

Purpose and scope

Port of Townsville is a Statutory Government Owned Corporation, constituted on 1 July 1995 and under the provisions of the Government Owned Corporations Act 1993

(GOC Act). Under the terms of Section 127 of the GOC Act, the Financial Administration and Audit Act 1977 applies to the Corporation as if it were a Statutory Body.

These Statements have been prepared:

- (i) to satisfy the provisions of the Financial Administration and Audit Act 1977 and other prescribed requirements; and
- (ii) to communicate information concerning the Corporation's financial performance for the year and its financial position at year end to a variety of information users including:

its shareholding Ministers, the Honourable Minister for Transport, Trade, Employment and Industrial Relations and the Honourable

Treasurer;

users and potential users of the Port of Townsville;

the community in general; and

other interested parties

The statements are general purpose in nature and provide a full presentation of all of the financial activities of Port of Townsville.

Port of Townsville **Income statement** for the financial year ended 30 June 2008

	NOTE	2008 \$	2007 \$
REVENUES FROM ORDINARY ACTIVITIES			
<i>Revenue from Operating Activities</i>			
Service Revenue	4	35,431,701	29,950,649
<i>Revenue from Non-Operating Activities</i>			
Interest received		1,247,206	808,309
Other Revenue	4	2,559,287	283,552
Reversal of Prior Year Write-downs on Assets		2,324,168	1,088,394
Changes in Fair Values of Investment Properties		2,535,320	4,790,685
Total Revenue from Ordinary Activities		44,097,682	36,921,588
EXPENSES FROM ORDINARY ACTIVITIES EXCLUDING BORROWING COSTS			
Employee Benefits Expense	4	6,198,278	5,203,347
Depreciation Expense		7,007,053	6,571,635
Other Expenses	4	17,743,096	14,853,469
Asset Revaluation Write-downs		87,893	2,386
Total Expenses from Ordinary Activities Excluding Borrowing Costs		31,036,320	26,630,838
Borrowing Costs Expense		556,985	706,677
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE / (INCOME TAX REVENUE)		12,504,377	9,584,073
Income Tax Revenue (Income Tax Expense) relating to Ordinary Activities	6	(2,836,528)	(2,419,477)
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE / (INCOME TAX REVENUE)	5	9,667,849	7,164,596
NET PROFIT / (LOSS)		9,667,849	7,164,596
Increase / (Decrease) in Asset Revaluation Reserve	17(a)	13,341,741	8,671,264
Dividends Provided or Paid	15	(3,917,003)	-
Total Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity		9,424,738	8,671,264
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	18	19,092,587	15,835,860

The accompanying notes form part of these financial statements

Port of Townsville **Balance Sheet**
as at 30 June 2008

	NOTES	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents	7	20,531,110	12,976,212
Trade and other receivables	8	3,517,262	3,558,727
Other	9	299,310	291,577
		24,347,682	16,826,516
Non-current assets classified as held for sale	10	612,484	-
TOTAL CURRENT ASSETS		24,960,166	16,826,516
NON-CURRENT ASSETS			
Property, Plant and Equipment	11	181,256,304	161,935,576
Investment Properties	12	25,979,243	23,584,612
Deferred Tax Assets	6(e)	1,099,707	766,713
Other	9	1,440	1,440
TOTAL NON-CURRENT ASSETS		208,336,694	186,288,341
TOTAL ASSETS		233,296,860	203,114,857
CURRENT LIABILITIES			
Payables	13	3,472,533	2,126,066
Interest-bearing Liabilities	14	2,628,220	2,506,912
Current Tax Liabilities		2,196,277	566,417
Provisions	15	5,564,366	53,852
TOTAL CURRENT LIABILITIES		13,861,396	5,253,247
NON-CURRENT LIABILITIES			
Payables	13	676,265	615,353
Interest-bearing Liabilities	14	5,974,829	8,602,250
Deferred Tax Liabilities	6(e)	18,324,575	13,234,998
Provisions	15	95,469	137,270
TOTAL NON-CURRENT LIABILITIES		25,071,138	22,589,871
TOTAL LIABILITIES		38,932,534	27,843,118
NET ASSETS		194,364,326	175,271,739
EQUITY			
Contributed Equity	16	98,935,028	98,935,028
Retained Earnings	17(b)	27,012,873	21,262,027
Reserves	17(a)	68,416,425	55,074,684
TOTAL EQUITY		194,364,326	175,271,739

The accompanying notes form part of these financial statements

Port of Townsville **Statement of Changes in Equity**
for the financial year ended 30 June 2008

	NOTES	2008 \$	2007 \$
Total equity at the beginning of the financial year		175,271,739	159,435,879
Gain on revaluation of land and buildings, net of tax		13,341,741	8,671,264
Net income recognised directly in equity		13,341,741	8,671,264
Profit for the year		9,667,849	7,164,596
Total recognised income and expense for the year		23,009,590	15,835,860
Transactions with equity holders in their capacity as equity holders: Dividends provided for or paid		(3,917,003)	-
		(3,917,003)	-
Total equity at the end of the financial year		194,364,326	175,271,739

The accompanying notes form part of these financial statements

Port of Townsville **Cash Flow Statement**
for the financial year ended 30 June 2008

	NOTES	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		36,152,702	30,527,511
Payments to suppliers and employees		(21,238,473)	(21,935,458)
Interest received		1,247,206	808,309
Interest paid		(556,985)	(706,677)
Income Tax Equivalents Paid		(2,167,972)	(2,005,661)
Net cash inflow from operating activities	30B	13,436,478	6,688,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(6,017,501)	(4,070,436)
Proceeds from sale of property, plant and equipment		2,642,034	16,260
Net cash outflow from investing activities		(3,375,467)	(4,054,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,506,113)	(2,356,419)
Dividends paid		-	-
Net cash inflow (outflow) from financing activities		(2,506,113)	(2,356,419)
Net (Decrease) / Increase in cash held		7,554,898	277,430
Cash at beginning of the financial year		12,976,212	12,698,782
Cash at end of financial year	30A	20,531,110	12,976,212

Note 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND EXPLANATION OF ITEMS SHOWN IN THE FINANCIAL STATEMENTS

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

(a) Basis of Preparation of the Accounts

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the *Financial Administration and Audit Act 1977*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of the available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates 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 are significant to the financial statements are disclosed in note 3.

