

PORT OF TOWNSVILLE LTD

# 2019–2020 ANNUAL REPORT

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# Chair and Chief Executive Officer - Year in Review

It has been a year we will all remember for decades. As a business that has operated for more than 156 years, we have navigated our way through many forms of crisis. In a year unlike any other, supply chains across the globe have been tested by the unprecedented global pandemic.

The Port enacted swift controls in line with Government advices to ensure the safety of our people, customers and the community.

As the nation and world went into lockdown, front-line workers in the shipping and logistics sectors worked to ensure supply chains stayed open, delivering essential goods to the 700,000 people in Northern Queensland.

The role of mining, resources and agricultural industries had never been more prominent, providing vital support for the region's economy. From mining companies in the North West Minerals Province to cattle stations in the Gulf, our team worked closely with all customers to ensure their product moved as quickly as possible through the Ports of Townsville and Lucinda.

A total of 8.2 million tonnes of freight passed over our wharves, a 6.5% increase on last year. This result despite the challenges is a credit to our customers and service providers, and more important on the back of last year's devastating North Queensland floods.

The extent of impact of the pandemic on particular sectors of our region and the community has been nothing short of devastating. We were fortunate to be in a position to provide support, from donating groceries and food vouchers to making meals at community charity hubs and providing funding for seafarers. We also extended support for businesses with hardship arrangements, rental relief and freezing any increases on charges.

Despite the uncertain economic climate, we continued with our program of significant capital investment, creating ongoing local construction jobs for industry while ensuring the Port remains efficient, competitive, and productive for decades to come.

Construction started on the largest infrastructure project in the Port's history, the \$193 million Channel Upgrade. Works are well advanced on the 2.2 kilometre rock wall where dredge material from the widening will be placed, creating a 62-hectare reclamation area. The project will employ over 120 people to widen the shipping channel to allow access for larger ships.

Our \$30 million Berth 4 Crane and Cargo Terminal is well underway as part of our plans to grow container trade to support the region. The new 1.6 hectare terminal area was completed this year, with a new ship-to-shore crane under construction to be commissioned on the berth in the second quarter 2021.

An extension of the secondary wharf on Berth 10 will be completed early in next financial year to allow larger car carriers to berth in Townsville, reducing supply chain costs for North Queenslanders.

Reconnecting people with the waterfront and giving back to the community remains a key priority. Catalyst projects in the heart of Townsville including a proposed new ferry terminal precinct and a new marine science hub and Reef HQ upgrade are in advanced stages of planning.

Our location within the sensitive Great Barrier Reef World Heritage Area is not something we take for granted, and we have comprehensive programs to ensure our operations and projects are undertaken sustainably. We will be investing \$17 million over the next five years in programs to protect and enhance our surrounding environment.

In 2020-21 we will release Port Vision 2050, detailing how we will give more for the planet and the community while delivering a prosperous future.

We take this opportunity to thank our customers, for without them there is no need for us. You drive the economy and employment in this region. Our team enjoy working with you and are always trying to find ways to improve services for you.

Our people exemplified what it means to be strong partners, finding opportunities to do good in any situation and to do the right thing always. We have such immense pride in our team and thank them for doing what needs to be done to serve our customers and community.

And we are most thankful for the support that our community gives us. We exist to serve you, as we have since 1864.

# Key Performance Results

Performance Indicators	2018-19 Actual	2019-20 Budget	2019-20 Actual	Movement (from 2018-19)
Operating Revenue (\$M)	80.40	84.45	81.32	0.92
Operating Expenditure (\$M)	53.24	57.72	56.19	2.95
Trade Income (\$M)	63.49	70.75	66.74	3.25
Property & Facilities Income (\$M)	10.87	11.65	11.77	0.9
EBIT (\$M)	27.16	26.73	25.13	-2.03
NPAT (\$M)	15.96	14.82	13.87	-2.09
Dividend (\$M)	13.21	14.82	13.51	0.3
Accounting Return on Assets EBIT (%)	3.73	3.39	3.25	-0.48
Return on Equity (%)	3.05	2.62	2.47	-0.58
Current Ratio	3.29	1.06	1.83	-1.46
Interest Cover Ratio (EBIT)	4.90	4.81	4.78	-0.12
Debt to Equity Ratio	0.14	0.17	0.18	0.02
Capital Investments (\$M)	18.90	124.47	52.07	33.17
<b>NON-FINANCIAL</b>				
Trade Throughput (Million Tonnes)	7.68	8.72	8.19	-0.51
Vessels to Port	624	690	641	-49
Reportable Security Incidents	-	-	-	-
Reportable Environmental Incidents	-	-	-	-
Lost Time Injury Frequency Rate	11.17	-	5.68	-5.49
Community Satisfaction	>90%	>90%	88%	-2%
Employee Engagement Rating	>90%	>90%	86%	-4%
Full-Time Equivalents	143.18	157.32	140.78	-16.54

## About Us

### vision

Australia's Port for the future

### mission

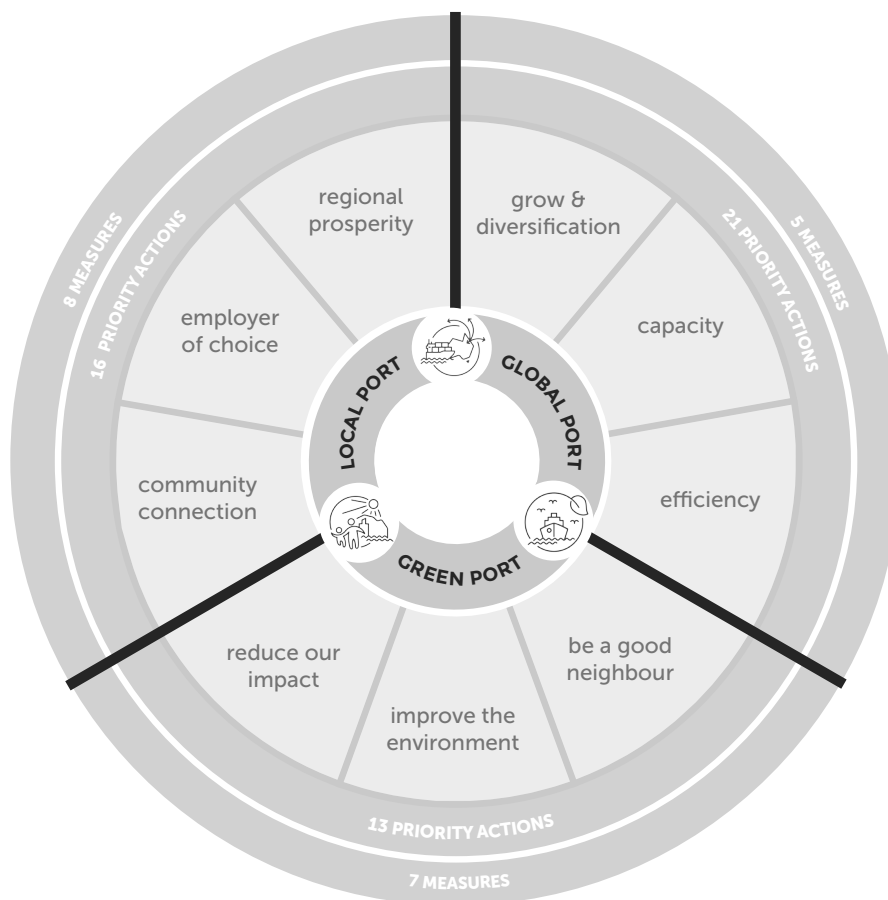
Creating prosperity for our communities and value for our customers and shareholders, through world-leading sustainable operations

### values

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

## Our Strategic Priorities

This Annual Report provides an overview of the Port's performance against its strategic objectives outlined in its Statement of Corporate Intent for 2019-20. The Port's key actions and initiatives during the period were focused on three key strategic objectives, further facilitating our vision to be Australia's Port for the Future.



## Port Vision 2050

During 2019-20 the Port has continued the development of its long-term Sustainability Plan, Port Vision 2050.

This plan sets out the strategic long-term objectives and targets for the Port of Townsville over the next 30 years. This strategic vision will ensure the longevity of the Port and associated services for generations to come by engaging in leading environmental practices, building meaningful partnerships with the community, developing and nurturing the Port's workforce and creating prosperity for the region.

While defining our vision over the next 30 years, the Port of Townsville has ensured the actions in the plan align with the delivery of the relevant United Nations Sustainable Development Goals.

Port Vision 2050 will be finalised in 2020-21 and will provide the Port, its customers and the community with a clear picture of the future ahead.

## Our Business

Port of Townsville Limited (the Port) 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 Cameron Dick MP (Treasurer, Minister for Infrastructure and Planning), and the Honourable Mark Bailey MP (Minister for Transport and Main Roads). The Port owns and manages the ports of Townsville and Lucinda, with its head office located in Townsville.

## Our Ports

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

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

The organisation's core business functions are to:

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

## This Report

This Annual Report presents the Port's performance results for 2019-20 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 Annual Report, and our past Annual Reports, can be found at our website at [www.townsvilleport.com.au](http://www.townsvilleport.com.au).

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

## Interpreter Service Announcement

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

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# COVID-19

## Port Operations

As critical links in the national freight task, the Ports of Townsville and Lucinda remained fully operational during the declared pandemic of COVID-19. Essential imports for North Queensland and the export of valuable key commodities from the region continued to flow through our Ports facilitated by frontline staff and its associated external port and supply chain services.

In mid-March, the Port enacted the Pandemic Crisis Management Team to implement measures that would ensure the safety of our people, customers and community and to respond to Government advice. The Port's engagement with employees, customers, stakeholders and the community increased substantially reassuring everyone that the Port remained open for business while implementing health and safety measures to reduce risk. The Port followed strict border control measures to ensure a safe working environment for operational employees. Directives issued by Australian Border Force, Maritime Safety Queensland and the Queensland Chief Health Officer included specific requirements for maritime crew and essential workers in transport, freight and logistics.

The Crisis Management Team put in place COVID-Safe Plans for all Port workplaces in line with the State Government's guidelines. COVID-Safe plans were also implemented for the Quayside Terminal's cruise ship facility and event space.

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

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

- Working from home (for those employees in non-operational front-line roles);
- Special Pandemic leave in line with Queensland government guidelines;
- Restrictions on all non-essential travel;
- Restricting group and customer meetings to video-conferencing and teleconferencing;
- Increasing cleaning protocols and stock of Personal Protective Equipment (PPE) and improving signage and barriers throughout the office; and
- Introducing a range of health and hygiene practices.

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

## Cruise Shipping

Worldwide, the cruise industry suffered a major downturn due to the coronavirus pandemic. Townsville was not immune with 11 cruise ships visiting our city compared with 16 for the previous financial year. During 2020, we saw 7,716 number of passengers and 4,680 crew (totalling 12,396) arriving in Townsville, compared with 20,679 in the previous year.

Due to the COVID-19 pandemic, the Australian Government banned cruise ships from operating in Australian waters until at least 17 September 2020, with foreign-flagged cruise ships banned from entering Queensland waters until the public health emergency ceased. Options for developing Australia - or Queensland-only cruise itineraries with a significant overhaul of health protocols were being investigated by the industry.

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

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

## Community Support

COVID-19 had a significant impact on the Townsville community as it did with communities right across the globe.

The Port implemented a COVID-19 Community Support Program with initiatives including:

- **Community Gro:** Members of the Port volunteered at this local community organisation to help prepare meals for families in need;
- **Pricey Give-away Campaign:** This initiative in collaboration with Triple M's Steve 'Pricey' Price helped 20 families and individuals with a \$250 IGA grocery gift card;
- **Mission to Seafarers:** The Port community provided the Mission to Seafarers with \$2,000 to assist ship's crew with care packages;
- **Food Relief:** Port of Townsville employees collected food donations for Food Relief via collection bins placed throughout the Port facility;
- **COVID-19 Clinic Lunch Donation:** The Port held virtual all-staff lunches and supplied food to people who were working from home, as they logged onto live presentations from the Executive team. Some staff preferred to donate their meals to COVID-19 frontline workers or Meals on Wheels;
- **Legacy - In-kind support** for digital artwork and marketing was provided to Legacy throughout 2019-20;
- **Pimlico High School:** Members of the Port team worked with Pimlico State High School students to assist with their career paths; and
- **YWAM:** The Port granted free berthing to the YWAM medical ship which provides lifesaving treatment to developing communities particularly in Papua New Guinea.

# Global Port

From our beginnings in 1864, the Port served the 1,500 residents of Townsville. Today, the Port supports more 700,000 people in North Queensland.

