,614	(2,860,001)
Increase / (Decrease) in Provisions	(3,717)	156,927
Increase / (Decrease) in Current and Deferred Tax balances	4,791,661	2,678,185

Net Cash Inflow from Operating Activities	30,609,815	25,061,241
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Reconciliation of Liabilities Arising From Financing Activities

Opening Balance	96,137,543	96,248,756
Cash Flows:		
Repayment of borrowings	-	(111,213)

Closing Balance	96,137,543	96,137,543
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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 Corporation has no subsidiaries.

The financial statements were authorised for issue by the Directors on 20 August 2019. The Directors have the power to amend and reissue the financial statement.

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

(B) PRESENTATION AND MEASUREMENT MATTERS

Historical cost convention

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

Functional and presentation currency

These financial statements are presented in Australian dollars, which is 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 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.

New and amended standards adopted

AASB 15 Revenue from Contracts with Customers

POTL has adopted AASB 15 Revenue from Contracts with Customers ("AASB 15"), which is applicable from 1 July 2018 using the modified retrospective approach. The cumulative impact of the adoption is recognised in retained earnings as of 1 July 2018. The comparatives have not been restated.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces the previous revenue accounting guidance, including AASE 118 Revenue and AASB 111 Construction Contracts and related interpretations. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. Revenue is recognised either at a point in time or over time, when (or as) the entity satisfies performance obligations by transferring the promised goods or services to its customers.

The cumulative effect of initially applying the new revenue accounting standard is nil, with the transition adjustments arising on account of applying the new revenue accounting standards are not material to the POTL's financial statements.

POTL's accounting policies for its revenue streams are disclosed in detail in Note 2(A) Revenue. Whilst the accounting policies have been changed to align with the new revenue accounting standards AASB 15, the changes have not resulted in any material differences in the timing of revenue recognition.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9

POTL has adopted AASB 9 Financial Instruments, which is applicable from 1 July 2018. The main impacts of these standards are the changed requirements for classification measurement, impairment and disclosures associated with financial assets. The new standard is based on the concept that financial assets should be classified and measured at fair value with changes in fair value recognised in profit and loss as they arise (FVPL), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income (FVOCI).

POTL's accounting policies for financial instruments are disclosed in detail in Note 3. Whilst the accounting policies have been changed to account for applying the new standards, the cumulative effect of initially applying the new standard is nil, with transition adjustments arising on account of applying the new standards not resulting in any material differences in the classification or measurement of POTL's financial instruments.

Standards and Interpretations in issue not yet adopted

POTL has not early adopted any other Australian Accounting Standards and Interpretations that have recently been issued or amended and are not yet effective for the annual reporting period ended 30 June 2019. POTL does not expect there to be any significant impact from these amendments.

Title	Operative for reporting financial year ending
Interpretation 23 and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2020
AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2020
AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements Cycle 2015-2017 Cycle <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2020
AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement [AASB 119] <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2020
AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2020
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material <i>POTL does not expect there to be any impact from these amendments.</i>	30 June 2021
AASB 16 Leases <i>The impact on POTL is discussed below.</i>	30 June 2020

NOTE 1. BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

AASB 16 Leases

General impact of application of AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 will be 1 July 2019.

POTL will apply the modified retrospective (cumulative) application of AASB 16 in accordance with AASB 16:C5(b). Consequently, comparative information will not be restated but rather the cumulative effect of adopting the standard will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The definition of a lease and related guidance set out in AASB 16 will be applied to all lease contracts entered into or modified on 1 July 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating leases

AASB 16 will change how to account for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below):

- Right of use assets and lease liabilities will be recognised in the statement of financial position, initially measured at the present value of the future lease payments;
- Depreciation of right of use assets and interest on lease liabilities will be recognised in the statement of profit or loss; and
- The total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) will be separated in the cash flow statement.

Lease incentives (e.g. rent free period) will be recognised as part of the measurement of the right of use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right of use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts. For short term leases (lease term of 12 months or less) and leases of low value assets, a lease expense will be recognised on a straight line basis.

Under AASB 117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities and to increase net cash used in financing activities by the same amount.

In preparation for the first time application of AASB 16, POTL has carried out a preliminary impact assessment which indicates that some of the long-term lease arrangements will be recognised on the balance sheet as at 1 July 2019, with an expected lease asset and corresponding lease liability of approximately \$5 million.

Finance leases

POTL does not have any finance lease arrangements and hence application of AASB 16 is not expected to have any impact on the financial statements.

Impact on Lessor Accounting

Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under AASB 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117).

A preliminary assessment indicates that while POTL has a number of head lease arrangements, the cumulative effect of these are not material to POTL's financial statements.

(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), 3(F)
Depreciation	Note 3(E), 3(F)	Provision for Doubtful Debts	Note 3(B)

	2019 \$	2018 \$
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NOTE 2. OUR FINANCIAL PERFORMANCE

(A) REVENUE

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

Revenue is recognised for the major business activities as follows:

User Charges

Cargo Charges / Berthage / Charges for Services

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

Properties and Facilities

Revenue from property and facilities is recognised when entitlement to payment arises under the rental agreement. Monies received in advance at the end of the financial year are recognised as a liability. Rental revenue from investment property is recognised as income on a periodic straight line basis over the lease term.