The following is a summary of the material accounting policies adopted by the Corporation in the preparation of the financial report:

(b) Corporate Status

Port of Townsville is a Statutory Government Owned Corporation, constituted on 1 July 1995 under the provisions of the *Government Owned Corporations Act 1993 (GOC Act)*.

(i) Transition of Port of Townsville to Company GOC Status

On 7 March 2007 Parliament passed the *Government Owned Corporations Amendment Act 2007 (Amendment Act)*, which was assented to on 20 March 2007 resulting in key changes to the *Government Owned Corporations Act 1993 (GOC Act)*.

Under amendments to section 24(b) of the GOC Act, all statutory GOCs existing at the date the Amendment Act was assented to are required to transition to company GOC status. While no specific timeframe was established within the legislation, the Port of Townsville converted to a company GOC on 1 July 2008.

While this change does not impact on the continuing existence of Port of Townsville it resulted in a change of status that required the Corporation to register as a Company under the *Corporations Act 2001 (Cth)*. From the date of conversion, Port of Townsville is required to comply with the requirements of the accountability and financial reporting framework set out in the *Corporations Act 2001 (Cth)*.

This change in status has not impacted on the balances and other disclosures included in this financial report.

(c) Taxation

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

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

Deferred tax equivalent assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the those 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 Corporation 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Revenue Recognition

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

The Corporation recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Corporation and specific criteria have been met for each of the Corporation's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Harbour Dues/Tonnage Rates

Harbour Dues and tonnage rates revenue are recognised as revenue when the vessel has left the berth.

(ii) Rentals

Rental revenue 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.

(iii) Pilotage Transfer Service Revenue

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

(iv) Charges for Services

Revenue from rendering of service is recognised on delivery of service to the customer.

(v) Interest income

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

(e) Cash and Cash Equivalents

For cash flow statement 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 borrowings in current liabilities on the balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition for the Corporation's debtors, and no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(g) Inventories

All stores have been expensed and accounted for in the Income Statement.

(h) Investments and other financial assets

Classification

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The Corporation did not hold any such assets during the year.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (note 8) in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. If the Corporation were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

The Corporation does not hold any financial assets for sale.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date (the date on which the Corporation commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

from continuing operations when the Corporation's right to receive payment is established.

Impairment

The Corporation assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss 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 inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Property Plant and Equipment

(i) Acquisition

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.

Actual cost is used for the initial recording of all acquisition of assets controlled and administered by the Corporation. Assets acquired at no cost or for nominal considerations are recognised at their fair value at date of acquisition. Subsequent costs are 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 Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use.

Where assets are constructed by the Corporation, the cost at which they are recorded includes an appropriate share of fixed and variable overheads. No borrowing costs are included.

Property, plant and equipment items with a cost or value in excess of \$500 and a useful life of more than one year are recognised as an asset. All other items of property, plant and equipment are expensed on acquisition.

(ii) Assets carried at fair value

Channels and swing basins, freehold land, wharves, buildings, land improvements, small boat harbours and facilities, breakwaters, access roads and beacons (except for investment properties refer to note 1 (k) are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation where applicable. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

It is the policy of the Corporation to have assets carried at fair value independently valued and useful lives reassessed every five years, with annual adjustments being made. An independent valuation and reassessment of the useful lives of land, buildings and infrastructure assets was performed as at 1 January 2005 by Edward Rushton Australia Pty Ltd. For the reporting period ended 30 June 2008 the carrying amounts of non-current assets were increased by indices provided by AssetVal Pty Limited, which was considered and approved by Directors.

Increases in the carrying amounts arising on revaluation of channels and swing basins, freehold land, wharves, buildings, land improvements, small boat harbours and facilities, breakwaters, access roads and beacons are credited, net of tax, to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

(iii) Assets carried at cost

All property, plant and equipment (other than assets carried at fair value) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

(iv) Depreciation

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 Corporation commencing from the time the asset is held ready for use. For depreciation purposes, complex assets have been broken down into major components.

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.

Depreciation Rates used for each class of depreciable assets are:

Channels, Swing Basins, and Wharves	2.5%
Plant, Equipment	5.0% - 33.3%
Land Improvements & Small Boat Harbour	2.5% - 10.0%
Buildings	5.0% - 10.0%
Breakwaters	2.0%
Motor Vehicles	25.0%
Access Roads	5.0%
Beacons	10.0%

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is the Corporation's policy to transfer the amounts included in the other reserves in respect of those assets to retained earnings.

(k) Investment property

Investment property, principally comprising of freehold buildings and vacant land, is held for either long term rental yields or capital accretion and is not occupied by the Corporation. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income.

(l) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. The carrying amount approximates fair value.

(m) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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.

(ii) Long service leave

The liability for long service leave is recognised in other payables and measured as the present value of the expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Payroll Tax, Workers Compensation and Superannuation are included in the total. The current portion of long service leave has been calculated as a proportion of all employees with greater than seven years service. This proportion is based upon long service leave actually taken by employees over a three year period.

(iii) Retirement benefit obligations

Some employees of the Corporation are members of the defined benefit fund managed by QSuper. The defined benefit fund is open to many employees across Queensland State Government departments, agencies and government business enterprises. There is insufficient information for the Corporation to apply defined benefit accounting. The Treasurer of Queensland, based on advice from the State Actuary, determines employer contributions, and the amount of this contribution is recognised as an expense. No liability is recognised for accruing superannuation benefits, as this liability is held on a whole-of-Government basis and reported in the whole-of-Government financials statements, prepared in terms of AAS 31 Financial Reporting by Governments.

(n) Borrowings

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

(o) Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are capitalised. Borrowing costs include interest on borrowings.

(p) Provisions

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

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

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

(q) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(r) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Corporation, on or before the end of the financial year but not distributed at balance date.

(s) Computer Software and Hardware

Computer hardware is currently depreciated over its expected useful economic life of three years. Associated communications costs such as cabling and leased lines for the Corporation's wide area network are fully expensed in the year the costs are incurred.

(t) 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.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Receivables and payables in the Balance Sheet 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 balance sheet.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Corporation's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. However, as the Corporation does not operate in more than one segment, this development will not affect any of the amounts recognised in the financial statements.

(ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 and 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs as incurred and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset. The Corporation will apply the revised AASB 123 standard from 1 July 2008 and capitalise its borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after this date. The impact on the financial statements will depend on the amount of qualifying assets and related borrowing costs in the first year of application.

