



Ports North

**FAR NORTH QUEENSLAND PORTS
CORPORATION LIMITED
(TRADING AS PORTS NORTH)**

STATEMENT OF CORPORATE INTENT

2020-21

Prepared by the Directors and management of Ports North for shareholding Ministers

The Honourable Cameron Dick MP
Treasurer and Minister for Investment

The Honourable Mark Bailey MP
Minister for Transport and Main Roads

Commercial-in-Confidence

This document contains highly confidential material relating to the business affairs of Far North Queensland Ports Corporation Limited (trading as Ports North). Release of its contents is subject to the provisions of the Right to Information Act 2009. Any unauthorised disclosure of material contained in this statement may diminish the commercial value of that information and would have an adverse effect on the business, commercial and financial affairs of Ports North.

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1. PERFORMANCE AGREEMENT

This Statement of Corporate Intent and all attachments are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993 (GOC Act)*,

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of Ports North and its shareholding Ministers with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent represents agreement to the major activities, objectives, policies, investments and borrowings of Ports North for 2020-21.

This Statement of Corporate Intent is consistent with Ports North's 2020 – 2025 Corporate Plan, submitted to shareholding Ministers and agreed in accordance with Chapter 3, Part 7 of the GOC Act.

In signing this document, the Board of Ports North undertakes to achieve the targets proposed in the Statement of Corporate Intent for 2020-21.

Major changes to key assumptions that underpin the performance outcomes detailed in this Statement of Corporate Intent, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chair on behalf of all the directors in accordance with a unanimous decision of the Board of Ports North.



The Hon Cameron Dick MP
Treasurer and Minister for Investment

20 April 2021
Date



The Hon Mark Bailey MP
Minister for Transport and Main Roads

9 April 2021

Date

Russell Beer
Chair, Ports North



22 September 2021

Date

2. BOARD / CHAIRPERSON'S OUTLOOK

Ports North is focussing on delivering increased profitability and performance to Ports North's core business.

The significant projects that are being undertaken include:

- Masterplan for the Ports of Cairns and Mourilyan;
- Sustainability Strategy for Ports North;
- The development of the Tingira Street lands in Cairns;
- Development of commercial opportunities in Cairns and Regional Ports;
- Targeting to expand trade through Port of Cairns, Port of Mourilyan and Port of Karumba;
- Managing the impacts of COVID-19 on the business.

3. PURPOSE

Vision

The Corporation's Vision is:

To be a successful, sustainable Port operator and a valued contributor to regional economic growth.

Mission

The Corporation's Mission is:

To enable business and trade growth by:

- Providing and facilitating infrastructure
- Growing opportunities through sustainable business and regional economic development
- Connect locally and globally

Values

Safe	We are committed to providing the highest standard of safety for our workplace.
Reliable	We will be professional and responsive in seeking to deliver excellent service to all our internal and external customers.
	We will seek to build effective relationships with the community and our stakeholders by being a responsible corporate citizen fostering social value and economic benefit to the region.
	We are committed to compliance with governance structure and procedures, transparent and accountable reporting and management of risk.
Value Driven	We will promote co-operation and teamwork, ethical and honest behaviour, respect and integrity while providing opportunities for staff to develop and acquire skills needed to meet our objectives.
	We are committed to sustainable outcomes by acting in a commercially astute manner whilst considering risk and the environmental and social impacts of our activities to deliver sustainable commercial returns to shareholders.

Core Business Functions

Ports North's core business is the following:

- Manage the Port infrastructure and operations at the trading Ports of Cairns, Cape Flattery, Karumba, Mourilyan, Skardon River and Community Ports of Quintell Beach and Thursday Island and non-trading Ports of Cooktown and Burketown and the Cityport precinct;
- Manage operations and develop opportunities for general cargo and other bulk products;
- Develop, manage and lease Strategic Port Land;
- Manage services and functions that support the core business;
- Facilitate economic development in the region by facilitating trade; and
- Support the Global Tourism Hub.

4. KEY PERFORMANCE INDICATORS

4.1 Corporate Financial Measures

FY2021 BUDGET QUARTER					FY2019	FY2020	FY2020	FY2021
Sep	Dec	Mar	Jun		Actual	Budget	Actual	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
(986)	(1,359)	919	(1,012)	Earnings Before Interest & Tax (EBIT) (\$'000)	(16,619)	11,543	(33,598)	(2,438)
241	(132)	2,119	200	Earnings Before Interest, Tax & Depreciation (EBITDA) (\$'000)	(10,657)	17,496	(28,646)	2,428
(690)	(1,030)	566	(788)	Net Profit After Tax (\$'000)	(12,150)	6,539	(23,247)	(1,942)
(27,019)	(27,209)	(25,601)	(26,933)	Economic Profit (\$'000)	(38,099)	(22,340)	(51,540)	(27,963)
(0.24%)	(0.33%)	0.22%	(0.25%)	Return on Assets	(4.26%)	2.70%	(8.31%)	(0.59%)
(0.25%)	(0.35%)	0.24%	(0.26%)	Return on Operating Assets	(4.30%)	3.30%	(8.35%)	(0.63%)
-	4.60%	4.60%	4.60%	Debt to Debt + Equity	-	9.86%	-	4.60%
(0.22%)	(0.33%)	0.18%	(0.25%)	Return on Equity	(3.44%)	2.18%	(7.20%)	(0.62%)
-	(12.03)	8.28	(8.96)	Interest Cover	-	7.49	-	(7.23)
2.22	3.24	2.97	2.13	Current Ratio	3.03	3.52	2.73	2.13
7,758	7,378	3,693	6,113	Capital Expenditure (\$'000)	31,803	112,631	75,995	24,942
100%	100%	100%	100%	Budgeted Maintenance Performed (%)	96%	100%	78%	100%

All rebated customers have a Board approved rebate period up to 30 September 2020. The decrease in EBIT from the FY2020 actual result to the FY2021 budget relates mostly to the following.

- Maritime revenue is forecast to increase in FY2021 by \$0.3m, principally due to a combination of an higher magnetite exports from Mourilyan (\$0.5m), silica sand exports from Cape Flattery (\$0.3m), general cargo at Cairns (\$0.3m) and cost recovery charges at Karumba (\$0.4m); partially offset by lower petroleum imports (\$0.6m) and sugar exports (\$0.1m) at Cairns and rebates for commercial fishing revenue due to the impacts of COVID-19, and minor volume changes at other regional ports (\$0.3m).
- Marina revenue is forecast to decrease in FY2021 by \$0.3m, principally due to the extension of the temporary relief rebate for tourism operators impacted by COVID-19 and additional rebates for other leasehold tenants (\$0.2m) and a slight reduction in marina fees.
- Passenger levies are forecast to decrease in FY2021 by \$0.6m, principally due to a significant decrease in passenger numbers due to the impacts to COVID-19 (\$0.7m); partially offset by the temporary relief rebate for tourism operators impacted by the COVID-19 which is off a lower passenger base compared to the FY2020 estimate resulting in lower rebates in FY2021.
- Property rentals are forecast to decrease in FY2021 by \$0.14m, principally due to the extension of the temporary relief rebate for food and beverage retailers impacted by COVID-19 (\$0.4m) and additional rebates for other leasehold tenants (\$0.7m) and no budgeted turnover rent in FY2021 (\$0.2m).
- Recoverable dredging revenue is forecast to increase by \$0.6m principally due to the increase in recoverable dredging for New Century at Karumba (\$0.3m), and an increase in Navy dredging in Cairns (\$0.3m).
- Pilotage revenue is forecast to decrease by \$0.5m principally due to a reduction in forecast pilotage movements, particularly at Cairns and Weipa. Weipa movements have decreased due to downturn of exports from Weipa and the commencement of the Amrun mine (Ports North does not have the pilotage contract). It is anticipated that COVID-19 will have an impact on shipping at Cairns, principally cruise ship visits.
- Labour costs are forecast to increase by \$12.4m due to seven new full-time positions and three new part time positions across planning, environment, finance, operations and commercial., partially offset by no 3% wage increase in FY2021. Changes to the Government Owned Corporations Wages Policy in respect of enterprise agreement wage increases. This effectively means changes to the Ports North Wages Policy will result in a nil wage increase on 1 July 2020, a 3% wage increase on 1 July 2021 and 1 January 2022 (6 months later) and a final 3% increase on 1 July 2022.