Pilotage Transfer Service Revenue

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

Interest Received

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

(i) User Charges

Cargo Charges	34,707,553	34,200,423
Berthage	13,029,721	12,192,726
Properties and Facilities	10,870,775	11,109,971
Charges for Services	8,327,821	8,509,791
Pilot Transfer Service	7,422,240	6,903,820
	74,358,110	72,916,731

	2019 \$	2018 \$
(ii) Other Revenue		
Proceeds - Sale of Property, Plant & Equipment & Investment Properties	176,115	128,323
Carrying Value of Disposed Property, Plant & Equipment	(39,892)	(25,066)
Gain on Sale of Property, Plant & Equipment	136,223	103,257
Works Undertaken on Behalf of Other Parties		
Tax Refunds		
Other Revenue		

(B) EXPENSES

(i) Employee Related Expenses

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

Salaries & Wages	12,806,104	12,781,518
Annual Leave	905,962	705,212
Long Service Leave	139,353	308,251
Superannuation	1,597,713	1,565,685
Payroll Tax	799,709	770,890
Fringe Benefits Tax	154,707	154,339
Workers Compensation	252,035	220,168
Other Employee Related Expenses	344,711	306,514
	17,000,294	16,812,577

	2019 \$	2018 \$
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NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

	2019 \$	2018 \$		
(ii) Supplies and Services				
Payments to Contractors (other than those for Maintenance of Assets or Dredging below)			2,735,760	2,691,843
Payments to Consultants				
Professional/Technical	2,313,255	1,792,067		
Human Resource Management	7,233	30,860		
Finance/Accounting	132,800	69,356		
	2,453,288	1,892,283		
Insurance			2,453,288	1,892,283
Bad Debts			1,537,586	1,296,618
Maintenance of Assets			-	42,279
Dredging			2,493,337	2,813,567
Reclassified Work in Progress			3,745,171	3,234,956
Utilities and Services			3,097,841	2,921,759
Other Supplies and Services			1,774,248	1,644,908
			2,699,569	1,965,791
			20,536,800	18,504,004

To allow the notes to more accurately reflect the components of Supplies and Services, a further dissection of Other Supplies and Services has been undertaken. 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 the statement of comprehensive income in the period they were incurred. The method used to capitalise interest was based on the individual borrowings required for the specific asset, converting to an approximate capitalisation rate of 0% (2018: 1.47%).

Loan Interest	4,407,906	4,556,079
Competitive Neutrality Fee	1,139,999	1,131,347
Capitalised Finance Costs	-	(1,055,700)
	5,547,905	4,631,726

	2019 \$	2018 \$		
(iv) Other Expenses				
Proceeds from Sale of Property, Plant & Equipment	26,614	708		
Carrying Value of Disposed Property, Plant & Equipment	(106,774)	(30,110)		
Loss on Sale of Property, Plant & Equipment	(80,160)	(29,402)		
Land Tax			80,160	29,402
Internal Management Review Fees			2,304,616	1,869,763
Audit Fees - Audit of the Annual Financial Statements			50,327	25,722
			85,000	80,000
			2,520,103	2,004,887

(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.

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

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

	2019 \$	2018 \$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		
(i) Income Tax Equivalents		
Income tax equivalents expense		
Current Tax Expense / (Benefit)	4,341,444	2,922,930
Deferred Tax Expense / (Benefit)	2,148,938	5,892,665
Under/(Over) Provision in Prior Years	(840,779)	(1,569,795)
	5,649,603	7,245,800
Income Tax Equivalents Expense is attributable to:		
Profit from Operations	6,490,382	8,815,595
Under/(Over) Provision in Prior Years	(840,779)	(1,569,795)
	5,649,603	7,245,800
Deferred Income Tax (Revenue) Expense included in Income Tax Expense comprises:		
Decrease/(Increase) in Deferred Tax Assets	(9,198)	624,610
(Decrease)/Increase in Deferred Tax Liabilities	2,158,136	5,268,055
	2,148,938	5,892,665
Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit from Operations before Income Tax Expense	21,610,506	22,257,181
Tax at the rate of 30% (2017 - 30%)	6,483,152	6,677,154
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	2,782	2,592
Other	4,448	2,135,849
	6,490,382	8,815,595
	(840,779)	(1,569,795)
Under/(Over) Provision in Prior Years		
	5,649,603	7,245,800
Income Tax Equivalents Expense		
Amounts Recognised Directly in Equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in the statement of comprehensive income but directly debited or credited to equity.		
Current tax - credited directly to equity	(137,495)	(278,916)
Net deferred tax - debited/(credited) direct to equity as a result of net increment in Revaluation Surpluses	(32,135,612)	(7,932,831)
	(32,273,107)	(8,211,748)
(ii) Deferred Taxes		
Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Allowance for doubtful debts	345,794	-
Accrued payables	58,843	84,648
Provision for annual leave	339,958	281,463
Provision for long service leave - current	666,911	746,814
Provision for long service leave - non current	206,815	183,555
Accrued superannuation	12,276	7,434
Property, Plant and Equipment	42,516	-
Deferred grant revenue	6,840,000	7,200,000
Total Deferred Tax Assets	8,513,113	8,503,915
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,513,113)	(8,503,915)
Net Deferred Tax Assets	-	-