Had the revised standard been applied in the current financial year, no amounts would have been capitalised in property, plant and equipment rather than being expensed.

(iii) *AASB-1 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

AASB-1 14 will be effective for annual reporting periods commencing on or after 1 January 2008. This interpretation will not affect the Corporation's statements.

(iv) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. The Corporation intends to apply the revised standard from 1 July 2009.

(v) *AASB 2008-4 Amendments to AASB 124 - Key Management Personnel Disclosures by Disclosing Entities*

The revised AASB 124 is applicable to annual reporting periods ending on or after 30 June 2008 for those entities that are required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 (Cth). This interpretation will not affect the Corporation's statements for this reporting period, however the Corporation intends to apply the revised standard from 1 July 2008.

(vi) *Improvements to IFRSs*

In May 2008, the IASB issued a number of improvements to existing International Financial Reporting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. We expect the AASB to make the same changes to Australian Accounting Standards shortly. The Corporation will apply the revised standards from 1 July 2009.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 2. FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk.

Risk management is carried out by a central finance department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

The Corporation holds the following financial instruments:

	2008 \$	2007 \$
Financial assets		
Cash and cash equivalents	20,531,110	12,976,212
Trade and other receivables	3,517,262	3,558,727
Available-for-sale financial assets	612,484	-
Other financial assets	299,310	291,577
	24,960,166	16,826,516
Financial liabilities		
Trade and other payables	3,472,533	2,126,066
Borrowings	8,603,049	11,109,162
	12,075,582	13,235,228

(a) Market risk

(i) *Foreign exchange and price risk*

As the Corporation has no significant exposure to foreign exchange risk or price risk, the Corporation's income and operating cash flows are not materially exposed to changes in market interest rates.

(ii) *Cash flow and fair value interest rate risk*

The Corporation's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation's policy is to borrow from Queensland Treasury Corporation at fixed rates. During 2008 and 2007, the Corporation's borrowings at variable rate were denominated in Australian Dollars.

As at the reporting date, the Corporation had the following variable rate borrowings:

	30 June 2008		30 June 2007	
	Weighted average interest rate %	Balance \$	Weighted Average interest rate %	Balance \$
Bank loans	-	-	-	-
Queensland Treasury loans	5.80%	8,603,049	5.52%	11,109,162
		8,603,049		11,109,162

The Corporation currently does not have a set policy to manage its cash flow interest rate risk on the basis that the income and operating cash flows are not materially exposed to changes in market interest rates.

An analysis of maturities is provided in note 26.

(b) Credit risk

Credit risk arises from the cash and cash equivalents, deposits held with financial institutions and credit exposures to large commercial and small individual customers including outstanding receivables.

The Corporation has policies in place to ensure that services are provided to customers with an appropriate credit history.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised in the introductory paragraph to note 2.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through access to credit facilities. The Corporation manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Surplus funds are used to pay dividends to the Corporation's shareholders being shareholding Ministers. The dividend is proposed to the Ministers, for approval, by the Directors. The Directors take into consideration available cash resources to ensure sufficient funding remains available after payment of the dividend.

Credit facilities are provided by Queensland Treasury Corporation with major capital expenditure projects in excess of \$5 million requiring Shareholding Ministers' approval.

Maturities of financial liabilities

An analysis of maturities is provided in note 26.

(d) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

Note 3. CRITICAL ACCOUNTING ADJUSTMENT ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Corporation and that are believed to be reasonable under the circumstances. The Corporation has made the following material critical accounting estimates and judgments causing a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

		2008	2007
Investment Properties			
Indexation rate	Land	5%-15%	27.50%
	Buildings	10%-15%	11%
Property, Plant and equipment			
Replacement Cost Indexation rates	Access Roads	12.33%	8%
	Land	35%	30%
	Land Improvements	7%	6%
	Land Improvements - Services	16%	8%
	Buildings	8%	6.50%
	Breakwaters	9%	3%
	Channels and Swing Basins	9%	3%
	Small Boat Harbours	12.50%	6%
	Wharves	12.50%	6%
Recoverable amounts estimates	Discount Rate (pre tax WACC)	13.43%	12.61%
	Inflation Rate	2.75%	2.75%

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 4. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (INCOME TAX REVENUE) INCLUDES THE FOLLOWING SPECIFIC REVENUES AND EXPENSES.

	2008 \$	2007 \$	2008 \$	2007 \$
Service Revenue				
Harbour Dues	23,041,401	19,449,688		
Tonnage Rates	6,065,769	4,830,449		
Rentals	3,710,092	3,354,130		
Pilotage Transfer Service Revenue	748,625	639,123		
Charges for Services:				
Water Sales	289,624	257,925		
Services to Shipping	322,697	327,999		
Boat Harbour Ross River	216,522	191,444		
Boat Harbour Ross Creek	195,360	201,587		
Electricity Sales	194,696	113,551		
Picnic Bay Jetty	-	-		
Breakwater Marina - Mooring Fees	11,100	11,100		
Miscellaneous Plant	25,019	7,467		
Breakwater Marina - Fuel Licence	20,834	24,969		
Road Contribution Charge	98,615	82,338		
Port Security	53,288	61,510		
Main Harbour Fuel Licence Fee	-	-		
Port Services	30,517	32,618		
Waste Disposal	6,862	8,650		
Port Security Upgrade Charge	400,680	356,100		
	1,865,814	1,677,259		
	35,431,701	29,950,649		
	2008 \$	2007 \$	2008 \$	2007 \$
Other Revenue				
Revenue from sale of Property, Plant & Equipment	2,642,034	16,260		
Carrying Value of Property, Plant & Equipment Disposed of	762,284	2,238		
Gain on Sale of Property, Plant & Equipment	1,879,750	14,022	1,879,750	14,022
Miscellaneous Revenue			679,537	269,529
			2,559,287	283,552
Employee Benefits Expenses				
Salaries & Wages			4,758,137	3,937,843
Annual Leave			336,562	269,757
Long Service Leave			118,764	138,981
Superannuation			569,166	480,909
Payroll Tax			283,363	248,798
Fringe Benefits Tax			73,004	68,528
Workers Compensation			59,282	58,531
			6,198,278	5,203,347
Other Expenses				
Supplies & Services			17,379,166	14,494,530
Competitive Neutrality Fee			42,780	57,734
Land Tax			221,867	178,503
Audit Fees			94,840	101,950
Bad Debt Written Off			4,442	20,751
			17,743,096	14,853,469