- Maintenance expenses are forecast to increase by \$4.0m due to concrete repair works at wharf 10, wharf 4-8 and wharf 13 (\$1.950m); roadworks, painting and revetment works across Cityport and Seaport locations in Cairns (\$0.770m); docking of the AD501 barge (\$0.302m); additional channel maintenance in Cairns (\$0.535m); roadworks at Mourilyan (\$0.240m); additional maintenance at CFB1 and CFB2 with works on A, B fingers and C finger to be completed in FY2021 (\$0.790m); water main repairs at Thursday Island (\$0.148m); and Cairns maintenance dredging underspent in FY2020 of \$1.500m and other increases in general maintenance across all ports (\$0.656m). These increases are partially offset by reduction in maintenance; including concrete repair works at Mourilyan completed in FY2020 (\$0.973m); shed repair works at Thursday Island completed in FY2020 (\$1.167m).
- Administration and consultancy costs are forecast to be stable.
- Other expenses are forecast to decrease by \$0.2m principally due to the decrease in recoverable dredging for New Century at Karumba.

The decrease in EBIT from the FY2019 actual to the FY2021 budget relates mostly to the following:

- Budget FY2021 maritime revenue is \$0.3m lower than FY2019 due to additional charges from New Century at Karumba (\$0.9m) as commencement was part way through FY2019, increased exports of bauxite at Skardon River (\$0.3m), increased sugar, molasses and minerals exports at Mourilyan (\$0.7m), increased export of silica sand from Cape Flattery (\$0.7m); partially offset by a reduction in cruise vessels (\$0.7m), petroleum volumes (\$0.8m) and rebates for commercial fishing revenue due to the impacts of COVID-19 (\$0.5m), lower general cargo principally due to Amrun project cargo completed in FY2019 (\$0.8m), and minor volume changes in other cargos across Cairns and regional ports (\$0.1m).
- Budget FY2021 marina revenue is \$1.1m lower than FY2019 principally due to rebates given to customers to help deal with the impacts of COVID-19 on the tourism industry.
- Budget FY2021 passenger revenue is \$1.2m lower than FY2019 due to passenger numbers forecast to be 77% lower than FY2019, principally due to the impacts of COVID-19 on the tourism industry.
- Budget FY2021 property revenue is \$2.7m lower than FY2019 principally due to rebates given to customers to help deal with the impacts of COVID-19 (\$2.5m), lower turnover rents (\$0.3m), windfarm laydown lease included in FY2019 (\$0.2m) and changes to the Tablelands Mining lease agreement at Mourilyan (\$0.3m); partially offset by CPI increases (\$0.6m).
- Budget FY2021 pilotage transfer services revenue is \$3.1m lower than FY2019 principally due to a significant reduction in pilotage movements, particularly at Cairns and Weipa. Weipa movements have decreased due to downturn of exports from Weipa and the commencement of the Amrun mine (Ports North does not have the pilotage contract). It is anticipated that COVID-19 will have an impact on shipping at Cairns, principally cruise ship visits (Cairns also had homeporting in FY2019).
- Budget FY2021 labour costs are \$2.6m higher than FY2019 principally due to seven new full-time positions and three new part time positions across planning, environment, finance, operations and commercial, and a 3% salary increase each year.
- Budget FY2021 maintenance expenses are \$0.9m higher than FY2019 due to timing of maintenance programs, including maintenance dredging in Cairns.
- Budget FY2021 administration and consultants' costs are \$0.5m higher than FY2019 principally due to consultant costs relating to the port master planning and sustainability project.
- Budget FY2021 other expenses are \$2.2m higher than FY2019 principally due to the recoverable dredging for New Century at Karumba.

4.2 Non-Financial Measures

FY2021 BUDGET QUARTER					FY2019	FY2020	FY2020	FY2021
Sep	Dec	Mar	Jun		Actual	Budget	Actual	Budget
				Operational				
2,570,342	2,122,580	1,717,320	2,566,170	Trade (Tonnes)	7,169,311	8,307,662	8,672,540	8,976,412
929	793	632	928	No. of Vessels to Port (including cruise)	2,572	3,191	2,990	3,282
-	-	8	12	No. of Cruise Vessels to Port - International	55	61	33	20
-	-	17	25	No. of Cruise Vessels to Port - Domestic	107	98	79	42
63%	58%	53%	57%	Marina Berth Occupancy (%)	57%	58%	58%	58%
				Reputation				
-	-	-	-	- No. of Environmental - reportable breaches	-	-	-	-
-	-	-	-	- No. of Security Issues - reported	-	-	-	-
-	-	-	-	- Lost Time Injury Frequency Rate (LTIFR)	17.0	-	25.0	-
-	-	-	-	- Lost Time Injury Duration Rate (LTIDR)	2.0	-	10.0	-
<15%	<15%	<15%	<15%	Staff Turnover (annualised %)	7%	<15%	<15%	<15%
80	80	80	80	No. of Net FTE Staff numbers	70	77	72	80
<10	<10	<10	<10	No. of Community Complaints	9	<10	4	<10
100%	100%	100%	100%	Compliance with Reporting Requirements (%)	100%	100%	100%	100%

Further breakdown of trade volumes can be found in Section 6. Key Assumptions and Risks on page 12.

Revenue and Trade Volume Estimation Process

The process described below has been followed by Ports North in arriving at the Trade volumes shown in Section 6. Key Assumptions and Risks. These volumes are used in calculation of the revenue levels assumed in Ports North's FY2021 Forecast Statement of Comprehensive Income.

- Consult key customers about likely trade volumes. This includes mining, sugar, fuel, reef fleet and cruise shipping.
- Analyse historic trends for revenue and volumes of business.
- Analyse current business environment for relevant income streams.
- Consider advice from industry about likely volumes in the context of Ports North's trend analysis and relevant economic and other circumstances.
- Form a view about likely business volumes.
- Engage in further discussions with customers.
- Finalise volume projections.
- Considered the impacts of COVID-19 on trade.

5. RESPONSES TO SHAREHOLDER EXPECTATIONS / STRATEGIC OBJECTIVES

1 Identify and develop new trade and business opportunities and grow existing business to provide value to Ports North and its shareholders

- 1.1 Identify and support existing tourism operations and develop expanded trades through the Port of Cairns, the Port of Mourilyan and the Port of Karumba
- Target trade growth through new windfarm import project and project cargo in the Port of Cairns;
 - Finalise lease for new fuel importation facilities in Mourilyan;
 - Finalise new lease to enable expanded mineral trades through Mourilyan;
 - Promote cattle and new mineral exports through Karumba;
 - Support the Port's tourism operators to recovery of COVID-19.
- 1.2 Grow superyacht activity and support cruise shipping recovery
- Cruise shipping recovery through promotion of the new Port capacity and support of industry;
 - Promote Cairns and region as a superyacht destination and refit area;
 - Plan for superyacht facilities to meet demand

2 Manage and develop Port property to provide sustainable commercial return to Ports North and its shareholders

- 2.1 Effectively manage property portfolio to retain commercial returns
- Maintain property management system;
 - Maintain current Land Use Plans for all operational ports;
 - Support property tenants impacted by COVID-19
- 2.2 Develop new property and deliver strategies to retain and maximise property value
- Monitor market conditions and identify property opportunities and threats;
 - Land acquisition strategies for the Port of Cairns and Mourilyan;
 - Develop Tingira Street lands suitable for property development when market recovers;
 - Support existing property tenants through the impacts of COVID-19.