	2019 \$	2018 \$
NOTE 2. OUR FINANCIAL PERFORMANCE (continued)		
Movements:		
Opening balance at 1 July	8,503,915	9,128,525
Credited / (charged) to the statement of comprehensive income	9,198	(624,610)
As at 30 June	8,513,113	8,503,915
Deferred tax assets expected to be recovered within 12 months	1,783,782	1,480,359
Deferred tax assets expected to be recovered after more than 12 months	6,729,331	7,023,555
	8,513,113	8,503,914
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Accrued Trade Receivables	1,901,882	1,504,207
Property, Plant and Equipment	(44,067,088)	(45,965,043)
Property, Plant and Equipment (revaluation component)	122,043,066	89,907,454
Total Deferred Tax Liabilities	79,877,860	45,446,618
Set-off of deferred tax liabilities pursuant to set-off provisions	(8,513,113)	(8,503,915)
Net Deferred Tax Liabilities	71,364,747	36,942,703
Movements:		
Opening balance at 1 July	45,446,618	32,245,732
Credited/(charged) to the statement of comprehensive income	2,158,136	5,268,055
Credited/(charged) to equity	32,273,107	7,932,831
As at 30 June	79,877,861	45,446,618
The Deferred tax liability includes amounts recognised directly in equity as follows:		
Revaluation of Property, Plant and Equipment	122,043,066	89,907,454
Cash on Hand	500	500
Cash at Bank	11,870,050	12,159,532
	11,870,550	12,160,032
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.		
Trade and other receivables are measured at amortised cost which approximates their fair value at reporting date. Trade receivables are due for settlement no more than 30 days from the date of recognition for 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.		

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION

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

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

POTL has undergone an analysis of historical credit losses for a period of 36 months prior to 30 June 2019. The historical loss rates have been deemed immaterial.

Trade Receivables	15,435,500	14,905,284
Loss Allowance	(1,152,651)	(1,152,651)
	14,282,849	13,752,633

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	12,995,388	12,580,218
30 - 60 days	107,095	25,613
over 60 days	1,180,366	1,146,801
	14,282,849	13,752,633

Impaired Trade Receivables

As at 30 June 2019 current trade receivables of POTL with a nominal value of \$1,152,651 (2018: \$1,152,651) 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	1,152,651	1,245,014
Additional allowance for impairment	-	25,832
Reversal of previous provision	-	(30,999)
Receivables written off as uncollectable	-	(87,196)
	1,152,651	1,152,651

The ageing of these receivables is as follows:

Up to 3 months	-	-
3 to 6 months	-	-
Over 6 months	1,152,651	1,152,651
	1,152,651	1,152,651

Past Due but not Impaired

As of 30 June 2019 trade receivables of \$134,810 (2018: \$19,763) 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	134,810	19,763
3 to 6 months	-	-
Over 6 months	-	-
	134,810	19,763

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) GOC ADVANCE FACILITY

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

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

(D) INVENTORIES

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

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

Initial Recognition

The cost model of accounting is used for all acquisitions of assets, being fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisitions. Assets acquired at no cost or for nominal considerations are recognised at their fair value at date of acquisition.

Where assets are constructed by 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 statement of comprehensive income during the financial period in which they are incurred.

Subsequent Measurement

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

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

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

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A revaluation decrement is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash generating units).

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

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

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are shown at fair value. The fair value of each asset group has beer 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 car cause fluctuations in fair value between periods. As a result, valuations are undertaken annually to ensure that the carrying value of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period.

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are categorised as Level 3 at 30 June 2019.

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	7.43%	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 (20.6)	The higher the terminal value the higher the fair value
Forecast Trade	Maximum capacity of 18.1 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 2019 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 2019. The future cast 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 perioic discounting (to discount future cash flows to their net present value) has been adopted.
- POTL has established the cash generating units of Shipping Operations, Property Management, Port of Lucinda and Pilot and Security Services. Direct revenues and costs are apportioned utilising the most appropriate allocation method for that type of expenditure e.g. the written down value of relevant assets or proportional revenue received.
- Forecast revenue assumptions have been based on customer contracts (where applicable), advice from customers, assessment of feasibility of new trades or increases ir capacity of supporting infrastructure, global market conditions for commodities and long-term historical trade patterns. Forecast trade is however limited to capacity oi existing infrastructure and volumes subsequent to that are assumed to be constant. A 1% change in the trade projection results in 1.43% 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 inflator 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 oi WACC of 1% can affect total non-current asset values by up to 20.41%, but a sympathetic increase of 1% in both indices has a sensitivity of 1.289%.
- 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 0.097%.
- 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 als calculated over several periods to determine possible variations. An equivalent 30 year terminal fair value calculation varies by 14.78%. Average variance to termina value calculations from 20 to 90 years is 7.35%.
- 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 whai 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.