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

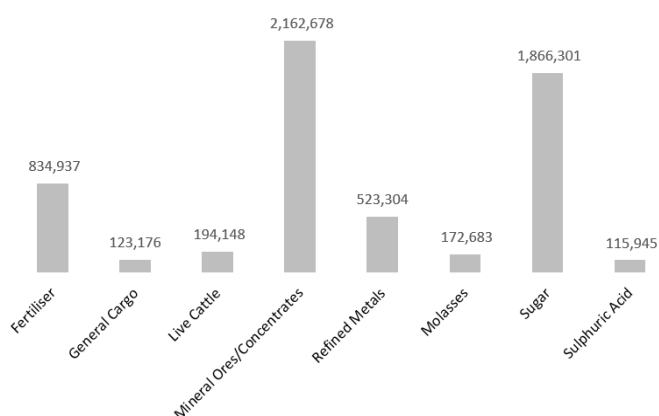
## Trade Highlights

The Port continued its growth trend in 2019-20, surpassing the previous year's results by roughly 510,000 tonnes of trade despite some challenges in relation to the effects of the coronavirus pandemic on international markets.

Trade throughput totalled 8,194,795 million tonnes for the year, comprising 7,606,379 tonnes of trade through the Port of Townsville and 588,417 tonnes through Port of Lucinda, equating to an increase of 6.7% compared to the 2018-19 financial year.

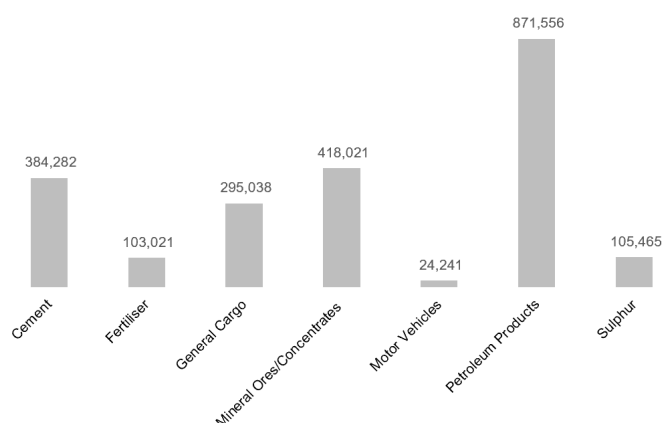
Exports totalled 5,993,172 across Port of Townsville and Port of Lucinda, which was a 7.8% increase on the previous year.

2019-2020 Exports (tonnes)



Imports totalled 2,201,623 at Port of Townsville (Port of Lucinda is export only), which was a 3.8% increase on the last financial year.

2019-2020 Imports (tonnes)



Trade in 2019-20 was characterised by a record-breaking year of live cattle exports, growth in mineral concentrate, fertiliser and sugar exports, together with increases in imports of mineral concentrates, sulphur and bitumen.

Live cattle exports of 388,296 head surpassed the Port's 2014-15 highest export record of 305,778 head. Port of Townsville recorded a 32% increase in cattle tonnages by weight over the last financial year earning the mantle of the nation's largest cattle export port.

Mineral concentrate exports and fertiliser exports increased by 17% and 25% respectively, from the previous financial year. There was a total of 2,162,678 tonnes of copper, lead and zinc concentrate exported to international markets, together with 834,937 tonnes of high-analysis fertiliser.

An 11% increase in Burdekin sugar exports saw 1,277,885 tonnes of raw sugar leave the Port of Townsville.

Mineral concentrate imports for 2019-20 totalled 418,021 tonnes, a rise of 25% on the previous year. Sulphur was 18% higher this financial year than last and bitumen imports were 15% higher than the previous year. Petroleum product imports, the Port's largest import commodity at 871,556 tonnes, remained almost identical to the previous year totals.

## Containerised Cargo

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

Containerised cargo at the Port comprises:

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

During 2019-20 containerised cargo imports were impacted by COVID-19 related disruptions to international markets, weaker demand for renewable energy project cargo in North Queensland and slower development of resource projects. There was also the flow-on effect of reduced volumes of imported mining consumables.

A slower than anticipated increase of agricultural and trade diversification projects also impacted containerised exports from the Port of Townsville. General cargo exports closed 10% lower than the previous year, together with refined copper (down 7%) and refined zinc (down 10%).

Containerised cargo made up 658,300 tonnes of trade in 2019-20, which represented 8% of the total tonnage at Port of Townsville.



## Dry Bulk

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

Fertiliser imports were up 9% and exports up 25% on the previous year. Sulphur was 18% higher and mineral concentrate imports and export volumes were 26% above the previous year. Sugar exports from Townsville were 11% higher.

Sugar exports from Lucinda were down 9%, as a result of the monsoonal weather event the previous year. While the Burdekin sugar crop can rely on irrigation, Herbert River crops are subject to seasonal conditions.

In 2019-20, the dry bulk sector accounted for 5,824,122 tonnes of throughput, 71% of the total tonnage.

## Liquid Bulk

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

Petroleum-based fuels suffered a reduction in consumption that was experienced worldwide due to COVID-19, and also due to little or no growth in mining projects during the financial year. The Port of Townsville fuel volumes fell by 2% but remained the single largest import at 816,250 tonnes.

Exports of molasses decreased by 36% from the previous financial year. The commodity, significantly impacted by drought conditions in the early part of the fiscal year, saw most molasses sent to domestic markets rather than international.

Sulphuric acid was also negatively impacted with a 24% drop in exports. As with previous years, there were no sulphuric acid imports. Instead, surplus stocks were exported.

Liquid bulk cargo contributed 1,176,575 tonnes to the total Port of Townsville trade in 2019-20, 14% of total tonnage.

## Break Bulk

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

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

The Port of Townsville experienced a record-breaking year for live cattle exports, finishing at 194,148 tonnes, 32% above the previous year's volumes making the Port of Townsville, Australia's largest live export port in 2019/20. Drought driven export supplied the increased demand from Vietnam and the continuing strong market from Indonesia, despite some minor disruptions caused by COVID-19.

Nationally new vehicle sales slumped by almost 50% in the wake of the global coronavirus pandemic. The Port of Townsville did not escape this trend with motor vehicle import tonnages falling 9% compared with last financial year.

Low commodity prices impacted refined zinc with exports falling 10% on last year's volumes. Zinc ingots were stockpiled domestically, and export parcels warehoused overseas in anticipation of improved market prices. Refined copper also experienced a decrease from last financial year, a fall of 7%. These drops were offset to some degree with a 13% increase in exports of smelted lead products.

In 2019-20 break bulk cargo accounted for 535,798 tonnes of trade throughput, 7% of the total tonnage.

## Shipping Information

During the last 12 months, the Port welcomed one new Marine Pilot, who has been training in Abbot Point and is progressing from a Panamax sized ship licence to an unrestricted licence.

This brings the Pilotage team to eleven.

All other trainees in the team have been progressing well and due to COVID-19 restrictions have completed their required courses via webinars.

In response to the health pandemic a modified delivery roster was implemented. This ensured 'silo' teams with launch crews and reduced cross-contact significantly. During the pandemic, the Port continued to service, without any delays, all ships that called at Townsville, Lucinda and Abbot Point.

### Pilotage Numbers

Lucinda	26
Abbot Point	789
Townsville	1,324
<b>TOTAL</b>	<b>2,139</b>

### 2019/2020 Arrivals to Port

Cargo Vessel	593
Navy Vessel	9
Cruise Vessel	11
Other Vessel	15
Lucinda	13
<b>TOTAL</b>	<b>641</b>

## Port Developments

### Channel Upgrade Project

Construction works for the \$193 million Port of Townsville Channel Upgrade Project began in 2019-20. The first stage of the project is building the 2.2km protective rock wall, which will eventually create the boundary of an additional 62 hectares of land for port operations. Building of the rock wall began in March 2020 with both the western and the eastern side walls extending approximately 550 metres into Cleveland Bay by the end of the financial year. The project has also received delivery of more than half of the total rock required for the wall.

More than 70 port staff, rock supply and construction employees are involved in building the rock wall, and more than 10,000 project hours had been completed at the end of the financial year. The number of people working on the project is expected to increase to around 100 in the new financial year. Local quarry companies Holcim, HyTec, Ravenswood Gold and Barro's Black River Quarry (Hard Rock Earth Works, Camm Quarries and Gromac Quarries will be involved next financial year) are supplying 750,000 tonnes of rock, and Queensland company Hall Contracting is building the wall. The rock wall is the critical first step of a project that will widen the shipping channel to 180 metres at the inshore (Port) end, then taper to 120 metres in the Sea Channel.

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 only 238 metres are currently able to access the Port. By 2023, channel widening will allow commercial, cruise and Defence ships of up to 300m to safely access the Port.

The project, to allow bigger ships to access Townsville, not only generates jobs and economic growth for the region, but it also ensures the Port offers a greater capacity to trade and remains competitive for decades to come.

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 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.

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

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 the 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; and
- Sediment transportation.

The project will create 120 local Full Time Equivalent (FTE) jobs during construction and return more than \$580 million of value to Queensland. The Port 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.

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

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

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

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

### Berth 4 Upgrade

The Port awarded a \$10 million contract to build a 1.6-hectare container handling area on Berth 4 to local construction company, Formset.

The upgraded storage facility is part of the \$30 million Berth 4 Crane and Cargo project that will improve efficiencies and increase cargo handling capacity by 20 per cent.

More than 40 people were employed during construction, providing a further commitment to local contractors to enhance capabilities, and boost the region's economic development. Construction of the Berth 4 handling area was completed in late June 2020.

The delivery and commissioning of the Ship to Shore crane was delayed slightly due to issues associated with COVID-19. The crane is expected to be delivered in late 2020, with the completed assembly scheduled in the second quarter of 2021. The Ship-to-Shore crane will have the capability to service larger container vessels, ensuring the Port can support northern Australia with direct international shipping.

## Berth 10 Car Carrier Wharf Extension

A new \$2.5 million project to extend the secondary wharf at Berth 10 began in 2019-20. The project will make Townsville more attractive for car carriers, while also providing a much-needed boost to jobs and the local economy.

Despite a dip in car sales in 2019-20, shipping industry and trade forecasts show an increasing demand for larger vessels. When complete, 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 reducing freight costs and delivery times. Local company PMG Pty Ltd was awarded the contract for the wharf extension. Work began in May 2020 and is scheduled for completion in the last quarter of 2020.

## 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 analysed future vessel characteristics of draft, overall length, beam, arrival displacement, cargo types and cargo handling equipment. The completed analysis is under consideration.

## Truck Staging Area - Benwell Road

Townsville Port awarded a \$4.5 million truck staging upgrade contract to a local firm, RMS Engineering and Construction which is a leading provider and operator of civil engineering and construction solutions.

The project, which will cater for up to 20 triple road trains when fully operational, will reduce congestion and improve safety within the Port and along Port access roads. To be completed by early 2021, the project will also increase efficiencies of truck movements and improve vessel loading rates. The facility will include amenities and an outdoor rest area for truck drivers.

Work on the Benwell Road truck staging facility is expected to lead to the employment of approximately 16 full-time positions.

## East Port Precinct & Southern Link Road

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

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

The Port undertook further master planning in late 2018, which fully integrated the existing Port and rail, TEARC, Townsville Port Access Road, Townsville Marine Precinct, East Port, and 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 commenced, including service corridor easements, a roundabout instead of a four-way intersection, and the ability to expand the link road and roundabout to four lanes when required.

Detailed geotechnical investigation is underway, along with an assessment of East Port stormwater requirements, which will be incorporated into the road and intermodal design when complete. The project is scheduled to be completed in 2022.

## Port Town

The Port owns around 10-hectares of prime waterfront lands in the heart of Townsville, which presents a unique opportunity for the revitalisation of the old port lands.

Development of the Port land will support the 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 areas 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 the Breakwater Precinct. Projects on Port land will be undertaken over a 10 to 20-year development period.

Catalyst projects advanced during the past year include:

- A \$88 million Townsville Marine Tourism Precinct (TMTP) Market Led Proposal - which will see the delivery of a new ferry terminal, hotel, commercial offices, food and beverage outlets, tourism and retail tenancies, bus transit terminal, five floating pontoons, multi-storey carparking, waterfront walkways and public open space as well as the construction of two new next-generation passenger ferry vessels. TMTP received Development Approval for the landside works in January 2020 from Economic Development Queensland, subject to several development conditions.

The completion of this development was on schedule for 2022. Due to the global health pandemic of COVID-19 and the impact on the tourism industry, viability of the project has been challenged. But the Port is working this through with the proponent.

- 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 proponent is currently working through a competitive process to secure an anchor tenant for the development.

Extensive waterfront Public Realm areas form part of the project with tenancies for tourism, food outlets and retail. The development is expected to be completed and ready for operation in 2022 (subject to approvals).

## Engineering and Maintenance Works

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

- \$3.2million to undertake maintenance dredging of the channels and harbour areas;
- \$830,000 to undertake dredging of Ross River post February 2019 floods;
- \$166,000 Lucinda public and operational facilities;
- \$225,000 Berth 1 fender system replacement;
- \$50,000 land maintenance of the Port's Granitevale quarry;
- \$50,000 underwater inspections of wharf piles;
- \$171,750 to replace HVAC systems in Administration and Engineering buildings;
- \$150,000 replacement of minor plant and equipment;
- \$250,000 minor capital works;
- \$140,000 upgrade to Berth 1 firefighting system; and
- \$432,000 driveway upgrades to storage areas.