3 Plan, develop and manage Port Infrastructure and assets to improve Port efficiency, meet the needs of customers and contribute to sustainable regional development

- 3.1 Maintain and operate Port infrastructure considering safety, environment, efficiency and cost effectiveness
- Asset management processes in place;
 - Safety management system in place;
 - Ports North's Sustainability Strategy established;
 - Long Term Maintenance Dredging Management Plan and new Sea Disposal Permit in place.

- 3.2 Identify and develop Strategic Plans and deliver infrastructure projects to meet trade growth in a sustainable way
- Port Masterplan completed for the Port of Cairns and the Port of Mourilyan;
 - Actively participate in regional and State planning to ensure that Port requirements are considered;
 - Complete the Cairns Shipping Development Project close out;
 - Progress the Tingira Street land developments;
 - Complete Capital Projects in accordance with the Corporate Plan;
 - Seek to incorporate the Ports' Capital Dredging requirements in the update of the Sustainable Ports Act review

4 Maintain organisational capability and governance system to deliver the business requirements and maintain the organisation's reputation

- 4.1 Establish best practice Corporate Governance systems, including robust risk, business and financial management and reporting systems
- Robust Corporate Governance arrangements are in place, including reporting and risk management;
 - Established effective Emergency and Security Plans;
 - Implement new ICT systems upgrade;
 - Implement the COVID-19 Business Continuity Plan.
- 4.2 Identify and implement initiatives that promote excellence in environmental management
- Integrate Sustainability Strategy considerations into Management processes;
 - Minimise environmental impacts through effective environmental management;
 - Environmental promotion and monitoring internally and externally.
- 4.3 Attract, develop and retain motivated employees
- Attract and appoint appropriately skilled staff;
 - Positive workplace culture in place;
 - Support employee learning and improvement;
 - High standard health and safety culture in the workforce;
 - Support staff during COVID-19.
- 4.4 Engage and support Stakeholders and Communities in which Ports operate
- Regular stakeholder and community engagement events;
 - Proactive involvement in regional economic forums and boards;
 - Work constructively with local and regional entities;
 - Implement effective customer engagement.

5 Deliver on the Cairns Shipping Development Project (CSDP)

5.1 Finalise the CSDP project works and comply with environmental approval conditions

- Comply with environmental conditions and undertake the necessary monitoring;
- Return the disposal site at Northern Sands to site owner.

5.2 Promote the Port of Cairns to cruise companies and seek to recover cruise visitation

- Promote Port of Cairns to cruise ship companies at Australian and international cruise events;
- Promote cruise shipping recovery and support the reestablishment of cruise operations in Cairns.

6. KEY ASSUMPTIONS AND RISKS

6.1 Assumptions

The **key assumptions** underpinning Ports North's strategic planning and financials for 2020-21 include:

Assumptions	FY2019 Actual	FY2020 Budget	FY2020 Actual	FY2021 Budget
Economic Indices				
CPI	n/a	2.25%	n/a	2.25%
Wage Growth	n/a	3.0%	n/a	3.0%
Interest Rates	n/a	n/a	n/a	n/a
Price Increases				
Maritime Revenue (excl. Thursday Island)	n/a	5.0%	n/a	5.0%
Maritime Revenue (Thursday Island)	n/a	3.0%	n/a	3.0%
Marina Revenue	n/a	5.0%	n/a	5.0%
Passenger Levies	n/a	5.0%	n/a	5.0%
Electricity Revenue	n/a	5.0%	n/a	5.0%
Operating Revenue (\$'000)	59,210	60,742	53,652	50,813
Operating Expenses (\$'000)	48,288	52,199	49,335	53,251
Trade Activity				
Cairns				
Sugar (Tonnes)	297,412	288,000	264,800	250,000
Molasses (Tonnes)	62,737	76,000	60,977	70,000
Petroleum (Tonnes)	566,948	534,423	515,904	396,967
LPG (Tonnes)	28,442	20,000	25,903	28,500
Fertiliser (Tonnes)	25,177	35,200	44,903	37,500
General Cargo (Tonnes)	325,816	251,965	164,558	176,000
Total Cargo Throughput (Tonnes)	1,306,532	1,205,588	1,077,046	958,967
Marlin Marina Passengers ('000)	907	990	631	211
Marina Average Occupancy (%)	57%	58%	58%	58%
Regional Ports				
Karumba				
Livestock (Tonnes)	4,508	2,625	-	-
General Cargo (Tonnes)	8,369	8,233	6,785	8,369
Minerals (Tonnes)	93,120	300,000	208,640	300,000
Thursday Island				
General Cargo (Tonnes)	67,313	75,127	65,510	67,273
Mourilyan				
Sugar (Tonnes)	571,750	630,000	576,900	600,000
Molasses (Tonnes)	68,833	85,500	41,275	80,000
Minerals (Tonnes)	-	-	-	60,000
Cape Flattery				
Silica Sand (Tonnes)	2,563,453	2,500,000	2,694,652	3,000,000
Quintell Beach				
General Cargo (Tonnes)	1,988	589	2,113	1,803
Skardon River				
Minerals (Tonnes)	2,483,445	3,500,000	3,999,619	3,900,000
Total Cargo Throughput (Tonnes)	5,862,779	7,102,074	7,595,494	8,017,445
Total Cargo Throughput (Tonnes) - All Ports	7,169,311	8,307,662	8,672,540	8,976,412

Trade Volumes

Major cargo revenue – sugar, petroleum, sand and general cargo. While trade volumes are largely beyond the company's influence and driven by market, weather and economic conditions, Ports North continues to explore opportunities to grow trading activity and drive increased throughput tonnes at all ports. The fuel imports are expected to decline with the airport airline traffic decline.

Karumba general cargo and livestock are minor volumes that fluctuate from year to year and are difficult to predict.

Mineral exports from Mourilyan has temporarily ceased and is expected to recommence FY2023, however some minerals (beneficiation) are expected to be exported in FY2021; planning and construction for petroleum imports will commence.

Mineral exports from Skardon River commenced late April 2018 and continue to increase.

Silica sand exports from Cape Flattery continue to be strong with volumes forecast to increase in FY2021 on the back of strong global demand.

Property

The property rental revenue is based on existing leases and the contractual terms noting that the revenues are impacted by COVID-19.

Marina

Passenger numbers reflect the significant impacts of COVID-19.

Port Pilotage

In relation to Port Pilotage the FY2021 forecast are prepared on Pilotage activity estimates considering COVID-19.

6.2 Impacts of COVID-19

Trade

Due to the impacts of COVID-19 to the local economy, changes have been made to some key assumptions around the company's trade related revenues. The following assumptions have been included in the FY2021 budget:

- Cruise ship visits will be reduced by 70% on the original 68 booked vessel visits with no cruise vessels expected between July and January, and 20 vessels between February and June with further declines likely.
- Petroleum volumes have been reduced by 10% for non-aviation fuel for the whole year and by 70% for aviation fuel for July to December, and a 50% reduction for the balance of the year. This is a result of the cancellation of both domestic and international flights into and out of the Cairns Airport.
- Passenger numbers are expected to be significantly reduced with no passengers forecast for July to September. It is estimated that the passenger numbers will slowly increase for the balance of the year as operations start to recommence.
- Pilotage movements are expected to reduce due to lower shipping activity, particularly at Cairns with a reduction in cruise ship visits for the year.