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 5. RETAINED PROFITS (ACCUMULATED LOSSES)		
Retained profits (accumulated losses) at the beginning of the year	21,262,027	14,097,431
Net Profit (Loss) for the period	9,667,849	7,164,596
Dividend provided for	(3,917,003)	-
Retained profits (accumulated losses) at the reporting date	27,012,873	21,262,027
Note 6. INCOME TAX EQUIVALENTS		
(a) Income tax equivalents expense		
Current tax/(revenue)	3,797,833	1,753,583
Deferred tax/(revenue)	(961,305)	665,894
	2,836,528	2,419,477
Income tax equivalents expense is attributable to:		
Profit from operations	2,836,528	2,419,477
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	(332,994)	(793,745)
(Decrease)/Increase in deferred tax liabilities	(628,311)	1,459,639
	(961,305)	665,894
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from operations before income tax expense	12,504,377	9,584,073
Tax at the rate of 30% (2007 - 30%)	3,751,313	2,875,222
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	8,525	10,073
Asset fair value adjustments and depreciation	(557,685)	(435,788)
Tax losses utilised	(365,625)	-
	2,836,528	2,449,507
Under/(over) provision in prior years	-	(30,030)
Income Tax Equivalents Expense	2,836,528	2,419,477
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit or loss but directly debited or credited to equity.		
Current tax - credited directly to equity	-	-
Net deferred tax - debited/(credited) direct to equity as a result of net increment in Asset Revaluation Reserve	5,717,890	3,716,254
	5,717,890	3,716,254
(d) Tax losses		
Unused tax losses for which a deferred tax asset has been recognised	-	1,218,750
Tax benefit @ 30%	-	365,625

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 6. INCOME TAX EQUIVALENTS (continued)		
(e) Additional disclosure notes		
Error		
Deferred tax assets relating to differences between book value and tax bases of property, plant and equipment were disclosed as a deferred tax asset in error in the prior year. An offsetting deferred tax liability exists in relation to the same underlying property, plant and equipment. Accordingly, the Directors have adjusted the prior year balance sheet classifications and disclosures by offsetting \$15,086,157 of the deferred tax asset against the deferred tax liability of \$28,321,155 resulting in a net deferred tax liability of \$13,324,998. The adjustment of the error has no impact on profit and loss or net assets in the financial year, however it has reduced total assets and total liabilities by \$15,086,157.		
Deferred tax assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Provision for doubtful debts	728	725
Accrued audit fees	15,537	21,195
Accrued superannuation	-	2,118
Provision for annual leave	101,552	80,513
Provision for long service leave - current	17,938	15,898
Provision for long service leave - non current	202,880	184,606
Provision for maintenance Picnic Bay Jetty - current	12,300	12,300
Provision for maintenance Picnic Bay Jetty - non current	28,641	41,181
Provision for prawn farm remediation	473,858	-
Accrued revenue	246,273	42,552
Tax losses	-	365,625
	1,099,707	766,713
Movements:		
Opening balance at 1 July	766,713	15,059,125
Credited/(charged) to the income statement	332,994	(14,292,412)
Credited/(charged) to equity	-	-
Closing balance at 30 June	1,099,707	766,713
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Prepayments	1,217	2,568
Investment properties	5,166,393	4,715,151
Property, plant and equipment	13,156,965	8,517,277
	18,324,575	13,234,996
Movements:		
Opening balance at 1 July	13,234,996	23,145,260
Credited/(charged) to the income statement	(628,311)	(13,626,520)
Credited/(charged) to equity	5,717,890	3,716,256
Closing balance at 30 June	18,324,575	13,234,996
The Deferred tax liability includes amounts recognised directly in equity as follows:		
Revaluation of Property, Plant and Equipment	29,321,325	23,603,435

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 7. CASH AND CASH EQUIVALENTS		
Cash on Hand	1,450	1,450
Cash at Bank	852,900	897,758
Term Deposits	19,676,760	12,077,005
	<u>20,531,110</u>	<u>12,976,212</u>
(a) Interest rate risk exposure		
The Corporation's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.		
Note 8. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade Receivables	3,519,689	3,561,142
Provision for impairment of receivables (note 8(a))	(2,427)	(2,415)
	<u>3,517,262</u>	<u>3,558,727</u>
The ageing of these receivables is as follows:		
0 - 30 days	2,552,226	2,126,238
30 - 60 days	869,587	1,045,781
over 60 days	97,876	389,123
	<u>3,519,689</u>	<u>3,561,142</u>
(a) Impaired trade receivables		
As at 30 June 2008 current trade receivables of the Corporation with a nominal value of \$2,427 (2007 - \$2,415) were impaired. The amount of the provision was \$2,427 (2007 - \$2,415). The individually impaired receivables mainly relate to small craft owners, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.		
The ageing of these receivables is as follows:		
Up to 3 months	-	-
3 to 6 months	-	-
Over 6 months	2,427	2,415
	<u>2,427</u>	<u>2,415</u>
Movements in the provision for impairment of receivables are as follows:		
At 1 July	2,415	970
Provision for impairment recognised during the year	4,454	22,196
Receivables written off against the provision during the year as uncollectible	(4,442)	(20,751)
Unused amount reversed	-	-
Balance	<u>2,427</u>	<u>2,415</u>
The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.		
(b) Past due but not impaired		
As of 30 June 2008, trade receivables of \$546,608 (2007 - \$1,176,980) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:		
Up to 3 months	529,622	1,163,244
3 to 6 months	2,855	11,510
Over 6 months	14,131	2,226
	<u>546,608</u>	<u>1,176,980</u>

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 Corporation does not hold any collateral in relation to these receivables.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 8. TRADE AND OTHER RECEIVABLES (CURRENT) (continued)		
(c) Other receivables		
These amounts generally arise from transactions outside the usual operating activities of the Corporation. The Corporation does not charge any interest where the terms of repayment exceed six months. Collateral is not normally obtained.		
(d) Foreign exchange and interest rate risk		
Information about the Corporation's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.		
(e) Fair value and credit risk		
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.		
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's trade receivables.		
Note 9. OTHER ASSETS		
<u>Current</u>	299,310	291,577
Prepayments	299,310	291,577
<u>Non-Current</u>		
Utility Deposits	1,440	1,440
Note 10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE		
In financial year 2008/2009, the Directors of the Corporation are transferring lands to the Department of Infrastructure and Planning and also surrendering lands to the Department of Natural Resources and Water to allow for the construction of the Port Access Road. The disposal is expected to be completed before the end of December 2008.		
<u>Land</u>		
Opening Balance	-	-
Transfer in from Land	481,000	-
Transfer in from Investment Properties	131,484	-
Closing balance	<u>612,484</u>	<u>-</u>