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 or management's experiences with similar non-current assets in a similar environment. Changes in these estimates could change significantly as a result of impacts of use or technica 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.

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

		\$ Gross	\$ Accumulated Depreciation / Amortisation	\$ Carrying Amount
Channels and Swing Basins	At Valuation 2019 At Valuation 2018	180,742,195 149,892,948	- -	180,742,195 149,892,948
Land	At Valuation 2019 At Valuation 2018	89,349,947 75,654,033	- -	89,349,947 75,654,033
Wharves	At Valuation 2019 At Valuation 2018	177,444,934 150,414,001	- -	177,444,934 150,414,001
Breakwaters	At Valuation 2019 At Valuation 2018	62,536,856 51,627,794	- -	62,536,856 51,627,794
Buildings	At Valuation 2019 At Valuation 2018	19,689,868 16,709,312	- -	19,689,868 16,709,312
Small Boat Harbours	At Valuation 2019 At Valuation 2018	8,240,031 7,328,052	- -	8,240,031 7,328,052
Infrastructure	At Valuation 2019 At Valuation 2018	79,683,285 66,468,853	- -	79,683,285 66,468,853
Plant and Equipment	At Cost 2019 At Cost 2018	22,614,656 22,495,251	12,115,083 11,561,110	10,499,572 10,934,142
Intangibles	At Cost 2019 At Cost 2018	1,842,447 1,842,447	1,480,758 1,360,870	361,689 481,577
*Capital Works in Progress	At Cost 2019 At Cost 2018	34,664,509 20,213,430	- -	34,664,509 20,213,430
Total 2019 Total 2018		676,808,727 562,646,121	13,595,841 12,921,980	663,212,886 549,724,141

**Capital Works in Progress*

Harbour Works (includes inner harbour works, Port Expansion and Channel Upgrade Project)	32,918,113	16,603,516
Port Developments (includes East Port and Harbour City Developments)	618,420	1,497,490
Equipment	1,127,976	2,112,424
	34,664,509	20,213,430

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	70,938,328	71,834,061
Land	25,672,905	25,486,733
Wharves	108,601,387	112,009,090
Breakwaters	5,862,522	5,245,275
Buildings	14,781,112	15,265,857
Small Boat Harbours	5,149,074	5,342,166
Infrastructure	44,957,800	44,916,520
	275,963,128	280,099,702

NOTE 3. OUR FINANCIAL POSITION (continued)

Reconciliation of Carrying Amounts

2018-2019	\$	\$	\$	\$	\$ Revaluations		\$	\$
	Carrying Amount at 1 July 2018	Additions	Disposals & Derecognitions	Transfers	Recognised in Statement of Comprehensive Income	Recognised in Revaluation Surplus	Depreciation / Amortisation Expense	Carrying Amount at 30 June 2019
Level 3 Assets								
Channels and Swing Basins	149,892,948	-	-	-	-	32,395,147	(1,545,900)	180,742,195
Land	75,654,033		-	186,172	-	13,509,742	-	89,349,947
Wharves	150,414,001		-	17,044	-	31,804,165	(4,790,276)	177,444,934
Breakwaters	51,627,794		-	691,319	-	11,208,731	(990,988)	62,536,856
Buildings	16,709,312		-	183,153	-	3,454,846	(657,443)	19,689,868
Infrastructure	66,468,853		(13,270)	2,217,858	-	14,112,934	(3,103,089)	79,683,285
Small Boat Harbours	7,328,052	-	-	-	-	1,091,453	(179,474)	8,240,031
Assets at Cost	-							
Plant & Equipment	10,934,141		(133,396)	1,157,072	-	-	(1,458,245)	10,499,572
Intangibles	481,577	-	-	-	-	-	(119,888)	361,689
Capital Works in Progress	20,213,430	18,903,695	-	(4,452,617)	-	-	-	34,664,509
	549,724,141	18,903,695	(146,666)	-	-	107,577,018	(12,845,303)	663,212,886

2017-2018	\$	\$	\$	\$	\$ Revaluations		\$	\$
	Carrying Amount at 1 July 2017	Additions	Disposals & Derecognitions	Transfers	Recognised in Statement of Comprehensive Income	Recognised in Revaluation Surplus	Depreciation / Amortisation Expense	Carrying Amount at 30 June 2018
Level 3 Assets								
Channels and Swing Basins	143,161,192	-	-	-	-	8,193,157	(1,461,401)	149,892,948
Land	71,664,370		-	365,802	-	3,623,861	-	75,654,033
Wharves	113,008,064		(708)	33,861,253	-	7,913,819	(4,368,427)	150,414,001
Breakwaters	45,525,665		-	4,161,209	-	2,821,978	(881,058)	51,627,794
Buildings	16,507,548		-	-	-	899,586	(697,822)	16,709,312
Infrastructure	64,094,906		-	1,529,883	-	3,596,293	(2,752,229)	66,468,853
Small Boat Harbours	7,178,312		-	-	-	323,796	(174,056)	7,328,052
Assets at Cost	-							
Plant & Equipment	6,897,850		(50,270)	5,334,593	-	-	(1,248,032)	10,934,141
Intangibles	543,925		(4,198)	75,989	-	-	(134,139)	481,577
Capital Works in Progress	47,493,108	18,049,051	-	(45,328,730)	-	-	-	20,213,430
	516,074,940	18,049,051	(55,176)	-	-	27,372,490	(11,717,165)	549,724,141