Customer Rebates

In response to the immediate and ongoing economic impacts of the coronavirus (COVID-19), the Ports North Board approved a \$3 million rebate relief package for relevant tourism operators for a 6 month period from 1 February 2020 to 31 July 2020 to assist in mitigation of the effects of the adverse impacts on our customers and the regional economy. This relief package is part of the Queensland Governments Immediate Industry Relief Package. The temporary rebate package includes a 100% temporary rebate on marina berthage fees and passenger levies for qualified commercial (tourism) and reef operators and qualified retail, food and beverage leasehold tenants. It also includes a freeze on Cairns Marlin Marina Schedule of Charges for commercial operators at the Marlin Marina until January 2023.

As the impact COVID-19 has heightened it has become apparent that the impact of the virus is having a far wider impact on a larger number of Ports North's tenants both in the Port of Cairns and other ports. The original rebates were for the customers that were directly and immediately impacted by the loss of tourists to the region. It is now apparent that the impact of COVID-19 is now flowing on to businesses downstream from the key tourism and retail businesses.

To address this, additional rebates for other tenants for a six-month period commencing from 1 April 2020 has been implemented. The existing rebate runs until 31 July 2020 and would need to be extended by a further 2 months to fall into line with the additional rebates to run from 1 April 2020 until 30 September 2020. On that basis, both the existing rebate customers and identified new rebate customers have been granted a rebate period up to 30 September 2020. In the case of the fishing industry the rebates will only apply to vessels that have historically operated out of the port similar to the approach taken to the reef fleet in the marina.

All rebated customers have a Board approved rebate period up to 30 September 2020. It is proposed in August 2020 that a review be undertaken of the ongoing impacts of COVID-19, and if required, an extension of this rebate period could be offered until 31 December 2020 or an alternative rebate approach adopted.

Ports North acknowledges that it will take some time for its local customers to recover from the on-going economic impacts of the coronavirus (COVID-19). To assist its customers Ports North have extended payment terms from 30 to 90 days.

6.3 Risks

The following represents a summary of the Key Strategic Risks for the organisation.

Ports North retains a Risk Management Framework, which is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Audit and Risk Committee and the Ports North Board.

The Key Risks facing Ports North for 2020-21 include:

Risk	Risk Description
Staff, Contractor and Public Safety	Death or serious injury of a Ports North employee, contractor or member of the public while on Ports North's land or as a result of the Corporation's operations.
Attraction, retention and development of essential skills	Failure to attract, retain and develop appropriately skilled staff restricts the company's ability to achieve its full potential.
Securing ongoing long-term Permit for Sea Dumping of maintenance dredged material	Loss or delays in approval of Sea Dumping Dredge Permit. Restriction on dredging could result in reduced channel depth and restricted shipping or additional costs to develop and implement other disposal methods.
Changed economic circumstances affect the company's business volume and revenue	Changed economic circumstances affects demand for the company's facilities or property. This could affect the viability of existing customers and/or open new business opportunities that were not previously viable.
Major environmental incident or environmental issue impacts on the company	Major environmental incident or environmental issue (e.g. oil spill, marine pests, contamination) has a significant effect on the natural environment or community surrounding a Port.
Any extreme event that has significant effect on the business	Ports North is unable to recommence business activities in a timely manner after the occurrence of any extreme natural event (e.g. cyclone, tsunami, earthquake, terrorism, fire/explosion at key asset, channel blockage).
Regulatory Compliance	Ports North fails to meet its legal, regulatory or Corporate Governance obligations resulting in exposure to civil or criminal proceedings, greater scrutiny and involvement of regulators and/or loss of licence to operate.
Stakeholders take action that impacts on Ports North's business growth and ongoing operations	Ports North's ability to develop and grow its business or continue its normal operations is constrained due to stakeholder actions.
Asset failure	Assets fail earlier than expected due to ineffective asset maintenance or fail to meet the needs of customers or provide a return to the Port, i.e. not fit for purpose, lower demand than forecasted or assets fail due to insufficient or ineffective maintenance.
COVID-19 Health Pandemic	Covid-19 health pandemic adversely impacts the safety of Ports North staff and customers and business operations

7. CAPITAL EXPENDITURE

Asset	Total Budget Cost \$'000	FY2020 Estimate \$'000	FY2021 Budget \$'000	Expected Completion
Assets Under Construction				
Shareholding Minister Approved				
Foreshore Development (C5)	21,009	1,200	1,500	FY2025
Site Decontaminations (C6)	3,258	-	1,200	FY2026
Marina Reconfiguration & Expansion (C20/C22)	6,931	-	-	FY2025
Cairns Shipping Development (S14)	119,779	84,477	5,287	FY2021
Subtotal	150,977	85,677	7,987	
Planned Capital Expenditure yet to be Approved by shareholding Ministers and/or Ports North Board*				
Tingira Street Land Development (S3)	14,827	800	2,500	FY2025
Tingira Street Warehouse (SP3)	4,000	-	-	FY2021
Tingira Street Warehouse (SP4)	3,000	-	-	FY2022
Tingira Street Warehouse (SP5)	1,000	-	-	FY2023
General Cargo Consolidation (S7)	20,300	-	1,800	FY2021
Lease Acquisitions (S12)	6,414	1,500	1,000	FY2025
Mourilyan Land Lease Acquisition (M2)	1,633	333	1,000	FY2021
Mourilyan Commercial Fishing Facility (M1)	481	-	-	FY2025
Mourilyan Land Development for Bulk Cargo (M3)	3,656	-	2,500	FY2023
Mourilyan Berthing Dolphin Upgrade (M3)	1,000	-	-	FY2022
Horn Island Cargo Wharf and Access Road (T5)	5,718	-	3,500	FY2024
Horn Island Passenger Jetty & Cargo Wharf (T6)	4,750	-	2,250	FY2023
Thursday Island Wharf Upgrades (T3)	1,000	1,000	-	FY2020
Subtotal	67,779	3,633	14,550	
Minor Capital Works	On going	2,091	2,404	On going
Subtotal	-	2,091	2,404	
TOTAL		91,401	24,941	

*Ports North's Investment Approval Policy states that any investment over the corporation's investment approval threshold of \$10 million require shareholding Minister approval, projects below this threshold but exceeding the notification threshold of \$3 million are subject to separate notification requirements through the Quarterly Report to the shareholding Ministers.

7.1 Major Initiatives being undertaken by Ports North

A summary of the Major Initiatives are:

- Managing the COVID-19 Business Continuity.
- Seeking expanded trade opportunities out of Cairns and Mourilyan. Examine infrastructure requirements to meet additional trade needs.
- Supporting business impacts of COVID-19.
- Complete the Cairns and Mourilyan Masterplans.
- The Cairns Shipping Development Project close out.

7.2 Investment Thresholds

Investment Thresholds	\$M
Shareholding Minister Notification	3,000,000
Shareholding Minister Approval	10,000,000

8. CAPITAL STRUCTURE

Ports North has developed an extensive set of Financial Risk Policies, which have received Board endorsement and include, amongst other things, capital structure targets for the organisation.