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2008 \$	2008 \$	2007 \$
	Cost	Accumulated Depreciation \$	Carrying Amount \$	Carrying Amount \$
Note 11. PROPERTY, PLANT & EQUIPMENT				
<u>Channels and Swing Basins</u>				
At Directors' Valuation	81,392,298	47,147,477	34,244,821	34,177,600
<u>Land</u>				
At Directors' Valuation	54,014,190	-	54,014,190	41,157,513
<u>Wharves</u>				
At Directors' Valuation	184,601,147	157,123,088	27,478,059	26,207,302
<u>Breakwaters</u>				
At Directors' Valuation	26,349,135	7,450,498	18,898,637	18,830,635
<u>Improvements (Land)</u>				
At Directors' Valuation	22,992,569	9,391,372	13,601,197	12,532,664
<u>Buildings</u>				
At Directors' Valuation	25,648,468	15,550,617	10,097,851	9,956,360
<u>Access Roads</u>				
At Directors' Valuation	11,264,828	8,733,975	2,530,853	2,750,159
<u>Small Boat Harbours</u>				
At Directors' Valuation	8,324,205	5,659,011	2,665,194	2,682,884
<u>Beacons</u>				
At Directors' Valuation	534,864	522,460	12,404	54,017
<u>Plant and Equipment</u>				
At Cost	32,448,118	25,602,255	6,845,863	8,044,965
<u>Motor Vehicles</u>				
At Cost	835,814	191,282	644,532	210,386
*Capital Works in Progress at cost	10,222,703	-	10,222,703	5,331,091
	458,628,339	277,372,035	181,256,304	161,935,576
*Capital Works in Progress				
Harbour Works			8,565,270	4,095,074
Eastern Port Development			1,613,880	1,183,425
Equipment			43,553	52,592
			10,222,703	5,331,091

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 11. PROPERTY, PLANT & EQUIPMENT (continued)

Reconciliation of the Carrying Amounts by Class	2008 Fair Value \$
Assets at Fair Value	
<u>Channels and Swing Basins</u>	34,177,600
Carrying amount at the beginning of the financial year at Fair Value	
additions	-
disposals	-
net revaluation increment / (decrement)	3,035,457
recoverable amounts write-downs	(2,054,440)
depreciation expense	(913,796)
Carrying amount at the end of the financial year at Fair Value	34,244,821
<u>Land</u>	
Carrying amount at the beginning of the financial year at Fair Value	41,157,513
additions	-
disposals	(666,002)
net revaluation increment / (decrement)	14,003,679
recoverable amounts write-downs	-
depreciation expense	-
transfer to assets held for sale	(481,000)
Carrying amount at the end of the financial year at Fair Value	54,014,190
<u>Wharves</u>	
Carrying amount at the beginning of the financial year at Fair Value	26,207,302
additions	226,019
disposals	-
net revaluation increment / (decrement)	3,184,622
recoverable amounts write-downs	(596,516)
depreciation expense	(1,543,368)
Carrying amount at the end of the financial year at Fair Value	27,478,059
<u>Breakwaters</u>	
Carrying amount at the beginning of the financial year at Fair Value	18,830,635
additions	-
disposals	-
net revaluation increment / (decrement)	1,675,753
recoverable amounts write-downs	(1,179,955)
depreciation expense	(427,796)
Carrying amount at the end of the financial year at Fair Value	18,898,637
<u>Improvements (Land)</u>	
Carrying amount at the beginning of the financial year at Fair Value	12,532,664
additions	-
disposals	(2,200)
net revaluation increment / (decrement)	1,864,436
recoverable amounts write-downs	-
depreciation expense	(793,703)
Carrying amount at the end of the financial year at Fair Value	13,601,197

Note 11. PROPERTY, PLANT & EQUIPMENT (Continued)

Reconciliation of the Carrying Amounts by Class	2008 Fair Value \$
Buildings	
Carrying amount at the beginning of the financial year at Fair Value	9,956,360
additions	9,050
disposals	-
net revaluation increment / (decrement)	771,935
recoverable amounts write-downs	-
depreciation expense	(639,494)
Carrying amount at the end of the financial year at Fair Value	10,097,851
Access Roads	
Carrying amount at the beginning of the financial year at Fair Value	2,750,159
additions	-
disposals	-
net revaluation increment / (decrement)	308,444
recoverable amounts write-downs	-
depreciation expense	(527,750)
Carrying amount at the end of the financial year at Fair Value	2,530,853
Small Boat Harbours and Facilities	
Carrying amount at the beginning of the financial year at Fair Value	2,682,884
additions	-
disposals	(76,959)
net revaluation increment / (decrement)	282,491
recoverable amounts write-downs	-
depreciation expense	(223,222)
Carrying amount at the end of the financial year at Fair Value	2,665,194
Beacons	
Carrying amount at the beginning of the financial year at Fair Value	54,017
additions	-
disposals	-
net revaluation increment / (decrement)	-
recoverable amounts write-downs	-
depreciation expense	(41,613)
Carrying amount at the end of the financial year at Fair Value	12,404

Note 11. PROPERTY, PLANT & EQUIPMENT (continued)

Reconciliation of the Carrying Amounts by Class	2008 Fair Value Cost \$
Assets at Cost	
Plant & Equipment	
Carrying amount at the beginning of the financial year at Cost	8,044,965
additions	580,228
disposals	(2,749)
recoverable amounts write-downs	-
depreciation expense	(1,776,581)
Carrying amount at the end of the financial year at Cost	6,845,863
Motor Vehicles	
Carrying amount at the beginning of the financial year at Cost	210,386
additions	559,047
disposals	(5,171)
net revaluation increment / (decrement)	-
recoverable amounts write-downs	-
depreciation expense	(119,730)
Carrying amount at the end of the financial year at Cost	644,532
*Capital Works in Progress	
Carrying amount at the beginning of the financial year at Cost	5,331,091
additions	6,265,957
disposals/transfers to Property, Plant and Equipment	(1,374,345)
net revaluation increment / (decrement)	-
recoverable amounts write-downs	-
depreciation expense	-
Carrying amount at the end of the financial year at Cost	10,222,703

(a) Valuations of property, plant and equipment

The valuation basis of land improvements, buildings, channels and swing basins, wharves, small boat harbours and facilities, access roads and beacons is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2008 revaluations were based on independent assessments of a member of the Australian Property Institute as at 30 June 2008, refer to note 1 (j)(ii) for details. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholder's equity (note 17).