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	
	2019	2018	2019	2018
Channels and Swing Basins	1.00%	1.00%	1.00%	1.00%
Wharves	1.09% - 10%	1.09% - 9.09%	3.11%	3.08%
Breakwaters	1% - 2.14%	1% - 1.97%	1.31%	1.28%
Buildings	1.54% - 8.49%	1.54% - 6.16%	3.28%	3.15%
Infrastructure	0.47% - 20%	0.5% - 20%	2.77%	2.62%
Small Boat Harbours	1.94% - 2.66%	1.9% - 2.4%	2.20%	2.11%
Plant and Equipment	0.18% - 50.0%	0.03% - 50.0%	13.41%	13.51%
Intangibles	13% - 27.12%	9.19% - 25%	15.99%	15.64%

(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 the statement of comprehensive income.

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

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

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

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

Valuation Basis

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

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.

Current year revaluations have been based on physical independent assessments made by Jones Lang Lasalle Public Sector Valuations Pty Ltd. Valuation conclusions were reached after reviewing recent market activity by POTL, town planning schemes and assessment of the overall health of the Australian and Queensland economies taking into account specific industry conditions likely to impact on asset prices. Qualitative research indicated that POTL investment property values increased on average 8% 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

Opening balance at 1 July	31,526,000	29,146,134
Net gain (loss) from fair value adjustment	3,920,000	2,379,866
Closing balance at 30 June	35,446,000	31,526,000

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Buildings		
Opening balance at 1 July	15,499,000	16,099,149
Net gain (loss) from fair value adjustment	17,000	(600,149)
Closing balance at 30 June	15,516,000	15,499,000
Total Investment Properties Closing balance at 30 June	50,962,000	47,025,000
Amounts recognised in the Statement of Comprehensive Income for Investment Properties		
Rental income	1,227,357	1,398,397
Direct operating expenses from property that generate rental income	(630)	(12,974)
Direct operating expenses from property that did not generate rental income	(36,795)	(28,005)
Net gain (loss) from fair value adjustment	3,937,000	1,779,717
Comprehensive Income	5,126,932	3,137,136

(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 due to their short term nature.

Current		
Trade Payables	9,877,149	5,737,888
Competitive Neutrality Fee	284,219	282,062
Retention	18,284	125,844
	10,179,652	6,145,794

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

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.

(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.

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	30,891	40,776
Employee Benefits - Long Service Leave	2,223,035	2,489,381
Employee Benefits - Annual Leave	1,133,192	938,210
Dividend	13,205,003	15,011,381
	16,592,121	18,479,748
Non-Current		
Employee Benefits - Long Service Leave	689,383	611,851
	689,383	611,851

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

Amounts not expected to be settled within the next 12 months

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

Short Term Obligations

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

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

Other Long-Term Employee Benefit Obligations

The liabilities for long service leave are those not expected to be settled wholly within 12 months after the end of period in which the employees render the related service. They are recognised in provisions and measured as the present value of the expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and includes related on-costs. Expected future payments are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that match, as closely as possible, the estimated future cash flows.

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

Retirement Benefit Obligations

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

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	15,011,381	40,776	2,489,381	938,210
<u>Charged/(credited) to the statement of comprehensive income</u>				
- additional provisions recognised	13,205,003	154,707	460,098	1,178,853
Amounts transferred/reclassified			(257,539)	
Amounts used during the period	(15,011,381)	(164,592)	(468,905)	(983,871)
Carrying amount at end of year	13,205,003	30,891	2,223,035	1,133,192

	Employee Benefits - Long Service Leave
	\$
Non-Current	
Carrying amount at start of year	611,851
<u>Charged/(credited) to the statement of comprehensive income</u>	
- unused amounts reversed or unwound	(180,007)
Amounts transferred/reclassified	257,539
Carrying amount at end of year	689,383

(K) OTHER LIABILITIES

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

The Berth 10 upgrade project provides a dedicated facility for military vessels. In 2010-2011, the Department of Defence contributed \$30 million towards future licence fees in respect to the new facility to ensure access over 25 years. The licence fees are to be recognised as revenue on a straight line basis over a period of 25 years. The revenue is recognised from completion of the Berth 10 upgrade, which was October 2013. The balance at reporting date is \$22,800,000 (\$1,200,000 current, \$21,600,000 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 \$1,479,167 (\$125,000 current, \$1,354,167 non-current).