## Port of Townsville Shipping System

Launched in May 2020, the new Port of Townsville Shipping System (POTS) is a modern Port Management Information System provided by Saab through their Port Control platform. Replacing the Port's 20 year old database, the new POTS system takes live updates from Maritime Safety Queensland's QShips System.

By utilising the same system as MSQ, not only does the information present the same 'look and feel' but it is also creating efficiencies for shipping agents and the Port by removing the duplication of data entry requirements.

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

# Green Port

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

## Environment

### Performance and Compliance

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

The Port operates within this sensitive environment under a fully certified Environmental Management System (certified to ISO 14001:2015). In 2019-20 the Port's team, comprised of seven environmental specialists who undertook 154 site inspections and observations relating to general port operations. In addition, three specialists who are employed for the Channel Upgrade Project, conducted an additional 112 inspections during the period.

During the September/October 2019 maintenance dredging campaign, a fatal strike occurred with a large loggerhead turtle. A full review showed that all mitigation measures were in place and environmental procedures were followed by the dredge. The event was recorded and reported to the relevant authorities.

An agriculture liquid was unintentionally released by an operator on site into an internal stormwater drain within the Port. That resulted in localised odour and low water quality in the stormwater drain. Port Environmental Technicians liaised with the Operator to prevent any future releases. The event was recorded and reported to the relevant authorities.

### Monitoring

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

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

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

Due to natural events (bushfire/dust haze) in the Townsville area, airborne particulate values (PM10/ Total Suspended Particles) at the Port's boundary air stations were above Department of Environment and Science guidelines on five occasions in 2019-20.

The annual rolling average for lead was below guidelines at all three air monitoring stations in 2019-20. However, on five occasions, the 24-hour average for lead particles and December three month rolling average at the Coast Guard air station triggered further investigation and statutory reporting from Port operators.

In 2019-20 marine water and sediment samples were collected from waters surrounding the Port and showed similar trends to the previous 12 months. Dry Tropics Partnership, hosted by Townsville City Council, produces an independent reference point for the community to understand the health of the area's creeks, rivers and reef catchment areas. The partnership's pilot report card was released in May 2019 and found water quality in Cleveland Bay was 'moderate to good'. The Port continues to work with the Partnership and provides data and information from the Ross River to Magnetic Island and along estuarine and marine environments.

This partnership is unique, as it currently focuses on the Townsville urban area, the largest urban centre in the Great Barrier Reef catchments.

The Port deployed several monitoring buoys in Cleveland Bay during 2019-20. The buoys monitor a range of parameters, including turbidity, electrical conductivity and temperature. A real-time water quality dashboard was launched in 2020 with data available to the public on the Port website.

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

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. A summary of this investigation is available on the Port's website. Further studies occurred during 2019-20, and ongoing testing of PFAS occurs in routine environmental programs throughout this year.

### Cleveland Bay Seagrass Monitoring

The Port continued the long-standing partnership with James Cook University/TropWATER in 2019 to conduct annual seagrass surveys in Cleveland Bay. The latest study shows that seagrasses in Cleveland Bay continue to be in a satisfactory condition overall following the flood event in February 2019. The area of coastal seagrass meadows was similar to that previously recorded in peak season surveys, however, the overall density of coastal seagrass was lower than in previous years. The October 2019 peak season survey indicated there might have been a 'lag effect' or legacy of the February floods, with seagrass biomass at coastal meadows not returning to 'typical' peak season levels.

The overall area of seagrass meadows is above the long-term average which is likely due to the resilience from previous years of good growing conditions. Even with the extreme flooding event in early 2019, seagrasses have maintained a good foothold compared with the last significant flooding impacts in 2010-11. This year's results highlight the variability and complexity of natural systems with many drivers and impacts of which the Port will continue to monitor and report. The seagrass report is available on the Port website and has been provided to the Dry Tropics partnership for the healthy waters report card.

## National Environmental Science Program

The Port was an industry partner for studies undertaken to risk-assess dredging activities in shallow-water mesophotic reefs produced by the Australian Institute of Marine Science (AIMS) and James Cook University (JCU) in collaboration with the Australian Government's National Environmental Science Program (NESP). This project brings learnings from Western Australian research into inshore coastal reefs of the Great Barrier Reef.

The program addressed long-term water turbidity and light measurement data in Cleveland Bay, utilising novel analytical techniques and instrumentation to quantify sedimentation, light quantity and suspended sediment concentrations. The program highlights how these components vary with increasing distances from dredging activity. The work conducted and subsequent analysis will assist in continuing to build the science and knowledge around dredging. The report was finalised in early 2020 and is available on the NESP website.

## Reef 2050 Commitments

The Port is working with the Queensland Ports Association on the North East Shipping Management Plan/Reef 2050 actions. In particular, ongoing planning for the delivery of the Shipping Incentives Program and reviewing anchorages management are some of our key initiatives moving forward.

## Maintenance Dredging Strategy

The Long-term Maintenance Dredging Management Plan (LMDMP) was finalised and made publicly available on the Port's website in December 2018. The plan had an informal 12-month review and was updated with minor changes in March 2020. This plan responds to both State and Commonwealth requirements for maintenance dredging, sea and land placement.

The plan incorporates Ports Australia's code of practice and considers research and monitoring undertaken by the Queensland Ports Association under Reef 2050. The LMDMP was developed under the Queensland Government's Maintenance Dredging Strategy. It will continue to evolve—incorporating improvements in knowledge, research, and input from the community and stakeholders and ongoing monitoring and analysis by the Port.

## Master Plan

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

Priority port master planning is a Queensland Government port-related action of the *Reef 2050 Long Term Sustainability Plan*.

Priority port master planning supports the development of the state's priority ports in a way that considers environmental values, including the Outstanding Universal Value of the Great Barrier Reef World Heritage Area.

Finalised in November 2019, the Master Plan is a strategic document that sets out the long-term plan for the sustainable development of the Port of Townsville until the year 2050, while protecting the Great Barrier Reef.

The Port of Townsville is one of four priority ports and is fundamental to the future economic growth of the region. The

Port is also identified as North Queensland's primary freight, logistics, container, tourism and Defence infrastructure hub while providing for the protection of the Great Barrier Reef.

Master planning aligns with other key port-related projects associated with the ongoing sustainable development of the Port including the Channel Upgrade Project, proposed Townsville Eastern Access Rail Corridor, the Townsville City Deal and supporting the North West Minerals Province.

The overlay (implementation framework) went out for public consultation in late 2019, 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 port overlay which is expected to be finalised in 2020.

## Port Land Management

Under the *Planning Act 2016* and the Integrated Development Assessment System, the Port's Land Use Plan ensures effective and efficient development on Strategic Port Land within the Ports of Townsville and Lucinda. The Land Use Plan's for Lucinda and Townsville are currently under review and are expected to be released for public consultation during 2020-21.

During 2019-20, five approvals for development were granted and 270 planning enquiries were processed.

## Biosecurity

In 2019, the Port participated in a state-wide marine biosecurity pilot program managed by the Department of Agriculture and Fisheries (DAF) and the Ports of Cairns, Mackay, Gladstone and Brisbane.

The Queensland Seaport eDNA Surveillance (Q-SEAS) program uses DNA analysis to detect invasive marine pest species. In late June 2020, the Q-SEAS program identified that the invasive white colonial sea squirt (*Didemnum perlucidum*) had been detected on settlement plates in the Townsville Marine Precinct, from the December 2019- February 2020. No vessel restrictions resulted from this detection. However, all tenants of the Marine Precinct were notified and requested by Biosecurity Queensland to keep vessels clean and well maintained.

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

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

# Local Port

*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.*

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

- More than 80 students from Tec-NQ attended the Port for an all-day tour, learning about engineering, maintenance, environment and operations of the Port.
- Working with local training facilitator, On Common Country, in conjunction with Civil Safety to construct gardens along Ross Street's footpaths. On Common Country provides training, qualifications and skills for Indigenous Australians.
- Taking part in the release of a green sea turtle in January 2020. Three turtles were found malnourished around Magnetic Island and taken to Reef HQ Aquarium's Turtle Hospital for medical care. The funds raised through the Port's annual customer Golf Day contributed to the care of the turtles.
- Three Indonesian port specialists visited Townsville Port as part of a 12-week exchange program to strengthen ties with our nearest major trading neighbour. The Port hosted the three delegates from Indonesia Port Corporation (IPC) as part of a Sister Port arrangement formed in 2015.
- Delegates from a Japan Sister State visited the Port during the year. The group had visited other ports in Queensland along with other major infrastructure projects.
- A visit from Queensland's Senior Trade and Investment Commissioner to China, Julie-Anne Nichols, to meet with CEO Raneé Crosby and members of the Trade and Business Development team. The visit was part of Queensland Export Week which is designed to help build business relationships.
- Three James Cook University students undertook work experience placements in the Business Strategies and Sustainability department.
- The Port of Townsville was recognised as a leading Australian port at the Australian Shipping and Maritime Industry Awards. The Port was awarded Highly Commended in the prestigious Port of the Year category. The judges said they were impressed by the Channel Upgrade Project which was part of the \$1.6 billion Port Expansion project.
- The Port's Trade and Business Development team travelled to Charters Towers to attend the Growing for Queensland Stakeholders' Workshop. The outcome of this workshop will be an industry development strategy developed by the Queensland Government for Queensland's Agricultural industries.
- A Port Environmental Advisor attended the 2019 AMSA Conference in Fremantle. The conference focused on 'Marine Science for a Blue Economy'. More than 570 delegates from across the globe participated at the forum and heard from leading experts in marine sciences.

## Cruise and Quayside Terminal

The Port's Quayside Terminal is one of Townsville's largest event venues. It facilitated 11 cruise ship visits and hosted 32 events including weddings, music festivals and corporate events in 2019-20.

## Annual Charity Golf Day

This year the Annual Charity Golf Day raised more than \$10,000 for the Reef HQ Turtle Hospital. The funds helped with the management and ongoing operational costs of the hospital. The rehabilitation of one turtle can cost up to \$5,000.

## 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:

- AgForce (\$3,000);
- Australian Cruise Association (\$4,000);
- BIMCO (\$6,098);
- Cooperative Research Centre for Developing Northern Australia CRCNA (\$100);
- Mount Isa to Townsville Economic Zone - MITEZ (\$15,000);
- World Association for Waterborne Transport Infrastructure - PIANC Australia (\$1,318);
- Ports Australia (\$38,054);
- Queensland Ports Association (\$9,000);
- Shipping Australia (\$3,640);
- Security Providers Association of Australia Limited -SPAAL (\$1,146);
- Tourism Magnetic Island (\$1,500);
- Townsville Chamber of Commerce (\$1,500);
- Townsville City Council (\$25,000); and
- Townsville Enterprise (\$36,000).

## Sponsorship and Donations

Partnerships, sponsorships and donations in 2019-20 included:

- Community COVID donation (\$2,000);
- Maritime Museum of Townsville (\$25,000);
- Mission to Seafarers (\$2,000);
- Townsville City Council Mayor's Christmas Appeal (\$949);
- Concrete Institute of Australia (\$273);
- Prize money to James Cook University Student Awards in fields of engineering and marine sciences (\$1,800);
- Southern Cross Austero's Pricey's Christmas Tour (\$3,000);
- TecNQ Education Awards (\$500);
- Townsville Enterprise Tourism Awards (\$2,000);
- Townsville Motorboat Club SeaLink Magnetic Island Race Week (\$3,000); and
- NQ Volunteers Awards (\$1,364).

## Forums and Events

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

- Port Advisory Board
- Cargo Facilitation Working Group
- Planning and Environment Working Group
- CHDC Regional Ports: Paddock to Port Forum;
- Townsville Industry Breakfasts;
- DAF Agriculture Forum- Charters Towers;
- Trade Investment Queensland Trade Commissioner- China;
- RWTA Event;
- Department of Agriculture Toured Live Export Vessel;
- Australia, PNG, Pacific Islands, Fiji Business Council Roundtable- Townsville Enterprise;
- Indonesian Ports Corporation- Internship at the Port of Townsville (12 week program);
- Bowen Basin Mining Club Networking Events;
- Aviation Attraction Committee Meetings;
- Corridor Coordination Working Group Meetings;
- ABARES Outlook 2020 Conference;
- Agforce Beef Forum Charters Towers
- ANZ Agribusiness Forum - Accessing Markets through Freight Solutions;
- The Australian Grains Industry Conference;
- Hydrogen Forums;
- Pimlico SHS Careers Week;
- Independent Technical Advisory Committee (ITAC) meetings;
- Community Liaison Group (CLG);
- CU opening event;
- Sister Port with IPC;
- Technical Advisory Consultative Committee (TACC) Meeting for Maintenance Dredging;
- Planning and Environment Working Group (PEWG);
- Local Marine Advisory Committee (LMAC);
- Queensland Ports Association (QPA);
- Ports Australia meetings of Environment and Sustainability Working Group;
- Dry Tropics Partnership for Healthy Waters Management Committee and Technical Working Group;
- St Patrick's College Townsville Careers Expo;
- Australian Marine Sciences Association conference 'Marine Science for a Blue Economy';
- International CleanUp 2019 Conference;
- Townsville Integrated Transport Plan - Stakeholder Reference Group; and
- Port of Townsville Master Plan Overlay consultation activities.