(b) Impairment loss and compensation

The impairment loss relates to assets that have been earmarked for assessment at the end of the 2009/2010 financial year. The whole amount has been included in the asset revaluation reserve relating to the relevant assets. The recoverable amount of the assets was determined by discounted expected future cash flows from the assets and discounted in accordance with the requirements of AASB 136.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 12. INVESTMENT PROPERTIES		
At Fair value		
Opening balance at 1 July	23,584,612	18,721,654
Acquisitions	-	72,273
Capitalised subsequent expenditure	-	-
Net gain (loss) from fair value adjustment	2,535,320	4,790,685
Transfer from inventories and owner-occupied property	-	-
Disposals	(9,204)	-
Transfer to assets held for sale	(131,484)	-
Closing balance at 30 June	25,979,243	23,584,612
(a) Amounts recognised in profit and loss for investment properties	795,236	856,455
Rental income		
Direct operating expenses from property that generate rental income	(154,755)	(738,052)
Direct operating expenses from property that did not generate rental income	(96,869)	(84,091)
Profit/(Loss)	543,612	34,312
(b) Valuation basis		
The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2008 revaluations were based on independent assessments made by AssetVal Pty Limited.		
Note 13. PAYABLES		
Current		
Trade Payables	2,138,342	1,474,085
Revenue in Advance	820,909	141,841
Retention	108,198	113,938
Accrued Wages	-	68,540
Trust Fund Deposits	6,784	6,295
Employee Benefits - annual leave	338,506	268,375
Employee Benefits - long service leave	59,794	52,992
	3,472,533	2,126,066
Non-Current		
Employee benefits - long service leave	676,265	615,353
(a) Amounts not expected to be settled within the next 12 months		
The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Corporation does not have an unconditional right to defer settlement. However, based on past experience, the Corporation does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The Corporation believes the non-current amount reflects leave that is not expected to be taken or paid within the next 12 months.		
(b) Risk exposure		
Information about the Corporation's exposure to foreign exchange risk is provided in note 2.		

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 14. INTEREST BEARING LIABILITIES		
Current	2,628,220	2,506,912
Non-Current	5,974,829	8,602,250
	8,603,049	11,109,162
(a) Risk exposure		
Details of the Corporation's exposure to risks arising from current and non-current borrowings are set out in note 2.		
(b) Fair value - Non-Current portion of interest bearing liabilities		
All borrowings are with Queensland Treasury Corporation. Queensland Treasury Corporation recorded a market value adjustment of (\$218,159), (2007 was \$254,771) principally as a result of past movements in the market value of liabilities in the Debt Pools giving a market debt outstanding of \$8,384,890 (2007 was \$10,854,391).		
None of the classes are readily traded on organised markets in standardised form.		
(c) Risk exposure - Non-Current portion of interest bearing liabilities		
Information about the Corporation's exposure to interest rate and foreign currency changes is provided in note 2.		
Note 15. PROVISIONS		
Current		
Dividend	3,917,003	-
Prawn Farm Remediation	1,579,528	-
Picnic Bay Jetty Maintenance	41,000	41,000
Fringe Benefits Tax	17,125	12,852
Competitive Neutrality Fee	9,710	-
	5,564,366	53,852
Non-Current		
Picnic Bay Jetty Maintenance	95,469	137,270
(a) Prawn farm remediation		
In the year ending 30 June 2009, the Corporation will hand over a portion of its freehold land to the State of Queensland Department of Main Roads. The land will be used to facilitate the building of the Townsville Port Access Road. The Corporation is obliged to remediate the land prior to its hand-over to Queensland Department of Main Roads. The provision reflects the estimated costs of remediating the land.		
The Corporation has provided for all known environmental liabilities. While the Directors believe that, based upon current information, its current provisions for environmental remediation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.		

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 15. PROVISIONS (continued)

(b) Movements in provisions

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

	Dividend \$	Prawn farm remediation \$	Picnic Bay jetty maintenance \$	Fringe benefits tax \$	Competitive neutrality fee \$	Total \$
Current						
Carrying amount at start of year	-	-	41,000	12,852	-	53,852
Charged/(credited) to the income statement						
- additional provisions recognised	3,917,003	1,579,528	-	17,125	9,710	5,523,366
- unused amounts reversed				(12,852)		(12,852)
Amounts used during the period						-
Carrying amount at end of year	3,917,003	1,579,528	41,000	17,125	9,710	5,564,366

Picnic Bay Jetty Maintenance - Non-current

	2008 \$	2007 \$
Carrying amount at start of year	137,270	183,484
Charged/(credited) to the income statement		
- additional provisions recognised	95,469	137,270
- unused amounts reversed	-	-
Amounts used during the period	(137,270)	(183,484)
Carrying amount at end of year	95,469	137,270

Note 16. CONTRIBUTED EQUITY

	2008 \$	2007 \$
Authorised capital - 500,000,000 ordinary shares of \$1 each	500,000,000	500,000,000
Issued capital		
Amount at beginning of the financial year - 98,935,028 ordinary shares of \$1 each fully paid	98,935,028	98,935,028
Amount at the reporting date - 98,935,028 ordinary shares of \$1 each fully paid	98,935,028	98,935,028

(a) Issued capital - ordinary shares

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

(b) Capital risk management

The Corporation's objectives 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 Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 17. RESERVES AND RETAINED PROFITS

(a) Reserves

	2008 \$	2007 \$
Asset Revaluation Reserve	68,416,425	55,074,684
	68,416,425	55,074,684

Movements:

	2008 \$	2007 \$
Asset Revaluation Reserve		
Balance 1 July	55,074,684	46,403,419
Revaluation - gross	19,059,631	12,387,519
Deferred tax	(5,717,890)	(3,716,254)
Balance 30 June	68,416,425	55,074,684

(b) Retained profits

Movements in retained profits were as follows:

	2008 \$	2007 \$
Balance 1 July	21,262,027	14,097,431
Net profit for the year	9,667,849	7,164,596
Dividends provided for	(3,917,003)	-
Balance 30 June	27,012,873	21,262,027

(c) Nature and purpose of reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1(j). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

Note 18. EQUITY

	2008 \$	2007 \$
Total equity at the beginning of the financial year	175,271,739	159,435,879
Total changes in equity recognised in the Income Statement	23,009,590	15,835,860
Dividends provided for	(3,917,003)	-
Total equity at the reporting date	194,364,326	175,271,739

Note 19. DIVIDENDS

(a) Ordinary Shares

Dividends provided calculations are based on 80% of net profit after an adjustment for the effect on net profit for upwards revaluations.