	2019 \$	2018 \$
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NOTE 3. OUR FINANCIAL POSITION (continued)

(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		
Opening balance at 1 July - 103,062,706 (2018: 103,062,706) ordinary shares of \$1 each fully paid	103,062,706	103,062,706
Issue of shares	59,817,000	-
Amount at the reporting date -162,879,706 (2018: 103,062,706) ordinary shares of \$1 each fully paid	162,879,706	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).

Balances of Asset Revaluation Surplus by category are as follows:

Channels and Swing basins	90,385,443	67,708,840
Land	45,107,407	35,650,588
Wharves	63,308,499	41,091,802
Breakwaters	40,545,393	32,699,281
Buildings	7,731,913	5,335,815
Small Boat Harbours	2,603,995	2,063,817
Plant and Equipment	341,778	368,781
Infrastructure	32,628,109	22,750,520
Land and Buildings transferred to Investment Properties	2,114,615	2,114,615
	284,767,152	209,784,059

(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% (2018: 100%) of net profit after tax, excluding the effects of asset revaluations. The final dividend amounts to \$13,205,003 (2018: \$15,011,381).

Ordinary Shares

Dividends provided for or paid	13,205,003	15,011,381
Dividends per share	0.081	0.146

	2019 \$	2018 \$
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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:

Not later than one year	34,690,855	2,040,712
Later than one year but not later than five years	3,829,225	-
	38,520,080	2,040,712

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	1,579,723	1,110,157
Later than one year but not later than five years	1,226,934	1,110,157
	2,806,657	2,220,313

Future Minimum Lease Commitments Receivable

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

Not later than one year	9,825,188	9,564,056
Later than one year but not later than five years	40,496,969	40,515,513
	50,322,157	50,079,568

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 2019 (2018: 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 Audit undertakes reviews of risk management controls and procedures, and reports the results 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 76% of revenue. When necessary, POTL will establish an allowance for impairment that represents estimates of possible incurred losses of trade and other receivables, and is shown in Note 3(B). Ageing of past due trade and other receivables is shown in Note 3(B).

	2019 \$	2018 \$
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NOTE 4. OTHER (continued)

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.

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

2019		Payable In		Total Contractual	Carrying
	< 1 year	1-5 years	> 5 years	Cash Flows	Amount
Payables	10,179,652	-	-	10,179,652	10,179,652
QTC Borrowings	4,249,279	16,785,615	96,137,543	117,172,437	96,137,543

2018		Payable in		Total Contractual	Carrying
	< 1 year	1-5 years	> 5 years	Cash Flows	Amount
Payables	6,145,794	-	-	6,145,794	6,145,794
QTC Borrowings	4,441,554	17,631,625	96,137,543	118,210,722	96,137,543

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.

Fixed Rate Maturing In:	0-1 Years		1-5 Years		Over 5 Years	
	2019	2018	2019	2018	2019	2018
Financial Assets						
Cash on Hand	-	-	-	-	-	-
Cash at Bank	11,870,050	12,159,532	-	-	-	-
Term Deposits	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Financial Liabilities						
Payables	-	-	-	-	-	-
QTC Borrowings	4,249,279	4,441,554	16,785,615	17,631,625	96,137,543	96,137,543

	Non Interest Bearing		Carrying Amount as per Balance Sheet		Weighted Average Book Rate	
	2019	2018	2019	2018	2019	2018
Financial Assets						
Cash on Hand	500	500	500	500	-	-
Cash at Bank	-	-	11,870,050	12,159,532	1.49%	1.24%
Term Deposits	-	-	-	-	2.50%	2.50%
Receivables	14,282,849	13,752,633	14,282,849	13,752,633	-	-
Financial Liabilities						
Payables	10,179,652	6,145,794	10,179,652	6,145,794	-	-
QTC Borrowings	-	-	96,137,543	96,137,543	4.37%	4.59%

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 2019 was \$110,134,505 (30 June 2019: \$104,843,379). Borrowings recorded a market value adjustment of \$13,996,962 (2018: \$8,705,836) 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	11,870,550	(118,705)	(118,705)	118,705	118,705
Receivables	14,282,849	-	-	-	-
Financial Liabilities					
Payables	10,179,652	-	-	-	-
QTC Borrowings	96,137,543	961,375	961,375	(961,375)	(961,375)

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.

	2019 \$	2018 \$
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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 persons who held ministerial office during the financial year can be found in the Governance section of the Annual Report.