The capital structure targets are in three areas:

Ratio	Target	Estimate of Maximum Borrowings FY2021	Estimated Ratio
			FY2021
Debt to Equity ⁽¹⁾	< 33%	\$153m	4.6%
Interest Cover ⁽²⁾	> 2.0	\$0m	(8.2)
Debt Service Capability ⁽³⁾	> 1.0	\$133m	7.2

(1) Debt to Equity = Debt / (Debt + Equity)

(2) Interest Cover = EBIT / Interest Expense

(3) Debt Servicing Capability = (EBITDA - Tax - Dividends) / Debt Service Payments

Ports North's Financial Risks Policy determines an optimum capital structure and review this structure on a yearly basis (unless an alternative timeframe is agreed with Queensland Treasury Corporation (QTC) or Commercial Monitoring) to reflect changes in its business or operating environment. This is undertaken through a Capital Structure Review completed by QTC. QTC have agreed that they will be considering COVID-19 impacts when setting covenants and subsequently assessing them in that that context.

9. COMMUNITY SERVICE OBLIGATIONS

Nil - No CSOs have been identified for Ports North in 2020/21.

10. STATEMENT OF COMPLIANCE

Ports North, including its subsidiaries, will comply with all relevant policies and guidelines as issued by the shareholders and Government, and formal directions as received from time to time.

11. FINANCIAL STATEMENTS

11.1 Statement of Comprehensive Income (Consolidated)

FY2021 BUDGET QUARTER					FY2019 Actual \$'000	FY2020 Budget \$'000	FY2020 Actual \$'000	FY2021 Budget \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
4,878	4,696	4,949	5,247	Maritime ⁽¹⁾	20,090	21,148	19,521	19,770
658	538	958	1,042	Marina ⁽²⁾	4,305	4,294	3,409	3,196
2	2	162	136	Passenger Levies ⁽²⁾	1,532	1,755	927	302
1,813	1,860	3,100	3,097	Property Rentals ⁽³⁾	12,578	12,434	11,284	9,870
1,167	1,167	1,167	1,166	Electricity Recoverable ⁽¹⁾	4,546	4,828	3,990	4,667
250	250	250	4,106	Dredging Recoverable ⁽⁴⁾	2,600	3,490	4,287	4,856
1,714	1,675	1,482	1,737	Pilotage ⁽¹⁾	9,695	10,164	7,159	6,608
-	-	-	-	Fair Value Adjustment to PPE ⁽⁵⁾	-	-	-	-
-	-	-	-	Fair Value Adjustment to Investment Property ⁽⁵⁾	2,419	3,000	1,537	-
330	299	495	420	Other Revenue ⁽⁶⁾	3,864	2,629	3,076	1,544
10,812	10,487	12,563	16,951	Total Revenue	61,629	63,742	55,190	50,813
3,756	3,773	3,689	3,747	Labour ⁽⁷⁾	12,647	13,969	12,499	14,965
998	997	999	998	Energy & Land Rates	3,944	4,056	3,225	3,992
88	54	76	101	Marketing & Business Development	188	332	114	319
3,112	3,114	3,113	5,640	Maintenance, Stores & Materials ⁽⁹⁾	14,065	13,955	10,916	14,979
1,580	1,700	1,531	1,398	Administration & Consultants ⁽¹⁰⁾	5,755	6,696	6,216	6,209
1,227	1,227	1,200	1,212	Depreciation	5,962	5,953	4,952	4,866
-	-	-	-	Fair Value Adjustment to PPE ⁽⁵⁾	29,960	-	39,453	-
-	-	-	-	WIP Written-off	-	-	3,267	-
1,037	981	1,036	4,867	Recoverables / Other Expenses ⁽⁸⁾	5,727	7,238	8,146	7,921
11,798	11,846	11,644	17,963	Total Expenses	78,248	52,199	88,788	53,251
(986)	(1,359)	919	(1,012)	Earnings Before Interest & Tax	(16,619)	11,543	(33,598)	(2,438)
-	113	111	113	Interest Paid on Borrowings	-	1,541	-	337
(986)	(1,472)	808	(1,125)	Net Profit before Tax	(16,619)	10,002	(33,598)	(2,775)
(296)	(442)	242	(337)	Income Tax	(4,469)	3,463	(10,351)	(833)
(690)	(1,030)	566	(788)	Net Profit after Tax	(12,150)	6,539	(23,247)	(1,942)

(1) Variations in revenue are due to a combination of price increases, volume changes and other comments contained in Section 6.1. Maritime revenue for FY2020 and FY2021 includes rebates given to commercial fishing customers impacted by COVID-19.

(2) Marina and Passenger revenues decreases from FY2019 and the FY2020 estimate primarily due to the temporary relief rebate for qualified commercial (tourism) and reef operators impacted by COVID-19 and rebates for other leasehold tenants.

(3) Property rentals decreased from FY2019 and the FY2020 estimate primarily due to the temporary relief rebate for qualified commercial (tourism) and reef operators impacted by COVID-19 and rebates for other leasehold tenants.

(4) Dredging Recoverable relates to Navy Dredging (on a two year cycle with FY2020 being a lower year and FY2021 a higher year) and Karumba Dredging (\$3.9m).

(5) Property, Plant and Equipment (Infrastructure Assets) are valued using an income based model for valuation of its PPE. The model incorporates forecast cash flows for a 10-year period (based on the five-year Corporate Plan) with a terminal value factor applied to the last year of cash flow. Cash flows are discounted using Ports North's applicable Weighted Average Cost of Capital (WACC) rate to calculate the net present value. Forecast cash flows are reviewed and adjusted, where required, using probability analysis based on the latest information available at the time of valuation. PPE land is valued by an independent valuer each year and deducted off the net present value calculation. The balance of the net present value is allocated to individual Ports North's PPE infrastructure assets. There is no budget estimate for future years revaluation as the model assumes that all future cash flows are included in the FY2020 fair value calculation.

(6) Other Revenue includes interest revenue, security charges and water charges.

(7) Labour increase is mostly due to additional positions. No increase has been applied to wages to reflect the Addendum to the GOC Wages Policy.

(8) Recoverables and Other Expenses include electricity cost of sales, dredging recoverable and other expenses. The higher number in FY2021 relates to the dredging of the Karumba channel which is being recovered from New Century Resources (\$3.9m).

(9) Maintenance costs in FY2021 includes \$2.5m for Cairns Port Dredging, activity deferred from previous years, and long term maintenance programs across all ports.

(10) Consultant costs decrease in FY2021 due to a reduction in port masterplanning and sustainability consulting costs as the project nears completion; Insurance costs increased by 18%.