The Port of Townsville Ltd held one end of year corporate entertainment event during 2019-20 which cost \$7,236.



# Our People

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

## 2019/20 Workforce Overview

The Port currently employs 151 people (140.78 full time equivalents as at 29 June 2020) across a wide range of disciplines (over 80 defined roles) including pilotage, engineering, planning, maintenance, marine services, governance and legal, customer relations, trade and property and business and commercial services.

Male Employees (%)	65%
Female Employees (%)	35%
Average Age of Employees	49
Over 50 years (%)	66%
Women Grade 5 or above	28
Women Working in Senior and Middle Management	10
Female Representation on Board (%)	25%
Average length of service	7 years
% employees <5yrs	41%

In 2019-20, average employee turnover was 7.4%. Each employee exit is reviewed and the three main reasons for leaving the Port were:

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

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

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

## Employee Relations Framework

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

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

## Workforce Planning

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

- Identifying future business directions and workforce needs;
- Analysing and understanding the make-up of the current workforce;
- Determining the necessary skills, capabilities and competencies required to achieve strategic operational goals in the future; and

- Developing and implementing policies and strategies that will assist in achieving these goals.

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

## Training and Professional Development

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

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

The Port commenced participation in the Transfutures Internship Program in 2019 to offer internships to four university students from James Cook University.

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

## Succession Planning

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

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

## Equal Employment Opportunity

The Port has an Equity Policy that aims to promote equality of opportunity by prohibiting unfair discrimination, sexual harassment and other unacceptable conduct. The Policy contains information regarding 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. The Port has eleven trained Equity Contact Officers throughout the organisation. Contact Officers receive the requisite training and are provided with refresher courses to remain current.

Any reported breaches of the Port's Equity Policy are investigated promptly. Any person found to violate the Policy may be subject to disciplinary action under the Port's Disciplinary Procedure.

There are currently 28 women classified at the Port Grade 5 and above; with ten women working in executive, senior and middle management. There is one female Board member.

## Looking Forward – 2020-21 Strategies

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

## Health and Safety

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

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

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

Consultation, participation and communication with staff and contractors are priorities that reinforce the Port's Health and Safety Committee agenda. The committee, which meets monthly, comprises representatives of various departments at the Port.

The Port of Townsville's Safety Management System has been certified by a third-party under AS/NZS 4801. The Port maintains a strategic approach towards promoting our employees' and contractors' health and safety, recognising that adequate systems and open communication lead to a positive 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.

## Safety Performance

Health and safety statistics show an improved performance compared with 2018-19 due to :

- An increase in overall reporting,
- Halving the lost time injury frequency rate (LTIFR) and lowering the total recordable injury frequency rate (TRIFR), and
- A greater focus and participation in our Health and Safety Committees.

Health and Safety Statistics	2018/19	2019/20
Total number of incidents reported	18	35
Number of lost time injuries	3	2
Number of Medical Treated Injuries	4	0
Lost Time Injury Frequency Rate (LTIFR)	11.17	5.68
Total Recordable Injury Frequency Rate (TRIFR)	28.30	11.4
Total of planned WHS Meetings	79	207
Total of Health and Safety Committee Meetings	5	16
Random Drug and Alcohol testing completed	147	99

## Securing Our Operating Environment

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

Security measures include:

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

The Port holds an approved Maritime Security Plan (MSP) under which, the establishment of both 'Waterside Restricted Zones' (WRZs) and 'Landside Restricted Zones' (LRZs) provides for the implementation of specific controls.

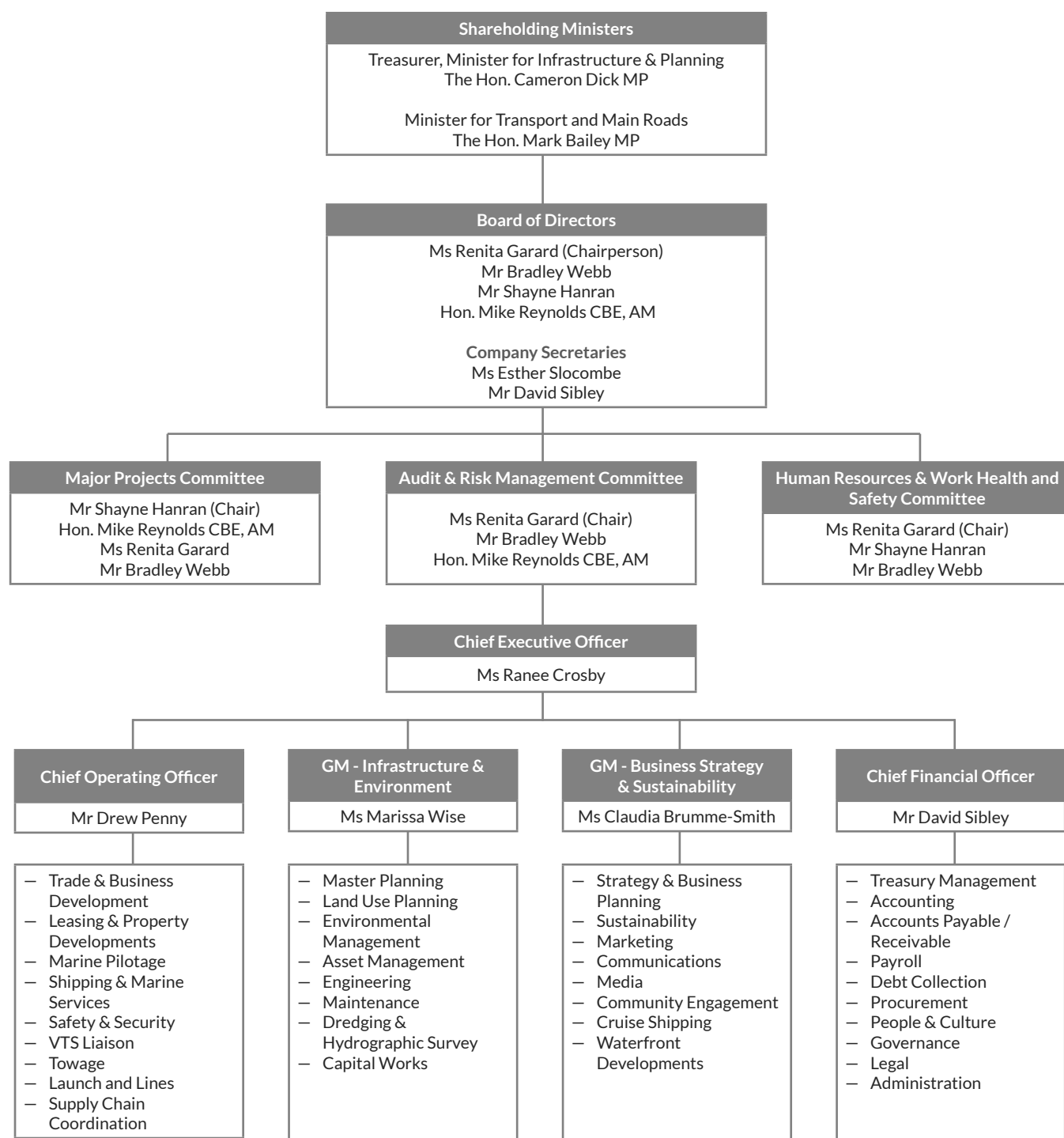
The Berth 4 upgrade included the conversion of the former Origin Energy site into an approved container terminal during 2019-20. Following the recent completion of the terminal, the Port requested an amendment to the previous Berth 4 Cargo Terminal Operations Area to incorporate Berth 4, Berth 4 wash bay area (WBA) and Berth 4 Container Terminal, therefore expanding and increasing the use of the area.

The Port consulted with port users to incorporate their operations under the POTL Maritime Security Plan on Non-Exclusive Berths to streamline the management of common-user berth and compliance for access to regulated security zones.

The Port completed a regulatory renewal process, obtaining approval of the Maritime Security Plan for the Lucinda Port. Additionally, the Port completed a four-year renewal Port Maritime Security Assessment for the Port of Townsville.

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

# Governance



## Board of Directors

The Port of Townsville Board of Directors comprised of four non-executive Directors as at 30 June 2020 who were appointed by the Governor in Council in accordance with the GOC Act. Directors' names and tenure details during the 2019-20 financial year are shown below:

Name	Position	Initial appointment	Last re-appointed	Appointment expiry
Ms Renita Garard, AM	Chairperson	1 October 2015	1 October 2018	30 September 2021
Mr Bradley Webb	Director	1 October 2011	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	1 October 2019	30 September 2022

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 51 of this report.

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

**Ms Renita Garard AM - Chair**  
**Appointed 1 October 2015**

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

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

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

**Mr Bradley Webb - Non-Executive Director**  
**Appointed 1 October 2011**

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

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

**Mr Shayne Hanran – Non-Executive Director**  
**Appointed 3 December 2015**

Shayne is a Registered Professional Engineer of Queensland with over 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 Regional Managing Director, Northern and Western Australia for AECOM Australia Pty Ltd.

**Hon. Mike Reynolds CBE, AM – Non-Executive Director**  
**Appointed 16 December 2016**

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

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

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

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

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

## Board Committees

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

### Audit and Risk Management Committee

Chair – Ms Renita Garard

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

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

### Human Resources and Work Health and Safety Committee

Chair – Ms Renita Garard

Members – Mr Bradley Webb and Mr Shayne Hanran

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

### Major Projects Committee

Chair – Mr Shayne Hanran

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

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

The qualifications of Directors on each Board Committee are detailed on page 18 of this report. Board Committee Charters can be viewed on the Port's website at <https://www.townsville-port.com.au/about-us/governance/>.

## Director Attendance

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

Director	Board Meetings		Audit & Risk Management Committee		HR & WHS Committee		Major Projects Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard, AM, OAM	9	9	4	4	4	4	3	3
Mr Brad Webb	9	9	3	3	1	1	3	3
Mr Shayne Hanran	9	9	N/A	N/A	4	4	4	4
Hon. Mike Reynolds CBE, AM	9	7	3	3	N/A	N/A	3	3

## Board Evaluations

Performance evaluation for the chief executive officer and senior executives occurs annually in accordance with the Port's Performance Review Procedure.

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

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

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

The evaluation process focuses on:

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

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

Assessments for the 2019/2020 period were completed by Directors during the second quarter. The results of the evaluations were communicated to the Board via the Chairperson and analysed for trends and areas for improvement.

## Director Independence

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

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

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

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

The Board also regularly assesses the ongoing independence of each Director and the Board generally to ensure they continue to exercise unfettered and independent judgment. This ensures the interests of the shareholding Ministers and the public are properly protected and that individual vested interests do not

have the opportunity to influence decision-making against the interests of the Corporation as a whole.

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

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

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

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

## Independence Advice

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

## Shareholding Ministers

The Port's shareholding Ministers are identified as Key Management Personnel. All Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Port does not bear any cost of remuneration of shareholding Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances. POTL's shareholding Ministers are identified as part of POTL's key management personnel. For the 2019-20 reporting period, these Ministers are, or were:

- the Honourable Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning (from 11 May 2020);
- the Honourable Mark Bailey MP, Minister for Transport and Main Roads
- the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (until 11 May 2020).\*

\* The Premier Anastacia Palaszczuk temporarily assumed shareholding Ministerial responsibilities for the period 9 to 10 May 2020 until 11 May 2020 when a new Minister was appointed.

## Shareholders

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

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

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

## Dividend Policy

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

The Port has recommended a dividend to shareholding Ministers of 100% of its adjusted audited net profit after tax (NPAT), which is expected to be in the amount of \$13.51 million for the 2019-20 financial period.

## Risk Management

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

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

## Audits

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

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

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

## Business Management Systems

Townsville Port Limited 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).

## Public Interest Disclosures

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

## Privacy

The Port has implemented a Privacy Plan consistent with the 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 <https://www.townsville-port.com.au/privacy-policy/>. The Port did not receive or process any Information Privacy applications during the reporting period.

## Release of Information

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

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

## Summary of Directions and Notifications Given Under the GOC Act

Pursuant to section 114 of the GOC Act the Port was notified during the reporting period that the public sector policy entitled "Public Interest Disclosure Standard No. 1" was revoked and that public sector policies entitled "Public Interest Disclosure Standards No. 1/2019, No.2/2019 and No. 3/2019", as amended from time to time are to apply to the Port as far as practicable and to all its subsidiaries. The Port is currently in the process of updating its policies and procedures to reflect the requirements of these new standards.