Details of Directors

Directors in office at 30 June 2019 are as follows:

Director	Date of Appointment	Date of Termination/Resignation
Ms R. Garard (Chair)	1 October 2015, Last re-appointed 1 October 2018	30 September 2021
Mr B. Webb	1 October 2011, Last re-appointed 6 October 2017	30 September 2020
Mr S. Hanran	3 December 2015, Last re-appointed 1 October 2018	30 September 2021
Hon. M. Reynolds CBE, AM	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)	2018/2019 2017/2018	50,000 50,000	10,203 10,203	5,719 5,719	65,922 65,922
Mr Bradley Webb	2018/2019 2017/2018	25,750 25,750	8,744 8,744	3,277 3,277	37,771 37,771
Mr Shayne Hanran	2018/2019 2017/2018	25,750 25,750	10,203 10,203	3,416 3,416	39,369 39,369
Ms Megan Heywood - Termination 30 September 2018	2018/2019 2017/2018	6,437 25,750	1,458 5,831	750 3,000	8,645 34,581
Hon. Mike Reynolds CBE, AM	2018/2019 2017/2018	25,750 25,750	8,744 8,744	3,277 3,277	37,771 37,771

Total Remuneration Specified Directors	2018/2019 2017/2018	133,687 153,000	39,352 43,726	16,439 18,689	189,478 215,414
Insurance premiums to indemnify liabilities while acting as a Director	2018/2019 2017/2018	- -	- -	- -	60,445 58,146

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 v2 2014*.

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.

	2019 \$	2018 \$
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NOTE 4. OTHER (continued)

Details of remuneration provided to Specified Executives at 30 June 2019 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	2018/2019 2017/2018	342,004 318,651	39,085 35,055	3,498 7,437	17,935 -	- -	402,522 361,143
Mr D. Sibley Chief Financial Officer	2018/2019 2017/2018	238,288 229,419	23,837 22,853	- -	12,624 11,142	- -	274,749 263,414
Mr K. Gebers General Manager Infrastructure & Planning	2018/2019 2017/2018	230,846 222,831	23,130 22,902	- 10,446	12,624 7,799	- -	266,600 263,978
Ms C. Brumme-Smith General Manager Business Development	2018/2019 2017/2018	128,152 257,760	13,834 26,215	- -	13,740 11,116	- -	155,726 295,091
Mr D. Penny General Manager Operations & Logistics	2018/2019 2017/2018	228,633 30,734	21,720 2,920	- -	- -	- -	250,353 33,654
Mr J. Kalma - Resigned 2 January 2018 General Manager Operations & Logistics	2018/2019 2017/2018	- 134,824	- 13,493	- -	- 7,520	- 19,082	- 174,917
Total Remuneration Specified Executives	2018/2019 2017/2018	1,167,923 1,194,218	121,606 123,438	3,498 17,883	56,922 37,577	- 19,082	1,349,950 1,392,196

Loans to Key Management Personnel

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

Other Transactions with Key Management Personnel

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

(F) RELATED PARTY TRANSACTIONS

Control

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 in relation to Berth 4 Upgrade works of \$778,575 and Truck Staging Area of \$25,119 during the year.
- Townsville Enterprise Limited, of which Ms R. Crosby is a Board Member. POTL made payment for membership fees of \$39,206, contribution for NQ Agricultural Market and Supply Chain works of \$11,000, contribution for Mining and Resource Industry Sponsorship of \$3,025, contribution for Cruise Ship Sector Development Activities of \$7,700, and Strategic Planning works of \$69,296.
- Maritime Museum, of which Mr B. Webb is Chairman, Ms R. Crosby, Ms C. Brumme Smith and Mr D. Sibley are also Directors and Members. POTL made contributions of \$27,500 to the Museum during the year.
- Museum of Underwater Art Limited, of which Mr K. Gebers is a Director. POTL made contributions of \$20,900 to the Museum during the year.
- Food Relief NQ, of which Mr B. Webb is a Director. POTL made contributions of \$5,000 to Food Relief NQ 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	760,211	410,879
Department of Transport and Main Roads (Maritime Safety Queensland) - Pilotage transfers	7,422,240	6,903,820

	2019 \$	2018 \$
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NOTE 4. OTHER (continued)

Expenses

Queensland Audit Office (QAO) - Audit fees	85,000	80,000
Qleave - Portable long service leave	34,587	27,841
QR Limited - Track Maintenance	33,346	29,929
Queensland Treasury Corporation:		
- Loan interest expense	4,268,507	4,416,263
- Loan administration charge	139,399	139,816
- Competitive Neutrality Fee	1,139,999	1,131,347
Office of State Revenue:		
- Payroll Tax	799,709	770,890
- Land Tax	2,304,616	1,869,763
WorkCover Queensland - Workers Compensation	-	179,555
Department of Natural Resources and Mines - Land Rent	395,702	137,267
Ergon Energy - Electricity	729,681	785,882
Townsville City Council - Property Charges	871,051	650,473
Contributions to QSuper on behalf of employees	1,517,764	1,487,493

Assets

Queensland Treasury Corporation:		
- Short Term Investment	-	-
Queensland Treasury		
- Advances Facility	72,996,074	15,992,126

Liabilities

Queensland Treasury Corporation:		
- Financial Liabilities	96,137,543	96,137,543
Provision for Dividend to Queensland Treasury	13,205,003	15,011,381

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 2019 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 2019 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 2019 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 (IFRS) as issued by the International Accounting Standards Board (IASB).

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



Ms Kenita Garard
Chair

20 August 2019



Mr Brad Webb
Director

20 August 2019

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 2019, 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 2019, 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.