	2008 \$	2007 \$
Dividends provided or paid for	(3,917,003)	-

(b) Earnings Per Share

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

	2008 \$	2007 \$
Profit attributable to equity holders	4,896,255	1,287,904
No of Shares	98,935,028	98,935,028
Earnings per share	0.049	0.013

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

	2008 \$	2007 \$
Note 20. DEVELOPMENT BUREAU & COMMUNITY PROJECTS		
Port of Townsville supported Development Bureau and community projects by providing cash and in-kind contributions to the following:-		
Townsville Enterprise Incorporated	125,000	130,000
Townsville Maritime Museum	54,668	47,410
Other	32,827	14,753
	212,495	192,163
Note 21. CONSULTANCY EXPENDITURE		
Professional/Technical	990,686	634,374
Management	58,582	21,200
Human Resource Management	65,344	141,323
Finance/Accounting	134,831	129,327
Information Technology	13,467	-
Communication	14,897	41,021
	1,277,807	967,245
Note 22. COMMITMENTS		
(a) Capital Expenditure Commitments (GST inclusive)		
Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:		
Plant & Equipment (Depending on works performance these commitments are payable not later than one year)	367,370	259,600
(b) Operating Commitments (GST inclusive)		
Operating Expenses (Depending on works performance these commitments are payable not later than one year)	318,997	102,300
(c) Operating leases		
Operating leases in place as at 30 June 2008		
Due within one year	-	58,854
Due not earlier than one year and not later than five years	-	-
Note 23. CONTINGENT ASSETS/LIABILITIES		
There were no known contingent assets/liabilities of a significant nature at 30 June 2008.		
Note 24. SEGMENT REPORTING		
The Corporation operates predominantly in one industry being that of seaport management and control. It operates predominantly in one geographic segment being Townsville.		
Note 25. AUDITORS' REMUNERATION		
Amounts received or due and receivable by the Corporation's external auditors for audit and review of financial reports	36,895	35,250

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 26. DISCLOSURE OF FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Corporation'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.

Financial Instrument

	0-1 Years		Fixed Rate Maturing in 1-5 Years		Over 5 Years		Non Interest Bearing		Carrying Amount as per Balance sheet		Weighted Average Book Rate	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	<i>Financial Assets</i>											
Cash on Hand							1,450	1,450	1,450	1,450		
Cash at Bank	852,900	897,758							852,900	897,758	5.73%	5.39%
Term Deposits	19,676,760	12,077,004							19,676,760	12,077,004	8.17%	6.59%
Receivables							3,517,262	3,558,726	3,517,262	3,558,726		
Utility Deposits							1,440	1,440	1,440	1,440		
<i>Financial Liabilities</i>												
Payables							3,131,885	1,804,699	3,131,885	1,804,699		
QTC Borrowings	2,628,220	2,506,912	5,974,829	8,602,250					8,603,049	11,109,162	5.80%	5.52%

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 2008 was \$8,384,890 (at 30th June 2007 was \$10,854,391).

(b) 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 provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

(c) Net Fair Values

The net fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Corporation approximates their carrying value. See note 1(e).

(d) Sensitivity Analysis

Financial Assets	Carrying Amount	Interest Rate Risk			
		-1%		+1%	
		Profit Increase/(Decrease)	Equity	Profit Increase/(Decrease)	Equity
Cash and cash equivalents	20,531,110	(205,311)	(205,311)	205,311	205,311
Receivables	3,517,262	-	-	-	-
Payables	3,472,533	-	-	-	-
QTC Borrowings	8,603,049	(86,030)	(86,030)	86,030	86,030

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

Note 27. KEY MANAGEMENT PERSONNEL

All remuneration of Directors including directors' fees and board committee fees is determined by Governor in Council on the basis of meetings attended and expenditure incurred in performing their roles as Directors of the Corporation.

Remuneration for the Chief Executive Officer and Senior Executives are determined by the Board, and advised to shareholding Ministers before any variation is made to remunerations arrangements.

The Corporation's remuneration policy provides for a review of executive salaries during June of 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 Director and Senior Executive remuneration are made and approved in accordance with the document *Remuneration Guidelines for Directors and Senior Executives in Government Owned Corporations (issued September 2000)* and *Governance Arrangements for Chief and Senior Executives (issued May 2008)*.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

The senior executive remuneration strategy and practices of the Corporation 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 shareholding Ministers in accordance with Office of Government Owned Corporations (OGOC) guidelines. Annual increases are in accordance with the Government's determination on senior executive salaries.

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 Corporation's performance and is in line with Government requirements. The maximum performance payment is 15% of total fixed remuneration (excluding superannuation, motor vehicles etc.). Payments are made in cash, or if appropriate notice has been provided, paid into the employee's superannuation fund on a salary sacrifice basis. Shareholding Minister approval is obtained for the Corporation's policy in relation to performance payments.

In accordance with the disclosure requirements for Government Owned Corporations, details of remuneration provided to Directors in office at 30 June 2008 are as follows:-

Remuneration of specified Directors	year	director fees	committee fees	employer superannuation	total remuneration
R.W. Dunning (Chairman from 1 October 2007)	2007/08	20,852	8,214	2,284	31,350
	2006/07	-	-	-	-
R.G. McLean (Chairman until 30 September 2007)	2007/08	6,963	999	764	8,726
	2006/07	27,151	2,468	-	29,619
S.B. Graw (Deputy Chair)	2007/08	12,637	7,140	1,780	21,557
	2006/07	12,341	1,975	1,288	15,604
A.J. Mooney	2007/08	12,637	3,159	1,422	17,218
	2006/07	12,341	617	1,166	14,124
G. Pennisi	2007/08	12,637	3,602	1,470	17,709
	2006/07	12,341	1,111	1,211	14,663
M.J. Griffiths	2007/08	12,637	3,602	1,461	17,700
	2006/07	12,341	1,851	1,277	15,469
P.F. Keehan - resigned 18 July 2007	2007/08	-	-	-	-
	2006/07	12,341	926	1,194	14,461
K.V. McElligott	2007/08	12,637	3,602	1,461	17,700
	2006/07	12,341	1,481	1,244	15,066
S.L. Harding - appointed 1 October 2007	2007/08	9,478	2,843	1,109	13,430
	2006/07	-	-	-	-
D.L. Giudes	2007/08	12,637	4,107	1,507	18,251
	2006/07	12,341	926	1,194	14,461
Insurance premiums to indemnify liabilities while acting as a Director	2007/08	-	-	-	30,986
	2006/07	-	-	-	30,986
Total Remuneration:	2007/08	113,115	37,268	13,258	163,641
Specified Directors	2006/07	113,538	11,355	8,574	133,467