## Overseas Travel

No overseas travel was undertaken by Directors or Executives of the Port during the 2019-20 financial year.



# PORT OF TOWNSVILLE LIMITED

ACN 130 077 673

## ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2020

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# Directors' Report

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

The Directors present their report together with the financial statements of Port of Townsville Limited (POTL) for the year ended 30 June 2020 and the auditor's report thereon.

## DIRECTORS

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

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

## PRINCIPAL ACTIVITIES

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

The Port's core business functions are to:

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

## REVIEW OF OPERATIONS

The year has seen the world's economy heavily impacted by COVID19. Whilst there has been stressed supply chains worldwide, the Port recorded modest trade growth due to the perseverance of our customers. Profit from continuing operations before income tax expense remained strong at \$19.87 million (2019: \$21.61 million) with a continued focus on revenue diversification and cost management. The Port's operating result for the year after income tax remained steady at \$13.87 million (2019: \$15.96 million). Total trade throughput for the year increased by 6.7% on the previous year to 8.19 million tonnes (2019: 7.68 million tonnes).

During the year, the Port completed the first phase of 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. The cargo terminal was partially opened in May 2020 and commenced receiving containers. The Port ordered a Liebherr post-Panamax ship-to-shore crane which is expected to be commissioned on Berth 4 early 2021.

The \$193 million Townsville Channel Upgrade Project is progressing well, with rock wall construction starting in 2020. Hall Contracting Pty Limited, a Queensland based company, was awarded the contract for the rock wall build. Dredging and reclamation works are expected to commence later in 2020, which includes capital dredging and beneficial re-use of approximately 3.9 million cubic metres of material. Widening of the channels to cater for larger ships will ensure North Queensland remains a competitive trade gateway for imports and exports, and will also enable Townsville to attract larger cruise ships to support growth of the local tourism industry and improve strategic capability for Defence. The project is being funded by the Port (\$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.

During the year, the Port continued work with Townsville City Council and Economic Development Queensland on planned developments in the Townsville Waterfront Priority Development Area (PDA). The Port 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.

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

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

		2020	2019
Return on Assets	<i>Net Profit After Tax / Total End of Year Assets</i>	1.89%	1.96%
Return on Equity	<i>Net Profit After Tax / Total End of Year Equity</i>	2.62%	2.69%
Interest Cover Ratio	<i>Earnings Before Interest and Tax / Total Finance costs (inclusive of capitalised costs)</i>	4.93	4.90
Debt to Equity	<i>Total Debt / Total Equity</i>	0.18	0.16

## DIVIDENDS

Directors recommended payment of a final dividend of 100% of adjusted profits (2019: 100%). The final dividend amounts to \$13,513,216 (2019: \$15,960,903).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

# Directors' Report

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not been any matter or circumstance that has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

## ENVIRONMENTAL REGULATION

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

All environmental performance obligations are reviewed as part of the certified Environmental Management System (EMS) and under the Port's risk and compliance framework are reported to the Audit & Risk 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, a preliminary investigation was completed. This was undertaken with the assistance of a specialist consultant (GHD) and Queensland government departments to understand the nature and extent of PFAS both within the port and beyond the port boundary. Results to date indicate a very low risk to local residents or workers at the Port of Townsville, and results from this investigation were released in July 2018 and are available on Port's website. Further detailed investigations have been undertaken in 2019-2020 and ongoing testing of PFAS has been included in routine environmental programs for local marine sediments and waters throughout 2019-2020.

In 2019-2020 two pest species, the Varroa Mite and White Colonial Sea Squirt, were detected at the Port of Townsville through existing monitoring and surveillance programs. The Port is working closely with the Queensland government departments to minimise the potential impact from these pest species and raise awareness across the Port community.

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

## INFORMATION ON DIRECTORS

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

### Ms Renita Garard OAM, Non-Executive Chair

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

#### EXPERIENCE AND EXPERTISE

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

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

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



#### SPECIAL RESPONSIBILITIES

Chair of the Board

Chair of the Audit and Risk Management (ARM) Committee

Member of the Human Resources and Work Health and Safety (HR&WHS) Committee

### Mr Bradley Webb, Non-executive director

Appointment 1 October 2011, Term of Office - to 30 September 2020

#### EXPERIENCE AND EXPERTISE

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

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



#### SPECIAL RESPONSIBILITIES

Member of the Audit and Risk Management (ARM) Committee

Member of the Major Projects Committee

# Directors' Report

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

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

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

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### **EXPERIENCE AND EXPERTISE**

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

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

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

Mike was an Adjunct Professor at the Public Policy Institute at the Canberra Campus of the Australian Catholic University (2012-2013) and is the Australian Patron of Youth With a Mission Medical Ships Australia (2009-2020). Mike is a non-executive Director with North and West Remote Health (2012 to 2020).

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

### **SPECIAL RESPONSIBILITIES**

Member of the Audit and Risk Management (ARM) Committee

Member of the Major Projects Committee



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## **Mr Shayne Hanran, Non-executive director**

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

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### **EXPERIENCE AND EXPERTISE**

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

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

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



### **SPECIAL RESPONSIBILITIES**

Chair of the Major Projects Committee

Member of the Human Resources and Work Health and Safety (HR&WHS) Committee

## **COMPANY SECRETARY**

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

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### **Ms Esther Slocombe**

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

Prior to joining the Port she held a position of legal practitioner in a private legal practice in Townsville for three (3) years. Esther was admitted as a Legal Practitioner of the Supreme Court of Queensland on 23 February 2007. She 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.

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### **Mr David Sibley**

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

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

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

# Directors' Report

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

## MEETINGS OF DIRECTORS

The number of meetings of the Port's Board of Directors and of each board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

Director	Board Meetings		Audit & Risk Management		HR & WHS Committee		Major Projects Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Ms Renita Garard	9	9	4	4	4	4	4	3
Mr Brad Webb	9	9	4	3	N/A	N/A	4	3
Mr Shayne Hanran	9	9	N/A	N/A	4	4	4	4
Hon. Mike Reynolds CBE, AM	9	7	4	3	N/A	N/A	4	3

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

## DIRECTORS' SHAREHOLDING

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

## AUDITOR'S INDEPENDENCE DECLARATION

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

## ROUNDING OF AMOUNTS

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

This report is made in accordance with a resolution of directors on 17 August 2020.



Ms Renita Garard  
Chair

17 August 2020



Mr Brad Webb  
Director

17 August 2020

# Auditor's Independence Declaration

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

To the Directors of Port of Townsville Limited

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

## INDEPENDENCE DECLARATION

As lead auditor for the audit of Port of Townsville Limited for the financial year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been -

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



Bhavik Deoji  
as delegate of the Auditor-General

17 August 2020

Queensland Audit Office  
Brisbane

# Annual Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

## 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.

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

These Statements have been prepared:-

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

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

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

# Statement of Comprehensive Income

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

	Notes	2020 \$	2019 \$
<b>REVENUES</b>			
User Charges	2(A)	78,517,113	74,358,110
Interest Received		1,000,315	981,342
Other Revenue	2(A)	1,295,679	784,459
Fair Value Gains on Investment Properties	3(G)	509,620	4,272,000
		<b>81,322,727</b>	<b>80,395,911</b>
<b>EXPENSES</b>			
Employee Related Expenses	2(B)	18,474,630	17,000,294
Supplies and Services	2(B)	19,346,912	20,536,800
Depreciation and Amortisation Expense	3(F)	15,506,810	12,845,303
Finance Costs	2(B)	5,258,265	5,547,905
Other Expenses	2(B)	2,865,802	2,520,103
Fair Value Decrements on Investment Properties	3(G)	0	335,000
		<b>61,452,418</b>	<b>58,785,405</b>
<b>OPERATING RESULT BEFORE INCOME TAX EXPENSE</b>		<b>19,870,310</b>	<b>21,610,506</b>
Income Tax Expense	2(C)	(6,000,360)	(5,649,603)
<b>OPERATING RESULT FOR THE YEAR</b>		<b>13,869,950</b>	<b>15,960,903</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO OPERATING RESULT:</b>			
Increase / (Decrease) in Revaluation Surpluses (net of tax effect)	3(E)	(63,416,067)	74,983,093
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(49,546,117)</b>	<b>90,943,996</b>

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



# Statement of Financial Position

as at 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

	Notes	2020 \$	2019 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3(A)	12,089,957	11,870,550
Trade and Other Receivables	3(B)	13,711,934	14,282,849
GOC Advance Facility	3(C)	40,724,103	72,996,074
Other Current Assets		1,073,751	812,529
Inventories	3(D)	55,163	83,555
<b>TOTAL CURRENT ASSETS</b>		<b>67,654,908</b>	<b>100,045,557</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	3(E)	608,828,573	662,851,197
Right of Use Assets	3(H)	3,845,847	-
Intangibles	3(E)	288,291	361,689
Investment Properties	3(G)	51,737,048	50,962,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>664,699,759</b>	<b>714,174,886</b>
<b>TOTAL ASSETS</b>		<b>732,354,667</b>	<b>814,220,443</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	3(I)	12,389,767	10,179,652
Lease Liabilities	3(H)	355,785	-
Current Tax Liabilities		3,172,877	207,062
Provisions	3(K)	17,077,744	16,592,121
Other Current Liabilities	3(L)	3,928,706	3,461,672
<b>TOTAL CURRENT LIABILITIES</b>		<b>36,924,879</b>	<b>30,440,507</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial Liabilities	3(J)	96,137,543	96,137,543
Lease Liabilities	3(H)	3,567,302	-
Deferred Tax Liabilities	2(C)	43,638,211	71,364,747
Provisions	3(K)	775,232	689,383
Other Non-Current Liabilities	3(L)	21,629,167	22,954,167
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>165,747,456</b>	<b>191,145,840</b>
<b>TOTAL LIABILITIES</b>		<b>202,672,335</b>	<b>221,586,347</b>
<b>NET ASSETS</b>		<b>529,682,332</b>	<b>592,634,096</b>
<b>EQUITY</b>			
Contributed Equity	3(M)	162,879,706	162,879,706
Accumulated Surplus		145,451,540	144,987,238
Asset Revaluation Surplus	3(N)	221,351,086	284,767,152
<b>TOTAL EQUITY</b>		<b>529,682,332</b>	<b>592,634,096</b>

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

# Statement of Changes in Equity

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

	Notes	2020 \$	2019 \$
<b>CONTRIBUTED EQUITY</b>			
Balance at beginning of the year		162,879,706	103,062,706
Shares Issued		-	59,817,000
<b>Balance at the end of the year</b>	<b>3(L)</b>	<b>162,879,706</b>	<b>162,879,706</b>
<b>ACCUMULATED SURPLUS</b>			
Balance at beginning of the year		144,987,238	141,910,520
Impact of change in accounting policy		(2,044)	-
Operating result for the year		13,869,950	15,960,903
Transfer from reserves on disposal / derecognition of property, plant and equipment		156,593	458,313
Deferred tax adjustment for disposals of property, plant and equipment		(46,981)	(137,495)
Dividends provided for	3(N)	(13,513,216)	(13,205,003)
<b>Balance at the end of the year</b>		<b>145,451,540</b>	<b>144,987,238</b>
<b>ASSET REVALUATION SURPLUS</b>			
Balance at beginning of the year		284,767,152	209,784,059
Property, plant and equipment revaluation increment / (decrement) - gross		(90,437,789)	107,577,018
Deferred tax adjustment for revaluations		27,178,314	(32,135,612)
Transfer to accumulated surplus on disposal/derecognition of property, plant and equipment		(156,593)	(458,313)
<b>Balance at the end of the year</b>	<b>3(M)</b>	<b>221,351,086</b>	<b>284,767,152</b>

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

# Statement of Cash Flows

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

	Notes	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers		86,483,918	79,589,051
Payments to Suppliers and Employees		(43,284,450)	(39,271,401)
GST paid/received from the Australian Taxation Office		(2,239,813)	(4,251,839)
Interest Received		1,000,315	981,342
Finance Costs		(5,229,409)	(5,579,396)
Income Tax Equivalents paid/received from Queensland Treasury		(3,629,744)	(857,942)
<b>Net Cash Inflow (Outflow) from Operating Activities</b>		<b>33,100,817</b>	<b>30,609,815</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for Property, Plant and Equipment		(52,074,692)	(18,903,695)
Proceeds from Sale of Property, Plant and Equipment		258,332	202,727
Advances to Queensland Treasury		32,271,971	(57,003,948)
<b>Net Cash Outflow from Investing Activities</b>		<b>(19,544,389)</b>	<b>(75,704,916)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Lease Liabilities		(132,020)	-
Capital Issue		-	59,817,000
Dividends Paid		(13,205,003)	(15,011,381)
<b>Net Cash Inflow from Financing Activities</b>		<b>(13,337,023)</b>	<b>44,805,619</b>
Net (Decrease) / Increase in Cash and Cash Equivalents		219,406	(289,481)
Cash and Cash Equivalents at Beginning of the Financial Year		11,870,551	12,160,032
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		<b>12,089,957</b>	<b>11,870,551</b>

## 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	13,869,950	15,960,903
Depreciation and Amortisation	15,506,810	12,845,303
(Gain) / Loss on Disposal of Non-Current Assets	(90,358)	(56,062)
Net Revaluation Increments - Non-Current Assets	(509,620)	(3,937,000)
<u>Changes in Assets and Liabilities</u>		
(Increase) / Decrease in Trade and Other Receivables	(229,840)	(214,610)
(Increase) / Decrease in Other Assets	(261,224)	(181,277)
Increase / (Decrease) in Trade and Other Payables	2,181,225	1,404,614
Increase / (Decrease) in Provisions	263,258	(3,717)
Increase / (Decrease) in Current and Deferred Tax balances	2,370,616	4,791,661

<b>Net Cash Inflow from Operating Activities</b>	<b>33,100,817</b>	<b>30,609,815</b>
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### Reconciliation of Liabilities Arising From Financing Activities

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

<b>Closing Balance</b>	<b>96,137,543</b>	<b>96,137,543</b>
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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

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

## 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 17 August 2020. The Directors have the power to amend and reissue the financial statement.