11.2 Statement of Financial Position (Consolidated)

FY2021 BUDGET QUARTER YTD					FY2019 Actual \$'000	FY2020 Budget \$'000	FY2020 Actual \$'000	FY2021 Budget \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
				Current Assets				
1,000	1,000	1,000	1,000	Cash Assets ⁽¹⁾	5,800	1,000	5,062	1,000
16,743	23,067	28,817	23,554	Advances ⁽²⁾	87,706	33,768	30,497	23,554
7,160	6,375	5,800	8,157	Receivables ⁽³⁾	9,888	7,445	8,722	8,157
6,315	6,205	(288)	417	Current Tax Asset	655	1,464	1,611	417
55	55	55	55	Inventories	22	56	54	55
1,745	1,260	774	289	Other Current Assets	241	219	249	289
33,018	37,962	36,158	33,472		104,312	43,952	46,195	33,472
				Non-Current Assets				
-	-	-	-	Receivables ⁽³⁾	1,315	-	-	-
198,610	203,386	203,654	206,329	Property, Plant & Equipment ⁽⁴⁾	125,690	230,600	193,454	206,329
169,333	170,708	172,933	175,159	Investment Property ⁽⁵⁾	169,887	178,321	167,960	175,159
367,943	374,094	376,587	381,488		296,892	408,921	361,414	381,488
400,961	412,056	412,745	414,960	Total Assets	401,204	452,873	407,609	414,960
				Current Liabilities				
4,290	4,263	4,366	7,059	Payables	24,906	3,804	8,570	7,059
-	-	-	-	Current Interest Bearing Liabilities	-	-	-	-
-	-	-	-	Current Tax Liabilities	-	-	-	-
3,832	984	1,005	1,116	Current Provisions ⁽⁶⁾	6,253	6,181	6,298	1,116
2,897	2,900	2,898	2,899	Other Current Liabilities	3,323	2,500	2,046	2,899
11,019	8,147	8,269	11,074		34,482	12,485	16,914	11,074
				Non-Current Liabilities				
-	15,000	15,000	15,000	Borrowings	-	40,000	-	15,000
30,111	30,109	30,110	30,308	Deferred Tax Liabilities	33,654	34,324	30,110	30,308
923	923	923	923	Non-Current Provisions	480	458	987	923
31,034	46,032	46,033	46,231		34,134	74,782	31,097	46,231
42,053	54,179	54,302	57,305	Total Liabilities	68,616	87,267	48,011	57,305
358,908	357,877	358,443	357,655	Net Assets	332,588	365,606	359,598	357,655
				Equity				
247,178	247,178	247,178	247,178	Contributed Equity	217,178	247,178	247,178	247,178
90,687	90,687	90,687	90,687	Reserves	68,337	68,337	90,687	90,687
21,733	21,733	21,733	21,733	Opening Retained Profits	59,223	47,073	47,771	21,733
(690)	(1,721)	(1,155)	(1,943)	Current Year Result	(12,150)	3,018	(26,038)	(1,943)
358,908	357,877	358,443	357,655	Shareholder's Equity	332,588	365,606	359,598	357,655

(1) It is assumed that the operating cash will remain around \$1m.

(2) Advances includes the QTC cash facility. The decrease in Advances from FY2019 actual to FY2020 actual is due capital expenditure on the CSDP; partially offset by \$30m equity injection and no FY2019 dividend paid (net loss position). The decrease in Advances in the FY2021 budget relates to additional rebates (mostly property leases) due to the impacts of COVID-19.

(3) Decrease in FY2020 is due to no accrual of Karumba dredging recoverable in June 2020, assumed all will be collected in FY2020, FY2021 dredging assumed to be accrued at June 2021 and paid in FY2022.

(4) The CSDP adds a complexity to the valuation of Cairns primarily due to the project spend being over two years.

The project delivers increased revenue in future years by an estimated Net Present Value (NPV) of \$29.770 million, however the value at the end of FY2019 takes into account both the revenue and costs for future years including an original budgeted spend of \$97.710 million on the CSDP in FY2020.

The FY2019 Cairns CSDP spend in the fair value model is \$29.890m with the balance of \$97.710m in FY2020 (total spend \$127.6m).

The impact of the Cairns CSDP results in a revaluation decrease of \$86.906m (excluding land of \$0.085m), with \$57.934m offset against previous Asset Revaluation Reserves and a P&L expense of \$28.971m.

This revaluation decrease is expected to reverse at the end of FY2020 and the carrying amount of Port of Cairns PPE assets will increase back to pre CSDP levels in FY2021

(5) Increase in FY2021 from FY2020 actual due to capital works program for FY2021 and forecast \$3.000m increase in valuation of IP.

(6) Movements mostly due to provision for dividend. The Company did not declare a dividend at 30 June 2019 due to a net adjusted consolidated loss after tax. FY2020 dividend is expected to be at 100% of consolidated adjusted profit (as per policy). The Company is not expected to declare a dividend in FY2021 due to a net adjusted consolidated loss after tax (mainly due to proposed rebates to help customers with the impacts of COVID-19).

11.3 Statement of Cash Flows (Consolidated)

FY2021 BUDGET QUARTER YTD					FY2019 Actual \$'000	FY2020 Budget \$'000	FY2020 Actual \$'000	FY2021 Budget \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
				Cash Flows from Operating Activities				
13,115	11,186	12,962	15,075	Receipts from Customers ⁽¹⁾	59,196	60,961	52,317	52,338
(18,874)	(10,192)	(9,938)	(13,655)	Payments to Suppliers and Employees ⁽²⁾	(46,541)	(49,323)	(38,280)	(52,659)
66	50	91	74	Interest Received	1,928	1,072	916	281
1,556	1,373	1,043	1,270	GST Received from ATO ⁽²⁾	4,065	3,476	12,697	5,242
(1,206)	(1,071)	(1,144)	(1,494)	GST Paid to ATO	(6,158)	(5,954)	(5,498)	(4,915)
1,242	1,044	1,247	1,688	GST Received from Customers	6,180	5,891	5,415	5,221
(1,547)	(1,337)	(959)	(1,826)	GST Paid to Suppliers ⁽²⁾	(4,130)	(3,283)	(12,657)	(5,669)
(5,648)	1,053	3,302	1,132	Net Cash Flows from Operating Activities	14,540	12,840	14,910	(161)
				Cash Flows from Investing Activities				
-	-	-	-	Proceeds from Sale of PPE and Investment Property	79	-	2	-
(7,758)	(7,378)	(3,692)	(6,113)	Payments for PPE and Investment Property ⁽³⁾	(11,664)	(136,435)	(99,079)	(24,941)
13,754	(6,324)	(5,750)	5,263	Advances to Queensland Treasury ⁽⁴⁾	(23,070)	53,939	57,210	6,943
5,996	(13,702)	(9,442)	(850)	Net Cash Flows from Investing Activities	(34,655)	(82,496)	(41,867)	(17,998)
				Cash Flows from Financing Activities				
-	-	-	-	Repayment of Borrowings	-	-	-	-
-	15,000	-	-	Proceeds from Borrowings	-	40,000	-	15,000
-	-	-	-	Payment of Principal and Interest of lease liabilities	-	-	(133)	-
-	(113)	(111)	(113)	Finance Costs	-	(1,541)	-	(337)
-	14,887	(111)	(113)	Net Cash Flows from Financing Activities	-	38,459	(133)	14,663
				Cash Flows from Government				
-	-	-	-	Proceeds from Equity Contribution ⁽⁵⁾	30,000	30,000	30,000	-
-	(2,790)	-	-	Dividend Paid ⁽⁶⁾	-	-	-	(2,790)
(4,409)	552	6,251	(169)	Income Tax (Equivalent) Paid	(6,470)	(3,603)	(3,649)	2,225
(4,409)	(2,238)	6,251	(169)	Net Cash Flows from Government	23,530	26,397	26,351	(565)
(4,061)	-	-	-	Net Increase/(Decrease) in Cash Held	3,415	(4,800)	(739)	(4,061)
5,061	1,000	1,000	1,000	Cash at the Beginning of the Year	2,385	5,800	5,800	5,061
1,000	1,000	1,000	1,000	Cash at the End of the Year	5,800	1,000	5,061	1,000

(1) Decrease in FY2021 is in line with the assumptions explained in Section 6.1

(2) Increase in FY2021 principally due to a general increase in costs. Higher than normal GST in FY2020 Estimate relates to GST paid for to suppliers for the CSDP, which was effectively received back from the ATO.

(3) Includes actual cash payments made for capital projects in each year, with payments in FY2020 including capital works relating to the CSDP

(4) Inflows relating to the Advances to QTC represents a drawdown on this cash facility

(5) Includes \$30m equity contribution in FY2019 and another \$30m in FY2020 in relation to the CSDP, no further equity injections expected

(6) The Company did not declare a dividend at 30 June 2019 due to a net adjusted consolidated loss after tax. FY2020 dividend is expected to be at 100% of consolidated adjusted profit (as per policy). The Company is not expected to declare a dividend in FY2021 due to a net adjusted consolidated loss after tax (mainly due to proposed rebates to help customers with the impacts of COVID-19).