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Remuneration of specified executives	year	base salary	employer superannuation	other benefits (incl vehicle)	total remuneration
B Holden - Chief Executive Officer	2007/08	184,488	23,521	22,842	230,851
	2006/07	173,193	21,873	20,974	216,040
R Crosby - General Manager Support Services	2007/08	117,063	12,247	8,322	137,632
	2006/07	86,607	11,090	10,802	108,499
M O'Halloran - General Manager Operations	2007/08	123,719	10,326	9,791	143,836
	2006/07	-	-	-	-
E Glashoff - General Manager Business Development	2007/08	105,402	9,805	9,869	125,076
	2006/07	-	-	-	-
M Gledhill - Manager Engineering	2007/08	117,296	14,708	17,305	149,309
	2006/07	100,712	12,841	9,158	122,711
Total Remuneration:	2007/08	647,968	70,607	68,129	786,704
Specified Executives	2006/07	360,512	45,804	40,934	447,250

	2008	2007
Aggregate performance incentive paid	\$79,893	-
Number of employees to whom performance payment is paid	5	-
Number of senior executives whose remuneration from the Corporation was within the bands listed below:		
\$100,000 - \$120,000	1	1
\$120,001 - \$140,000	3	1
\$140,001 - \$160,000	2	-
\$160,001 - \$180,000	1	-
\$180,001 - \$200,000	-	-
\$200,001 - \$220,000	-	1
\$220,001 - \$240,000	1	-
The aggregate remuneration paid to the above executives	\$1,189,885	\$463,741

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 28. RELATED PARTY INFORMATION

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

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

James Cook University, of which Professor S. Harding is Vice-Chancellor and President, and Professor S. Graw is the Interim Head of the School of Law. James Cook University received payments for sponsored prizes/awards of \$1,800 during the year.

Townsville City Council, of which Mr A.J. Mooney was Mayor until 15 March 2008. The Corporation paid rates and other related council charges of \$322,223 during the year.

Government owned corporations operate in a commercial environment and deliver a range of services across diverse industries such as energy, transport and funds management. All transactions between the Corporation and other government owned corporations are on an arm's length commercial basis.

Port of Townsville, as a Government Owned Corporation, has had arm's length transactions with other government agencies, as follows:

Agency	Nature	2008 \$	2007 \$
Port of Brisbane Corporation	Dredging and MSIC applications	2,005,963	1,713,573
Queensland Rail	Track maintenance	24,666	24,136
Queensland Treasury Corporation	Interest revenue	1,247,206	808,309
Queensland Treasury Corporation	Short Term Investment	19,676,760	12,077,005
Queensland Treasury Corporation	Loan interest expense	556,985	706,677
Queensland Treasury Corporation	Loan repayment	2,506,112	2,356,420
WorkCover Queensland	Workers Compensation	59,282	58,531
Office of State Revenue	Payroll Tax	283,363	248,798
Office of State Revenue	Land Tax	221,867	178,503
QSuper	Superannuation Contributions	569,166	480,909
Ergon Energy	Electricity	319,285	285,252
Queensland Transport	Crown boat harbour mooring fees	44,684	43,416
Queensland Treasury	Competitive Neutrality Fee	42,780	57,734
Queensland Audit Office	Audit fees	36,895	35,250

Note 29. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

With effect from 1 July 2008, the Corporation converted from a Statutory Government Owned Corporation to a Company Government Owned Corporation, under the Corporations Act 2001 (Cth), name Port of Townsville Limited.

Port of Townsville **Notes to the Financial Statements**
for the financial year ended 30 June 2008

Note 30. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES
(a) Reconciliation of Cash

For the purposes of this cash flow statement, cash includes cash on hand and at bank and investments, in money market instruments, readily convertible to cash at the investor's option. Cash at the end of the year is shown in the Balance Sheet as:-

	2008 \$	2007 \$
Cash on Hand	1,450	1,450
Cash at Bank	852,900	897,758
Term Deposits	19,676,760	12,077,005
	20,531,110	12,976,212

(b) Reconciliation of Profit (Loss) from Ordinary Activities After Income Tax Equivalents Expense to Net Cash Inflow from Operating Activities

	2008 \$	2007 \$
Operating (Loss) / Profit after Income Tax Equivalents Expense and Abnormal Items	9,667,849	7,164,595
Depreciation	7,007,053	6,571,635
Profit (Loss) on Disposal of Non-Current Assets	(1,879,750)	(14,022)
Net Revaluation Increments - Non-Current Assets	(4,771,595)	(5,876,692)
<u>Changes in Assets and Liabilities</u>		
(Increase) Decrease in Trade Debtors	41,464	307,333
(Increase) Decrease in Utility Deposits	-	-
(Increase) Decrease in Prepayments	(7,734)	(133,990)
Increase (Decrease) in Trade and Other Payables	1,164,664	(1,684,763)
Increase (Decrease) in Operating Retention	(5,740)	(11,971)
Increase (Decrease) in Provision for Dividend - (Dividend Paid in Year)	-	-
Increase (Decrease) in Provisions	1,551,710	(47,916)
Increase (Decrease) in Provision for Taxation and Deferred Tax balances	668,557	413,816
Net Cash Inflow from Operating Activities	13,436,478	6,688,024

(c) Financing Facilities

The Corporation has available a bank overdraft limit of \$100,000. At 30 June 2008 no amount was drawn on this overdraft. Loan facilities as shown in note 14 to the accounts are provided by the Queensland Treasury Corporation. New borrowings are subject to the approved Loan Programme with the sanction of the Treasurer of Queensland.