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

### (B) PRESENTATION AND MEASUREMENT MATTERS

#### Historical cost convention

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

#### Functional and presentation currency

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

#### Rounding of Amounts

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

### (C) STATEMENT OF COMPLIANCE

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

Standards and Interpretations in issue not yet adopted

The Port has not early adopted any other Australian Accounting Standards and Interpretations that have recently been issued or amended and are not yet effective for the annual reporting period ended 30 June 2020. The Port does not expect there to be any significant impact from these amendments.

Title	Operative for reporting financial year ending
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material <i>The Port does not expect there to be any impact from these amendments.</i>	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework <i>The Port does not expect there to be any impact from these amendments.</i>	30 June 2021
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non Current <i>The Port does not expect there to be any impact from these amendments.</i>	30 June 2022

## NEW AND AMENDED STANDARDS ADOPTED OR CHANGES IN ACCOUNTING POLICIES

### AASB 16 Leases

The Port adopted AASB 16 *Leases* for the first time in 2019-2020, applying the modified retrospective method and has not restated comparatives for the 2019 reporting period, which continue to be reported under AASB 117 *Leases* and related interpretations.

#### Definition of a lease

AASB 16 introduced new guidance on the definition of a lease. The change 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).

The Port has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the department is reasonably certain to exercise.

The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2020.

#### Impacts on Leases as Lessee

Previously, the Port classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

#### Impacts on Leases as Lessor

The Port did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

## NOTE 1. BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

### Transitional Impact

In applying AASB 16 for the first time, the Port has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following summaries on-transition adjustments to asset and liability balances at 1 July 2019 in relation to former operating leases.

- right of use assets - increase by \$3,795,612.
- lease liabilities - increase by \$3,797,656.
- Net impact on retained earnings was \$2,044.

## (D) CRITICAL ACCOUNTING ESTIMATES

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

2020  
\$

2019  
\$

## NOTE 2. OUR FINANCIAL PERFORMANCE

### (A) REVENUE

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

Revenue is recognised for the major business activities as follows:

#### USER CHARGES

##### Cargo Charges / Berthage / Charges for Services

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

##### Properties and Facilities

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

##### Pilotage Transfer Service Revenue

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

##### Interest Received

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

### (i) USER CHARGES

Cargo Charges	37,686,486	34,707,553
Berthage	14,097,586	13,029,721
Properties and Facilities	11,773,215	10,870,775
Charges for Services	6,852,784	8,327,821
Pilot Transfer Service	8,107,042	7,422,240
	<b>78,517,113</b>	<b>74,358,110</b>

### (ii) OTHER REVENUE

	2020 \$	2019 \$		
Proceeds - Sale of Property, Plant & Equipment & Investment Properties	258,256	176,115		
Carrying Value of Disposed Property, Plant & Equipment	(61,752)	(39,892)		
Gain on Sale of Property, Plant & Equipment	196,504	136,223	196,504	136,223
Works Undertaken on Behalf of Other Parties			313,981	249,634
Tax Refunds			-	-
Bad Debts Recovered			389,447	839
Other Revenue			395,746	397,763
			<b>1,295,679</b>	<b>784,459</b>

### (B) EXPENSES

#### (i) EMPLOYEE RELATED EXPENSES

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

Salaries & Wages	14,106,392	12,806,104
Annual Leave	898,910	905,962
Long Service Leave	237,762	139,353
Superannuation	1,758,747	1,597,713
Payroll Tax	710,664	799,709
Fringe Benefits Tax	164,476	154,707
Workers Compensation	274,056	252,035
Other Employee Related Expenses	323,624	344,711
	<b>18,474,630</b>	<b>17,000,294</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

	2020 \$	2019 \$
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## NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

	2020 \$	2019 \$		
<b>(ii) SUPPLIES AND SERVICES</b>				
Payments to Contractors (other than those for Maintenance of Assets or Dredging below)			5,074,522	2,735,760
Payments to Consultants				
Professional/Technical	1,925,583	2,313,255		
Human Resource Management	15,801	7,233		
Finance/Accounting	129,738	132,800		
	2,071,122	2,453,288	2,071,122	2,453,288
Insurance			1,884,793	1,537,586
Maintenance of Assets			3,937,228	2,493,337
Dredging			3,872,698	3,745,171
Reclassified Work in Progress			192,850	3,097,841
Lease Payments			369,681	374,718
Utilities and Services			1,620,379	1,598,131
Other Supplies and Services			323,638	2,500,968
			19,346,912	20,536,800

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

## (iii) FINANCE COSTS

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

Loan Interest	3,972,884	4,407,906
Interest on Lease Liabilities	160,864	-
Competitive Neutrality Fee	1,124,517	1,139,999
	5,258,265	5,547,905

	2020 \$	2019 \$		
<b>(iv) OTHER EXPENSES</b>				
Proceeds from Sale of Property, Plant & Equipment	9	26,614		
Carrying Value of Disposed Property, Plant & Equipment	(106,155)	(106,774)		
Loss on Sale of Property, Plant & Equipment	(106,146)	(80,160)	106,146	80,160
Land Tax			2,602,807	2,304,616
Other Expenses			156,849	135,327
			2,865,802	2,520,103

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

2020  
\$

2019  
\$

## NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

### (C) TAXATION

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

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

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Port has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

#### (i) INCOME TAX EQUIVALENTS

##### Income tax equivalents expense

Current Tax Expense / (Benefit)	6,559,224	4,341,444
Deferred Tax Expense / (Benefit)	(595,199)	2,148,938
Under/(Over) Provision in Prior Years	36,335	(840,779)
	6,000,360	5,649,603

##### Income Tax Equivalents Expense is attributable to:

Profit from Operations	5,964,025	6,490,382
Under/(Over) Provision in Prior Years	36,335	(840,779)
	6,000,360	5,649,603

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

Decrease/(Increase) in Deferred Tax Assets	(781,147)	(9,198)
(Decrease)/Increase in Deferred Tax Liabilities	185,948	2,158,136
	(595,199)	2,148,938

##### Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

Profit from Operations before Income Tax Expense	19,870,310	21,610,506
Tax at the rate of 30% (2019 - 30%)	5,961,093	6,483,152
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	2,932	2,782
Other	-	4,448
	5,964,025	6,490,382
Under/(Over) Provision in Prior Years	36,335	(840,779)
Income Tax Equivalents Expense	6,000,360	5,649,603

##### 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	(46,978)	(137,495)
Net deferred tax - debited/(credited) direct to equity as a result of net increment in Revaluation Surpluses	27,178,314	(32,135,612)
	27,131,337	(32,273,107)



# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

2020  
\$

2019  
\$

## NOTE 2. OUR FINANCIAL PERFORMANCE (continued)

### (ii) DEFERRED TAXES

#### Deferred Tax Assets

The balance comprises temporary differences attributable to:

*Amounts recognised in the statement of comprehensive income*

Allowance for doubtful debts	265,100	345,794
Accrued payables	614,675	58,843
Provision for annual leave	400,562	339,958
Provision for long service leave - current	663,622	666,911
Provision for long service leave - non current	232,570	206,815
Accrued superannuation	3,023	12,276
Property, Plant and Equipment	-	42,516
Lease Liabilities	1,176,926	-
Deferred grant revenue	6,480,000	6,840,000

Total Deferred Tax Assets	9,836,478	8,513,113
Set-off of deferred tax liabilities pursuant to set-off provisions	(9,836,478)	(8,513,113)

Net Deferred Tax Assets	-	-
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#### Movements:

Opening balance at 1 July	8,513,113	8,503,915
Credited / (charged) to the statement of comprehensive income	781,147	9,198

As at 30 June	9,294,260	8,513,113
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Deferred tax assets expected to be recovered within 12 months	2,306,982	1,783,782
Deferred tax assets expected to be recovered after more than 12 months	7,529,496	6,729,331
	9,836,478	8,513,113

#### Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

*Amounts recognised in the statement of comprehensive income*

Accrued Trade Receivables	1,269,019	1,901,882
Property, Plant and Equipment	(70,332,632)	(44,067,088)
Property, Plant and Equipment (revaluation component)	121,996,085	122,043,066

Total Deferred Tax Liabilities	52,932,472	79,877,860
Set-off of deferred tax liabilities pursuant to set-off provisions	(9,836,478)	(8,513,113)

Net Deferred Tax Liabilities	43,095,994	71,364,747
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#### Movements:

Opening balance at 1 July	79,877,862	45,446,618
Credited/(charged) to the statement of comprehensive income	185,948	2,158,136
Credited/(charged) to equity	(27,131,337)	32,273,107

As at 30 June	52,932,472	79,877,862
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The Deferred tax liability includes amounts recognised directly in equity as follows:

Revaluation of Property, Plant and Equipment	94,864,751	122,043,066
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### (ii) INCOME TAX EQUIVALENTS REFUNDS

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

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
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	2020	2019
	\$	\$

## NOTE 3. OUR FINANCIAL POSITION

### (A) CASH AND CASH EQUIVALENTS

For cash flow statement and statement of financial position presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within financial liabilities in current liabilities on the statement of financial position.

Cash at Bank and On Hand	12,089,957	11,870,550
	12,089,957	11,870,550

### INTEREST RATE RISK EXPOSURE

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

### (B) TRADE AND OTHER RECEIVABLES

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

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

The Port has undergone an analysis of historical credit losses for a period of 36 months prior to 30 June 2020. The historical loss rates have been deemed immaterial.

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

Trade Receivables	14,595,601	15,435,500
Loss Allowance	(883,667)	(1,152,651)
	13,711,935	14,282,849

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	12,805,645	12,995,388
30 - 60 days	620,059	107,095
over 60 days	286,231	1,180,366
over 120 days	769,343	
	13,711,935	14,282,849

### LOSS ALLOWANCE

As at 30 June 2020 current trade receivables of the Port with a nominal value of \$883,667 (2019: \$1,152,651) were impaired and fully provided for. The loss allowance is due to a number of events including one external customer with administrators appointed.

Opening Balance	1,152,651	1,152,651
Reversal of previous provision	(268,984)	-
	883,667	1,152,651

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

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
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2020  
\$

2019  
\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

### (C) GOC ADVANCE FACILITY

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

### (D) INVENTORIES

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

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

#### INITIAL RECOGNITION

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

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

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

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

The Port has a comprehensive annual maintenance program for its major plant and equipment and infrastructure assets, and subsequent costs will be included in the assets' carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Port and the cost of the item can be measured reliably. All other repairs and maintenance that merely restores original service potential (arising from ordinary wear and tear etc) are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### SUBSEQUENT RECOGNITION

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

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

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020  
\$

2019  
\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

### Fair Value

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

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

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

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

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

Channels and swing basins, wharves, buildings, small boat harbours and facilities, infrastructure, breakwaters and land are categorised as Level 3 at 30 June 2020.