Equity Injections/Withdrawals	FY2019 Actual \$'000	FY2020 Budget \$'000	FY2020 Actual \$'000	FY2021 Budget \$'000
Equity Injections	30,000	30,000	30,000	-
Equity Withdrawals	-	-	-	-
Net Equity	30,000	30,000	30,000	-

Dividends, Tax Equivalent Payments (TEPs) & Community Service Obligations (CSOs)	FY2019 Actual \$'000	FY2020 Budget \$'000	FY2020 Actual \$'000	FY2021 Budget \$'000
Dividend Provided ⁽¹⁾	-	3,521	2,790	-
Income Tax Expense/(Benefit)	(4,469)	3,463	(10,351)	(833)
CSO Receipts	-	-	-	-

(1) Dividends provided are calculated in accordance with the Ports North Dividend Policy - refer Section 12.3

12. ATTACHMENTS

12.1 Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Consistent with Government issued *Corporate Entertainment and Hospitality Guidelines 2008* and Ports North's Corporate Entertainment and Hospitality Policy, Ports North has budgeted the following total amounts for Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements for 2020/21.

Total for ALL Expenditure Items (over and under \$5,000)

Activity	FY2019 Actual \$'000	FY2020 Budget \$'000	FY2020 Estimate \$'000	FY2021 Budget \$'000
Sponsorship *	40	120	81	120
Advertising	2	6	6	7
Corporate Entertainment	11	16	15	18
Donations	-	-	-	-
Strategic Community and Stakeholder Engagement Activities	153	152	202	166
TOTAL	206	294	304	311

Activity	FY2020	FY2020	FY2021	FY2021 BUDGET QUARTER			
	Budget \$'000	Estimate \$'000	Budget \$'000	\$'000			
				Sept	Dec	Mar	Jun
SPONSORSHIP							
Cairns Indigenous Art Fair	20	20	15	-	-	-	15.0
Precious Plastics Thursday Island Project	-	-	-	-	-	-	-
Total over \$5,000	20	20	15	-	-	-	15.0
Other (total) below \$5,000	100	61	105	33.0	18.0	30.0	24.0
TOTAL (1)	120	81	120	33.0	18.0	30.0	39.0
ADVERTISING							
Total over \$5,000	-	-	-	-	-	-	-
Other (total) below \$5,000	6	6	7	2.0	2.0	1.5	1.5
TOTAL (2)	6	6	7	2.0	2.0	1.5	1.5
CORPORATE ENTERTAINMENT							
Total over \$5,000	-	-	-	-	-	-	-
Other (total) below \$5,000	16	15	18	4.0	5.0	4.5	4.5
TOTAL (3)	16	15	18	4.0	5.0	4.5	4.5
DONATIONS							
Total over \$5,000	-	-	-	-	-	-	-
Other (total) below \$5,000	-	-	-	-	-	-	-
TOTAL (4)	-	-	-	-	-	-	-
STRATEGIC COMMUNITY & STAKEHOLDER ENGAGEMENT ACTIVITIES							
Total over \$5,000							
Advance Cairns	46	48	48	48.0	-	-	-
TTNQ	17	17	20	-	-	-	20.0
Ports Australia	35	32	33	33.0	-	-	-
Queensland Ports Association	10	9	10	-	10.0	-	-
Australian Cruise	7	7	8	-	-	-	8.0
Gulf Savannah	15	15	15	-	15.0	-	-
Total over \$5,000	130	128	134	81.0	25.0	-	28.0
Other (total) below \$5,000	22	74	32	9.0	5.0	16.0	2.0
TOTAL (5)	152	202	166	90.0	30.0	16.0	30.0
TOTAL (1) + (2) + (3) + (4) + (5)	294	304	311	129.0	55.0	52.0	75.0

Corporate Entertainment

Activity	FY2020	FY2020	FY2021	FY2021	FY2021 BUDGET QUARTER			
	Budget	Estimate	No. of	Budget	\$'000			
	\$'000	\$'000	Activities	\$'000	Sept	Dec	Mar	Jun
Corporate Entertainment Total								
* Staff Functions	8	7	4	8	2.0	3.0	1.5	1.5
* Business Development	4	4	14	5	1.0	1.0	2.0	1.0
* Stakeholder and Community Engagement	4	4	32	5	1.0	1.0	1.0	2.0
TOTAL UNDER \$5,000	16	15	50	18	4.0	5.0	4.5	4.5

12.2 Employment and Industrial Relations Plan 2020-21

1. Employment and Industrial Relations Direction

Ports North is committed to be an employer of choice with a work environment that attracts, develops and retains motivated capable people who can deliver on the business objectives.

Ports North recognises the need to have plans and systems in place that support this commitment and minimise risks associated with employment related issues in the workplace. To assist in this area a Human Resources Management Plan is developed annually based on the model below, with strategies and key performance indicators aimed at achieving positive outcomes for the business and its employees.

Ports North's Board of Directors have a Human Resources Committee, which monitors the implementation of the Human Resources Management Plan and discusses the development of policies, procedures and systems consistent with this Plan.



2. Significant and Emerging Issues

Attracting and retaining the necessary skills required in the organisation continues to be a major focus for Ports North. While the organisation's activities are diverse and span a large geographic area, the workforce is small. As a result,

there is a need for many of the positions, in particular management roles, to be multi-skilled. This requirement can prove difficult in recruiting suitable candidates and will prove challenging for the organisation over the next few years as employees in management positions reach retirement age and appropriately skilled and experienced replacements will need to be sourced.

It will be necessary for the organisation to continue with its succession planning and training and development programs to up-skill and develop existing employees while keeping abreast of the external market in order to identify suitable candidates for future employment.

A further challenge for the organisation is retaining appropriately qualified marine pilots and sourcing replacement pilots in a timely manner. The risk of pilots moving to higher paying private ports and the significant cost and time involved in training pilots before they are fully skilled and approved for all vessel sizes and individual ports is an issue that needs to be carefully managed. To assist in this area Ports North has introduced an Expression of Interest recruitment process for marine pilots in an effort to identify suitable candidates for future employment in the Cairns Region. This has been a very effective approach to date and will continue throughout the plan period.

3. Senior Executive Remuneration (As at 31 January 2020)

<i>CEO / Senior Executives</i>	<i>Base Salary 1</i>	<i>Employer Superannuation Contribution</i>	<i>Total Fixed Remuneration²</i>	<i>Performance Payment Made 3</i>
Mr Chris Boland Chief Executive Officer	337,013	42,169	379,180	45,333
Mr Alan Vico General Manager Planning and Infrastructure	237,428	30,271	267,699	32,535
Ms Kerry Egerton General Manager Corporate Services	229,149	29,216	258,365	31,550
Mr Kevin Malone General Manager Commercial	230,839	21,930	252,769	-
Mr Chris Tabe General Manager Finance	182,955	17,839	200,794	22,857
Mr Richard Stevenson General Manager Operations	172,652	16,834	189,486	13,768

- Notes:
1. Includes salary sacrifice items plus cash salary
 2. Sum of columns 1 and 2
 3. Actual payment made in the year immediately preceding the plan year relating to performance in the financial year two years prior to the plan period.

4. Employment Conditions

Ports North's main industrial instruments are its Enterprise Agreements (Ports North Administrative and Technical Enterprise Agreement 2017, Ports North Operations and Maintenance Enterprise Agreement 2017 and Ports North Marine Pilots Enterprise Agreement 2017) and Individual Flexibility Agreements in accordance with the Port Authorities Award 2010. Agreement employment conditions are summarised in the table below.

Award/Agreement	Conditions	Positions	Expiry Date
Ports North Administrative and Technical Enterprise Agreement 2017	<ul style="list-style-type: none"> • 36.25 hrs/week • 5 weeks AL • 15 days sick leave • 13 wks after 10 yrs LSL • Overtime / Time off in Lieu • Aggregated salary arrangement 	35 Positions <ul style="list-style-type: none"> • Administration • Clerical 	30 June 2020
Ports North Operations and Maintenance Enterprise Agreement 2017	<ul style="list-style-type: none"> • 38 hrs/week • 5 weeks AL/6 weeks for shift worker • 15 days sick leave • 13 wks after 10 yrs LSL • Overtime / Time of in Lieu • Aggregated salary arrangement 	21 Positions <ul style="list-style-type: none"> • Tradesperson • Seaport Officers • Labourers • Plant Operators 	30 June 2020
Port Authorities Award 2010 and an Individual Flexibility Agreement (IFA)	<ul style="list-style-type: none"> • 24 hr 8/6 roster • 5 weeks AL • 10 days sick leave • 13 wks after 10 yrs LSL 	6 Positions <ul style="list-style-type: none"> • Master and Deckhands 	IFA can be terminated by either party at any time by providing 13 weeks' notice in writing, or at any time as agreed between the parties.
Ports North Marine Pilots Enterprise Agreement 2017	<ul style="list-style-type: none"> • 24 hr x 7 day/week roster • 5 weeks AL • 10 days sick leave • 13 wks after 10 yrs LSL • Medical and Health & Wellness reimbursement • Paid public holidays (11 pa) • Paid days off in lieu 	12 Positions <ul style="list-style-type: none"> • Marine Pilots 	31 October 2020

In respect of the Ports North Administrative and Technical Enterprise Agreement and Ports North Operations and Maintenance Enterprise Agreement, the Port Authority Award 2010 would have application but for the operation of the corporation's agreements, and is utilised for the "better off overall test" for the agreements under the *Fair Work Act 2009*.

In the case of the Pilot Transfer Service operating in the Port of Weipa, Ports North has 6 employees employed on Individual Flexibility Arrangements in accordance with the Port Authority Award 2010. This was necessary to provide the flexibility required to perform the transfer operation in the Port. Ports North also has 6 employees engaged on Executive Employment Contracts.

5. Enterprise Bargaining

Shareholding Ministers' have advised Ports North of changes to the Government Owned Corporations Wages Policy in respect of enterprise agreement wage increases and the Policy for GOC Chief and Senior Executive Employment Arrangements in respect of performance payments.

Ports North Administrative and Technical Enterprise Agreement and the Ports North Operations and Maintenance Enterprise Agreement are due to expire on 30 June 2020. Planning and preparations for negotiating new agreements commenced earlier this year and in accordance with the Government Owned Corporations Bargaining Guidelines, a Bargaining Framework was submitted to Government for approval before formal discussions with staff and unions were due to commence.

As a result of the advice received the Bargaining Framework will now be amended and re-submitted in accordance with the updated Wages Policy and engagement with staff and unions to progress agreement renewal will be undertaken.

In summary the changes to the Wages Policy will result in a nil wage increase on 1 July 2020, a 3% wage increase on 1 July 2021 and 1 January 2022 (6 months later) and a final 3% increase on 1 July 2022. The agreements will expire on 30 June 2023. The 1.5% productivity savings will remain the same across the three years of the agreements.

The workplace does not have any industrial issues or claims, and no matters have been raised by employees at this stage for inclusion in the next round of negotiations.

6. Workforce Planning

Ports North has a workforce plan of 77 FTEs as at 31 January 2020. In order to meet increased operational and project activities over the next 1-2-year period it is forecast that up to an additional 3 FTEs could be required. These positions could be a mixture of contract specific and permanent full-time roles.

Employment policies are underpinned by a clear recognition of the need for skilled and viable workforce, which takes into account the need for on-going renewal and appropriate training to ensure there is sufficient capacity within the organisation to replace retiring or departing employees.

Ports North support the development of employment opportunities in the region and actively explore opportunities to engage and develop trainee and under-graduate university students in the organisation where possible. Below is a summary of the workforce FTE plan by employment category as at 31 January 2020 together with a forecast for FY2021.

<i>Employment Category</i>	<i>31 January 2020</i>	<i>2020-21 SCI Budget</i>
Chief + Senior Executives	6	6
Permanent FTE (non-contract)	68	71
Other Contract FTE	-	-
Apprentices	-	-
Trainees/Under-graduates	2	2

Section 457 Temporary Visa	-	-
Other (casuals, short-term temporary etc)	1	1
Total Directly Employed FTE	77	80

7. Workplace Health & Safety

All employees are responsible for safety in the workplace; however, the Board and management are ultimately accountable for ensuring that risk of injury in Ports North workplaces is controlled. The effectiveness of Ports North's Safety Management System is under continuous review by Management and the Safety Committee. The System Framework is reviewed and approved by the Board every two years and an external audit undertaken every three years. The last external audit was undertaken in 2018.

8. Equal Employment Opportunity and Anti-Discrimination

Under section 148 of the GOC Act, Ports North is a relevant Equal Employment Opportunity (EEO) agency for the *Public Service Act 2008*, Chapter 2. In accordance with section 31 of the *Public Service Act 2008*, Ports North provides the Public Service Commissioner with a report about the outcome of actions required under section 30 of the *Public Service Act 2008* during the financial year.

9. Employment Security

Ports North's directly employed workforce is small and relatively static. This is not expected to change significantly over the next few years, as business growth remains steady.

Ports North is committed to employment security with no forced redundancies, however, should business requirements change, and the organisation require greater flexibility in order to achieve its goals and objectives, Ports North does provide the following redundancy provisions –

- Notice period for ordinary termination as outlined in the Enterprise Agreement
- 4 weeks' severance pay for more than one year of continuous service (but less than two)
- 3 weeks' pay pro-rata for every additional year of continuous service cumulative to a maximum of 52 weeks
- pro rata long service leave
- outplacement and financial advice support

10. Superannuation

In accordance with the terms of the Enterprise Agreements and the Port Authorities Award, Ports North offers a choice of fund and remits employer superannuation contributions accordingly.

11. Consultation and Reporting

Ports North has undertaken consultation on this plan with Shareholder & Structural Policy Division - Queensland Treasury and Public Sector Industrial Relations - Office of Industrial Relations. Consultation with relevant industrial organisations occurs as part of the enterprise bargaining process.

Dividend Policy and Payment

Port's North's policy is to recommend and pay a Dividend equivalent to 100% (or the percentage approved by shareholding Ministers if different) of Ports North's adjusted consolidated profit. The adjusted profit is defined as the total of the income less expenses (including income tax equivalent expense), excluding the components of other comprehensive income, material non-cash items, non-cash adjustments from asset valuations (including any associated tax benefits or expense) and profits from Community Ports.

Dividends payable have been calculated as follows:

	FY2021 Budget \$'000
Net Profit/(Loss) after Tax	(1,942)
Less: Increase in the Value of Investment Property	-
Less: Community Ports Net Profit after Tax	(612)
Net Profit Before Adjustment fo Revaluation	(2,554)
Less: Decrease in Value of Property, Plant and Equipment	-
Adjusted Net Profit for Dividend Calculations	(2,554)
Dividend Payable at 100%	-

The Board of Ports North and its subsidiaries will comply with all relevant Government Policies and Guidelines as advised by shareholding Ministers from time to time. In particular, Ports North and its subsidiaries will comply with the approval, notification, reporting and other requirements of those Policies and guidelines. The thresholds for Corporations to notify and seek approvals of investments is set in Section 5.2 of this document.