Key Audit Matters

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

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

Key Audit Matter	How my audit addressed the key audit matter
<p>Property, plant and equipment is reported at fair value and where applicable at cost. Approximately 91% of the property plant and equipment was valued at fair value which was determined using the income-based valuation model.</p> <p>The key assumptions used in the valuation model included:</p> <ul style="list-style-type: none">forecasting operating revenueestimating future capital and operating costsdetermining of terminal valuesthe discount rate applied to future cashflows	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none">Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.Checking, on a sample basis, the accuracy and relevance of the input data used, including reconciling input data to supporting evidence such as approved budgets.Performing a sensitivity analysis to establish that management's assumptions for fair value including cash flows, terminal values and discount rates are within a reasonable range of audit expectations for fair value.Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to board approved budgets, historical growth trends and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process.Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.Challenging the reasonableness of key assumptions based on my knowledge of the entity and industry.Verifying the mathematical accuracy of net present value calculations.

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

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

Other Information

Other information comprises the information included in the group's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

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

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

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

Responsibilities of the Company for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

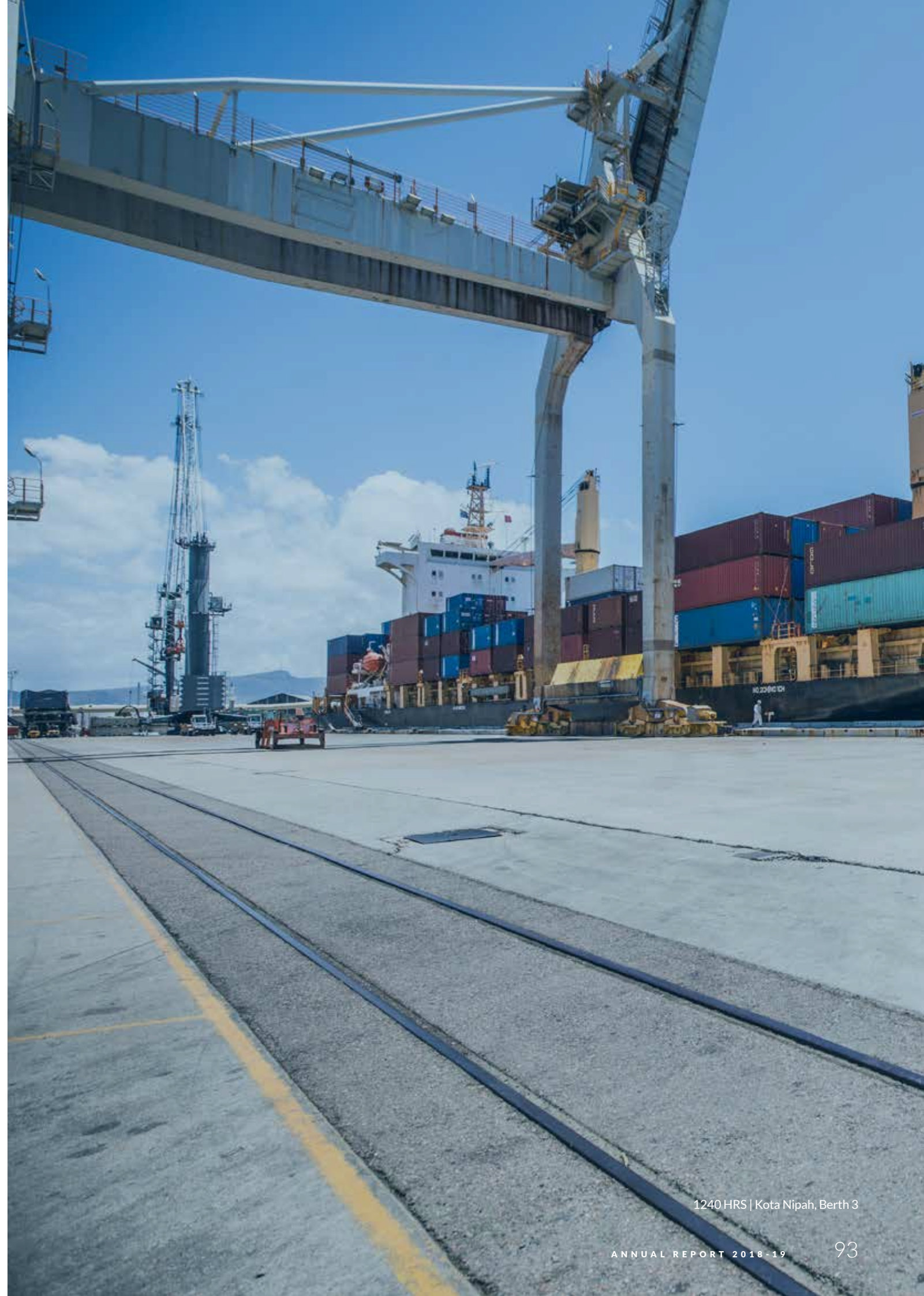
I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

21 August 2019

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane



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