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	7.15%	The higher the discount rate the lower the fair value
CPI/Inflation	2.00%	The higher the CPI rate the higher the fair value
Terminal Value	EBIT multiple (20.1)	The higher the terminal value the higher the fair value
Forecast Trade	Maximum volumes of 17.4 million tonnes	The higher the trade forecast the higher the fair value
Other Revenue	As per Approved Budget, inflation thereafter	The higher the revenues the higher the fair value
Expenses	As per Approved Budget, inflation thereafter	The higher the expenses the lower the fair value
Capital Expenditure	Limited to replacement of existing assets	The higher the capital expenditure the lower the fair value

The income based valuation was undertaken by the Port as at 30 June 2020 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 2020. The future cash flows are denominated in Australian dollars and are projected on a nominal, ungeared, post-tax basis over the expected useful lives of the assets (100 years). Mid of period discounting (to discount future cash flows to their net present value) has been adopted.
- The Port has established the cash generating units of Shipping Operations, Property Management, Port of Lucinda and Pilot and Security Services. Direct revenues and costs are apportioned utilising the most appropriate allocation method for that type of expenditure e.g. the written down value of relevant assets or proportional revenue received.
- Forecast revenue assumptions have been based on customer contracts (where applicable), advice from customers, assessment of feasibility of new trades or increases in capacity of supporting infrastructure, global market conditions for commodities and long-term historical trade patterns. Forecast trade is however limited to capacity of existing infrastructure and volumes subsequent to that are assumed to be constant. A 1% change in the trade projection results in 1.48% change in fair value.
- Determined charges for revenues are based on current established rates and increased at a rate of inflation of 2.0% thereafter.
- Expenditure cash flows are based on prudent and efficient operating costs which are assumed to be largely fixed in nature due to the underlying nature of maintenance required on port assets remaining constant, irrespective of volumes.
- Net cash flows assume a discount rate equal to the relevant Corporate Weighted Average Cost of Capital (WACC), with a CPI of equivalent to the RBA average inflation target being utilised for cash flow growth rates (2%). This is due to the sympathetic relationship between WACC and CPI. An independent change in either CPI or WACC of 1% can affect total non-current asset values by up to 20.00%, but a sympathetic increase of 1% in both indices has a sensitivity of 1.328%.
- An annually reviewed weighted depreciation rate on WDV is used to calculate depreciation by asset category. A 1% change in depreciation impacts fair value by 0.100%.
- Due to the nature of the Port's long life assets, the period of assessment covers the maximum life of existing assets of 100 years. Terminal value calculations are also calculated over several periods to determine possible variations. An equivalent 30 year terminal fair value calculation varies by 15.27%. Average variance to terminal value calculations from 20 to 90 years is 7.42%.
- Future capital expenditure beyond that already approved in the budget has been limited to the replacement of existing assets, noting the \$193 million Channel Capacity Upgrade project is included. No revenue has been included that would necessitate the expansion of Port facilities nor would require additional expenditure above what has been included.
- The five year budget includes recognition of the significant impacts of COVID-19 on the global, Australian and local economies, with an outlook beyond the next 6 months being highly unpredictable, and as such the budget has been prepared on a conservative basis.
- Working capital balances are assumed to increase in line with the general growth of revenues and expenditures.
- Tax calculations in the cash flow projections assume a corporate tax rate of 30%.
- Asset are not valued above their recoverable value.

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020  
\$

2019  
\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

### Assessment of Useful Lives

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

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

2019-2020 Carrying Amounts		\$ Gross	\$ Accumulated Depreciation / Amortisation	\$ Carrying Amount
Channels and Swing Basins	At Fair Value 2020	149,190,235	-	149,190,235
	At Fair Value 2019	180,742,195	-	180,742,195
Land	At Fair Value 2020	74,456,860	-	74,456,860
	At Fair Value 2019	89,349,947	-	89,349,947
Wharves	At Fair Value 2020	151,771,499	-	151,771,499
	At Fair Value 2019	177,444,934	-	177,444,934
Breakwaters	At Fair Value 2020	48,731,952	-	48,731,952
	At Fair Value 2019	62,536,856	-	62,536,856
Buildings	At Fair Value 2020	16,705,639	-	16,705,639
	At Fair Value 2019	19,689,868	-	19,689,868
Small Boat Harbours	At Fair Value 2020	7,280,547	-	7,280,547
	At Fair Value 2019	8,240,031	-	8,240,031
Infrastructure	At Fair Value 2020	67,179,661	-	67,179,661
	At Fair Value 2019	79,683,285	-	79,683,285
Plant and Equipment	At Cost 2020	23,247,051	12,768,506	10,478,545
	At Cost 2019	22,614,655	12,115,083	10,499,572
Intangibles	At Cost 2020	1,873,561	1,585,270	288,291
	At Cost 2019	1,842,447	1,480,758	361,689
*Capital Works in Progress	At Cost 2020	83,033,635	-	83,033,635
	At Cost 2019	34,664,509	-	34,664,509
Total 2020		623,470,640	14,353,776	609,116,864
Total 2019		676,808,727	13,595,841	663,212,886

### \*Capital Works in Progress

Harbour Works (includes inner harbour works, Port Expansion and Channel Upgrade Project)	78,829,893	32,918,113
Port Developments (includes East Port and Harbour City Developments)	1,106,843	618,420
Equipment	3,096,899	1,127,976
	83,033,635	34,664,509

### 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	70,080,353	70,938,328
Land	25,672,905	25,672,905
Wharves	105,506,163	108,601,387
Breakwaters	5,804,077	5,862,522
Buildings	14,261,429	14,781,112
Small Boat Harbours	5,030,543	5,149,074
Infrastructure	44,100,305	44,957,800
	270,455,775	275,963,128

# Notes to the Financial Statements

for the year ended 30 June 2020

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## NOTE 3. OUR FINANCIAL POSITION (continued)

### RECONCILIATION OF CARRYING AMOUNTS

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

#### Level 3 Assets

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

#### Assets at Cost

Plant & Equipment	10,499,572	1,622,209	(77,222)	-	-	-	(1,566,014)	10,478,544
Intangibles	361,689	31,114	-	-	-	-	(104,513)	288,290
Capital Works in Progress	34,664,509	51,809,267	-	(3,440,140)	-	-	-	83,033,636
- transfers to / from Investment Properties	-	265,428	-	(265,428)	-	-	-	-
	663,212,886	55,514,835	(167,907)	(3,705,568)	-	(90,437,789)	(15,299,593)	609,116,865

	\$	\$	\$	\$	\$	\$	\$	\$
2018-2019	Carrying Amount at 1 July 2018	Additions	Disposals & Derecognitions	Transfers	Revaluations 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

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020  
\$

2019  
\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

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

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

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

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

	Range		Average	
	2020	2019	2020	2019
Channels and Swing Basins	0.95% - 1.0%	1.00%	0.97%	1.00%
Wharves	1.2% - 12.49%	1.09% - 10%	2.92%	3.11%
Breakwaters	1% - 2.14%	1% - 2.14%	1.30%	1.31%
Buildings	1.54% - 8.41%	1.54% - 8.49%	3.14%	3.28%
Infrastructure	0.78% - 20.0%	0.47% - 20%	2.94%	2.77%
Small Boat Harbours	1.94% - 2.66%	1.94% - 2.66%	2.20%	2.20%
Plant and Equipment	0.18% - 73.92%	0.18% - 50.0%	13.14%	13.41%
Intangibles	7.22 - 27.12%	13% - 27.12%	21.25%	15.99%

### (G) INVESTMENT PROPERTIES

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

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

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

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

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

#### VALUATION BASIS

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

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 desktop independent assessments made by Jones Lang Lasalle Public Sector Valuations Pty Ltd. Valuation conclusions were reached after reviewing recent market activity by the Port, town planning schemes and assessment of the overall health of the Australian and Queensland economies taking into account specific industry conditions likely to impact on asset prices. Qualitative research indicated that the Port investment property values increased on average 1% over the last twelve months.

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

#### Land

Opening balance at 1 July	35,446,000	31,526,000
Acquisitions	265,428	-
Net gain (loss) from fair value adjustment	354,460	3,920,000
Closing balance at 30 June	36,065,888	35,446,000

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
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2019-2020

	2020 \$	2019 \$
<b>NOTE 3. OUR FINANCIAL POSITION (continued)</b>		
<b>Buildings</b>		
Opening balance at 1 July	15,516,000	15,499,000
Net gain (loss) from fair value adjustment	155,160	17,000
Closing balance at 30 June	15,671,160	15,516,000
Total Investment Properties Closing balance at 30 June	51,737,048	50,962,000
<b>Amounts recognised in the Statement of Comprehensive Income for Investment Properties</b>		
Rental income	964,245	1,227,357
Direct operating expenses from property that generate rental income	(6,678)	(630)
Direct operating expenses from property that did not generate rental income	(33,477)	(36,795)
Net gain (loss) from fair value adjustment	509,620	3,937,000
Comprehensive Income	1,433,710	5,126,932

## (H) LEASES

A new accounting standard AASB 16 Leases came into effect in 2019-2020, resulting in changes to the Port's accounting for leases for which it is a lessee. The transitional impacts of the new standard are disclosed in Note 1(C).

### AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION FOR LEASES

<b>Right of Use Assets</b>		
Opening balance at 1 July	3,795,612	-
Depreciation	(207,216)	-
Valuation adjustment	257,451	-
Closing balance at 30 June	3,845,847	-
<b>Lease Liabilities</b>		
Current	355,785	-
Non-Current	3,567,302	-

### AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME FOR LEASES

Depreciation charge of right of use assets	207,216	-
Interest expenses (included in Finance costs)	160,864	-
Expenses relating to leases of low-value and short term assets (included in Supplies and Services)	369,681	374,718
	737,762	374,718

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

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

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

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

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

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

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

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

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



# Notes to the Financial Statements

for the year ended 30 June 2020

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	2020	2019
	\$	\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

### (I) 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	11,808,873	9,877,149
Competitive Neutrality Fee	279,593	284,219
Retention	301,301	18,284
	<b>12,389,767</b>	<b>10,179,652</b>

### (J) FINANCIAL LIABILITIES

The Port has borrowings as its financial liabilities. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless The Port has an unconditional right to defer settlement for the liability for at least 12 months after the year end date.

#### LOAN COVENANTS

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

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

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

### (K) PROVISIONS

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

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

#### CURRENT

Fringe Benefits Tax	17,248	30,891
Employee Benefits - Long Service Leave	2,212,073	2,223,035
Employee Benefits - Annual Leave	1,335,207	1,133,192
Dividend	13,513,216	13,205,003
	<b>17,077,744</b>	<b>16,592,121</b>

#### NON-CURRENT

Employee Benefits - Long Service Leave	775,232	689,383
	<b>775,232</b>	<b>689,383</b>

#### Amounts not expected to be settled within the next 12 months

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

#### Short Term Obligations

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
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2019-2020

2020  
\$

2019  
\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

### Other Long-Term Employee Benefit Obligations

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

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

### Retirement Benefit Obligations

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

### Movements in Provisions

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

	Dividend	Fringe Benefits Tax	Employee Benefits - Long Service Leave	Employee Benefits - Annual Leave
	\$	\$	\$	\$
<b>CURRENT</b>				
Carrying amount at start of year	13,205,003	30,891	2,223,035	1,133,192
<u>Charged/(credited) to the statement of comprehensive income</u>				
- additional provisions recognised	13,513,216	167,357	164,358	1,229,492
Amounts transferred/reclassified			90,950	
Amounts used during the period	(13,205,003)	(181,000)	(266,270)	(1,027,476)
Carrying amount at end of year	13,513,216	17,248	2,212,073	1,335,207

	Employee Benefits - Long Service Leave
	\$
<b>NON-CURRENT</b>	
Carrying amount at start of year	689,383
<u>Charged/(credited) to the statement of comprehensive income</u>	
- unused amounts reversed or unwound	176,799
Amounts transferred/reclassified	(90,950)
Carrying amount at end of year	775,232

## (L) OTHER LIABILITIES

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

The Berth 10 upgrade project provides a dedicated facility for military vessels. In 2010-2011, the Department of Defence contributed \$30 million towards future licence fees in respect to the new facility to ensure access over 25 years. The licence fees are to be recognised as revenue on a straight line basis over a period of 25 years. The revenue is recognised from completion of the Berth 10 upgrade, which was October 2013. The balance at reporting date is \$21,600,000 (\$1,200,000 current, \$20,400,000 non-current).

In addition, there is a lease arrangement in place for a staging area to accommodate Defence equipment when vessels are in Port. The payment in advance of \$1,822,000 covers the period 2011 to 2031 for this staging area which is located in the Port's Nexus Business Park. The balance at reporting date is \$1,354,167 (\$125,000 current, \$1,229,167 non-current).

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
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2020  
\$

2019  
\$

## NOTE 3. OUR FINANCIAL POSITION (continued)

### (M) CONTRIBUTED EQUITY

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

Authorised capital - 500,000,000 ordinary shares of \$1 each	500,000,000	500,000,000
Issued capital		
Opening balance at 1 July - 162,879,706 (2019: 162,879,706) ordinary shares of \$1 each fully paid	162,879,706	103,062,706
Issue of shares	-	59,817,000
Amount at the reporting date - 162,879,706 (2019: 162,879,706) ordinary shares of \$1 each fully paid	162,879,706	162,879,706

### ISSUED CAPITAL - ORDINARY SHARES

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

### CAPITAL RISK MANAGEMENT

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

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

### (N) RESERVES

#### ASSET REVALUATION SURPLUS

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

Balances of Asset Revaluation Surplus by category are as follows:

Channels and Swing basins	69,616,974	90,385,443
Land	34,682,247	45,107,407
Wharves	49,211,004	63,308,499
Breakwaters	31,730,086	40,545,393
Buildings	6,197,539	7,731,913
Small Boat Harbours	2,064,882	2,603,995
Plant and Equipment	333,681	341,778
Infrastructure	25,400,059	32,628,109
Land and Buildings transferred to Investment Properties	2,114,615	2,114,615
	221,351,085	284,767,154

### (O) DIVIDENDS

Provision is made for the amount of any dividend, being appropriately determined or recommended by Directors, on or before the end of the financial year but not distributed at balance date. Directors recommended payment of a final dividend of 100% (2018: 100%) of net profit after tax, excluding the effects of asset revaluations. The final dividend amounts to \$13,513,216 (2019: \$13,205,003).

### ORDINARY SHARES

Dividends provided for or paid	13,513,216	13,205,003
Dividends per share	0.083	0.081

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020	2019
\$	\$

## 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	50,294,805	34,690,855
Later than one year but not later than five years	3,450,715	3,829,225
	53,745,520	38,520,080

#### 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	2,577,688	1,579,723
Later than one year but not later than five years	665,141	1,226,934
	3,242,829	2,806,656

#### 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	10,587,641	9,825,188
Later than one year but not later than five years	43,634,283	40,496,969
	54,221,924	50,322,156

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

### (C) CONTINGENT ASSETS/LIABILITIES

There were no known contingent assets/liabilities of a significant nature at 30 June 2020 (2019: Nil).

### (D) FINANCIAL RISK MANAGEMENT

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

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

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

The Audit and Risk Management (ARM) Committee oversees how management monitors compliance with The Port's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by The Port. The 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 loss allowance, as disclosed in the statement of financial position and notes to the financial statements. The Port has major customers, of which the top five contribute 82% of revenue. When necessary, The Port will establish a loss allowance that represents estimates of possible incurred losses of trade and other receivables, and is shown in Note 3(B).

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020  
\$

2019  
\$

## NOTE 4. OTHER (continued)

### LIQUIDITY RISK

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

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

2020		Payable In 1-5 years		Total Contractual Cash Flows	Carrying Amount
	< 1 year		> 5 years		
Payables	12,389,767	-	-	12,389,767	12,389,767
QTC Borrowings	3,883,957	15,516,599	96,137,543	115,538,099	96,137,543
Lease Liabilities	355,785	1,291,970	2,275,332	3,923,087	3,923,087

2019		Payable in 1-5 years		Total Contractual Cash Flows	Carrying Amount
	< 1 year		> 5 years		
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
Lease Liabilities	-	-	-	-	-

The Port 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. The Port has a Working Capital Facility available with Queensland Treasury Corporation, total available funds are \$30 million.

### MARKET RISK

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

### INTEREST RATE RISK

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

Fixed Rate Maturing In:	0-1 Years		1-5 Years		Over 5 Years	
	2020	2019	2020	2019	2020	2019
<b>Financial Assets</b>						
Cash on Hand	-	-	-	-	-	-
Cash at Bank	12,089,457	11,870,050	-	-	-	-
Receivables	-	-	-	-	-	-
<b>Financial Liabilities</b>						
Payables	-	-	-	-	-	-
QTC Borrowings	3,883,957	4,249,279	15,516,599	16,785,615	96,137,543	96,137,543

	Non Interest Bearing		Carrying Amount as per Balance Sheet		Weighted Average Book Rate	
	2020	2019	2020	2019	2020	2019
<b>Financial Assets</b>						
Cash on Hand	500	500	500	500	-	-
Cash at Bank	-	-	12,089,457	11,870,050	0.73%	1.49%
Receivables	13,711,934	14,282,849	13,711,934	14,282,849	-	-
<b>Financial Liabilities</b>						
Payables	12,389,767	10,179,652	12,389,767	10,179,652	-	-
QTC Borrowings	-	-	96,137,543	96,137,543	4.04%	4.37%

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 2020 was \$111,371,602 (30 June 2019: \$110,134,505). Borrowings recorded a market value adjustment of \$15,234,060 (2019: \$13,996,962) principally as a result of past movements in the market value of liabilities in the Debt Pools.

### SENSITIVITY ANALYSIS

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

	Carrying Amount	Interest Rate Risk			
		- 1%		+ 1%	
		Increase/(Decrease) Profit	Increase/(Decrease) Equity	Increase/(Decrease) Profit	Increase/(Decrease) Equity
<b>Financial Assets</b>					
Cash and Cash Equivalents	12,089,957	(120,900)	(120,900)	120,900	120,900
Receivables	13,711,934	-	-	-	-
<b>Financial Liabilities</b>					
Payables	12,389,767	-	-	-	-
QTC Borrowings	100,060,630	1,000,606	1,000,606	(1,000,606)	(1,000,606)

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

### NET FAIR VALUES

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020  
\$

2019  
\$

## NOTE 4. OTHER (continued)

### (E) KEY MANAGEMENT PERSONNEL

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

#### DETAILS OF DIRECTORS

Directors in office at 30 June 2020 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, Last re-appointed 1 October 2019	30 September 2022

#### 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)	2019/2020	50,000	10,203	5,719	65,922
	2018/2019	50,000	10,203	5,719	65,922
Mr Bradley Webb	2019/2020	25,750	8,744	3,277	37,771
	2018/2019	25,750	8,744	3,277	37,771
Mr Shayne Hanran	2019/2020	25,750	10,203	3,416	39,369
	2018/2019	25,750	10,203	3,416	39,369
Hon. Mike Reynolds CBE, AM	2019/2020	25,750	8,744	3,277	37,771
	2018/2019	25,750	8,744	3,277	37,771
<b>Total Remuneration Specified Directors</b>	<b>2019/2020</b>	<b>127,250</b>	<b>37,894</b>	<b>15,689</b>	<b>180,833</b>
	<b>2018/2019</b>	<b>127,250</b>	<b>37,895</b>	<b>15,689</b>	<b>180,833</b>
Insurance premiums to indemnify liabilities while acting as a Director	2019/2020	-	-	-	79,128
	2018/2019	-	-	-	60,445

#### EXECUTIVE REMUNERATION

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

The Port's remuneration policy provides for a review of executive salaries each year with any adjustments effective 1 July. Details of executive remuneration are included in the Annual Report and Statement of Corporate Intent in accordance with legislative and policy requirements. Increases in Chief Executive Officer and Senior Executive remuneration are made and approved in accordance with the Policy for Government Owned Corporations Chief and Senior Executives Employment Arrangements v2 2014.

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2020

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2020  
\$

2019  
\$

## NOTE 4. OTHER (continued)

Details of remuneration provided to Specified Executives at 30 June 2020 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	2019/2020 2018/2019	342,329 342,004	36,801 39,085	- 3,498	- 17,935	- -	379,130 402,522
Mr D. Sibley Chief Financial Officer	2019/2020 2018/2019	248,073 238,288	26,037 23,837	- -	26,005 12,624	- -	300,116 274,748
Mr K. Gebers - Resigned 25 October 2019 General Manager Infrastructure	2019/2020 2018/2019	75,750 235,930	10,104 23,130	- (5,085)	11,872 12,624	87,323 -	185,050 266,599
Ms C. Brumme-Smith General Manager Business Strategy & Sustainability	2019/2020 2018/2019	146,058 128,152	14,241 13,834	- -	- 13,740	- -	160,299 155,725
Mr D. Penny Chief Operating Officer	2019/2020 2018/2019	247,352 228,633	25,993 21,720	- -	26,256 -	- -	299,600 250,353
Ms M. Wise - Commenced 11 September 2019 General Manager Infrastructure & Environment	2019/2020 2018/2019	185,741 -	23,682 -	- -	- -	- -	209,423 -
<b>Total Remuneration Specified Executives</b>	<b>2019/2020 2018/2019</b>	<b>1,245,304 1,173,007</b>	<b>136,857 121,606</b>	<b>- (1,587)</b>	<b>64,132 56,922</b>	<b>87,323 -</b>	<b>1,533,617 1,349,948</b>

## LOANS TO KEY MANAGEMENT PERSONNEL

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

## OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

## (F) RELATED PARTY TRANSACTIONS

### CONTROL

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

### KEY MANAGEMENT PERSONNEL

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

### TRANSACTIONS WITH RELATED PARTIES

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

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

- AECOM, of which Mr S. Hanran is an employee. The Port made payments in relation to Berth 4 Upgrade works of \$638,045 and Truck Staging Area of \$266,034, Ross Creek works \$100,346 and various other works of \$309,233 during the year.
- Townsville Enterprise Limited, of which Ms R. Crosby is a Board Member. The Port made payment for membership fees of \$39,910, sponsorship of Tourism and Events Award of \$2,200 and contribution for Cruise Ship Sector Development Activities of \$7,700.
- 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. The Port made contributions of \$25,000 to the Museum during the year.
- YWAM, of which Mr M. Reynolds is a Patron received \$74,267 amount of in-kind support in the form of waived moorings fees during their stay in Townsville.
- Holding Redlich Lawyers, of which Mr M. Reynolds' daughter in law is an employee. The Port made payments in relation to Integrated Ferry Terminal works of \$134,603, Channel Upgrade works of \$184,184, The Waterfront for \$93,086 and other works of \$64,384 during the year.

### TRANSACTIONS WITH STATE OF QUEENSLAND CONTROLLED ENTITIES

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

### Revenue

Queensland Treasury Corporation:		
- Interest Revenue	907,904	760,211
Department of Transport and Main Roads (Maritime Safety Queensland) - Pilotage transfers	8,107,042	7,422,240

# Notes to the Financial Statements

for the year ended 30 June 2020

Port of Townsville Limited  
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2019-2020

	2020 \$	2019 \$
<b>NOTE 4. OTHER (continued)</b>		
<b>Expenses</b>		
Queensland Audit Office (QAO) - Audit fees	95,000	85,000
Qleave - Portable long service leave	12,666	34,587
QR Limited - Track Maintenance	33,724	33,346
Queensland Treasury Corporation:		
- Loan interest expense	3,833,485	4,268,507
- Loan administration charge	139,399	139,399
- Competitive Neutrality Fee	1,124,517	1,139,999
Office of State Revenue:		
- Payroll Tax	710,664	799,709
- Land Tax	2,602,807	2,304,616
WorkCover Queensland - Workers Compensation	-	-
Department of Natural Resources and Mines - Land Rent	330,753	395,702
Ergon Energy - Electricity	598,930	729,681
Townsville City Council - Property Charges	953,419	871,051
Contributions to QSuper on behalf of employees	1,703,240	1,517,764
<b>Assets</b>		
Queensland Treasury		
- Advances Facility	40,724,103	72,996,074
<b>Liabilities</b>		
Queensland Treasury Corporation:		
- Financial Liabilities	96,137,543	96,137,543
Provision for Dividend to Queensland Treasury	13,513,216	13,205,003

## 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 2020 there were no guarantees provided by the Port 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 2020 that has significantly affected, or may significantly affect:

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



# Directors' Declaration

for the year ended 30 June 2020

Port of Townsville Limited  
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In the Directors' opinion:

- (a) the financial statements and associated notes are in accordance with the *Corporations Act 2001* (Cth) including:
  - (i) complying with Accounting Standards and Interpretations, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the financial position of the Port as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Port will be able to pay its debts as and when they become due and payable.

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 Renita Garard  
Chair

17 August 2020



Mr Brad Webb  
Director

17 August 2020

# Independent Auditor's Report

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020

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 2020, 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 2020, 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 company in accordance with the auditor independence requirements of the *Corporations Act 2001*.

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 my opinion thereon, and 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 85% 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"><li>forecasting operating revenue</li><li>estimating future capital and operating costs</li><li>determining of terminal values</li><li>the discount rate applied to future cashflows</li></ul>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"><li>Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.</li><li>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.</li><li>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.</li><li>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.</li><li>Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research.</li><li>Challenging the reasonableness of key assumptions based on my knowledge of the entity and industry.</li><li>Verifying the mathematical accuracy of net present value calculations.</li></ul>

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

Key Audit Matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method used by Port of Townsville requires significant judgements for:</p> <ul style="list-style-type: none"><li>identifying the significant parts of the supply system that have different useful lives;</li><li>estimating the remaining useful lives of those significant parts</li></ul>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"><li>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.</li><li>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.</li></ul>

# Independent Auditor's Report

for the year ended 30 June 2020

Port of Townsville Limited  
Annual Financial Statements  
2019-2020



## OTHER INFORMATION

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in the company's annual report for the year ended 30 June 2020 was the directors' report.

Those charged with governance are responsible for the other information.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## RESPONSIBILITIES OF THE COMPANY FOR THE FINANCIAL REPORT

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

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

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

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

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

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

17 August 2020

Bhavik Deoji  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane

