

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

**STATEMENT OF CORPORATE INTENT**

**2021-22**

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**

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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 2021-22.

This Statement of Corporate Intent is consistent with Ports North's 2021 – 2026 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 2021-22.

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

Date

11 October 2021



The Hon Mark Bailey MP

Minister for Transport and Main Roads

Date

31/10/21

Russell Beer

Chair, Ports North

Date

29/10/2021

## 2. BOARD / CHAIRPERSON'S OUTLOOK

Ports North is focusing 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;
- Development of the Cairns Marine Precinct;
- Targeting to expand trade through Port of Cairns, Port of Mourilyan and Port of Karumba;
- Managing the impacts of COVID-19 on the business and on customers.

## 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 Cairns Marine Precinct Development.

## 4. KEY PERFORMANCE INDICATORS

### 4.1 Corporate Financial Measures

FY2022 BUDGET QUARTER					FY2020	FY2021	FY2021	FY2022
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
(1,710)	2,064	596	2,082	Earnings Before Interest & Tax (EBIT) (\$'000)	(33,598)	(2,438)	(3,597)	3,032
(23)	3,751	2,246	3,750	Earnings Before Interest, Tax & Depreciation (EBITDA) (\$'000)	(28,646)	2,428	3,147	9,724
(1,197)	1,396	369	1,408	Net Profit After Tax (\$'000)	(23,247)	(1,942)	(2,519)	1,976
(28,617)	(25,995)	(27,084)	(28,234)	Economic Profit (\$'000)	(51,540)	(27,963)	(30,575)	(27,547)
(0.42%)	0.49%	0.14%	0.48%	Return on Assets	(8.31%)	(0.59%)	(0.87%)	0.70%
(0.42%)	0.51%	0.15%	0.51%	Return on Operating Assets	(8.35%)	(0.63%)	(0.88%)	0.75%
-	4.18%	4.18%	3.87%	Debt to Debt + Equity	-	4.60%	-	3.87%
(0.35%)	0.41%	0.11%	0.39%	Return on Equity	(7.20%)	(0.62%)	(0.73%)	0.55%
-	29.49	8.64	29.74	Interest Cover	-	(7.23)	-	14.51
3.92	5.12	3.75	4.81	Current Ratio	3.52	2.73	3.46	4.81
3,625	8,359	14,466	11,861	Capital Expenditure (\$'000)	112,631	75,995	15,490	38,311
100%	100%	100%	100%	Budgeted Maintenance Performed (%)	78%	100%	78%	100%

The increase in EBIT from the FY2021 estimate to the FY2022 budget relates principally to the following.

- Maritime revenue is forecast to increase in FY2022 by \$3.9m, principally due to project cargo at Cairns (Kaban windfarm) (\$1.9m), higher petroleum exports at Cairns (\$0.6m), commencement of silica sand exports from Mourilyan (\$0.2m), slightly higher mineral exports at Skardon River (\$0.3m), international cruise revenue (\$0.6m) and the cessation of rebates due to the impact of COVID-19 commercial fishing revenue (\$0.3m).
- Marina revenue is forecast to decrease in FY2022 by \$0.6m, principally due to the impact of COVID-19 on tourism and reef operators.
- Passenger levies are forecast to increase in FY2022 by \$0.4m, principally due to a reduction in the temporary relief rebate for tourism operators impacted by COVID-19 and an anticipated increase in passenger numbers after a significant decline in FY2021 from historical years.
- Property rentals are forecast to increase in FY2022 by \$3.2m, principally due to lease income from the Kaban windfarm (\$0.6m) and cessation of the temporary relief rebate for food and beverage and accommodation retailers impacted by COVID-19 (\$2.9m), partially offset by the extension of the temporary relief rebate for tourism operators (check-in counters & retail stores) (\$0.3m)
- Recoverable dredging revenue is forecast to decrease by \$0.5m principally due to a decrease in Navy dredging in Cairns (\$0.5m).
- Pilotage revenue is forecast to increase by \$0.4m principally due to an increase in forecast pilotage movements, principally at Cairns due to the anticipated resumption of international cruise ship visits in December 2021.
- Labour costs are forecast to increase by \$0.5 m principally due a 3% wage increase on 1 July 2021 and a further 3% wage increase on 1 January 2022. These increases are a result of the wage freeze for FY2021 as part of changes to the Government Owned Corporations Wages Policy in respect of enterprise agreement wage increases.
- Energy and Land Rates are forecast to decrease by \$0.3m, principally due to a reduction in electricity expenditure as a result of the negotiation of a reduction to the existing capacity limit in the embedded network.

- Maintenance expenses are forecast to increase by \$1.7m due to concrete repairs at Wharf 1-5 (\$0.6m), completion of steel fender pile replacement at Marlin Wharf (\$0.5m), maintenance at Cityport boardwalk (\$0.3m), replacement of rubber fenders at Wharf 10 (\$0.3m), roadworks at Mourilyan (\$0.3m) and Cairns maintenance dredging underspent in FY2021 of \$2.4m. These increases are partially offset by reduction in maintenance; including steel fender pile replacement at Marlin Wharf (\$0.8m) to be completed in FY2021 (balance of works to be completed in FY2022; landscaping works at Cityport to be completed in FY2021 (\$0.3m), maintenance work at E & F Finger (\$0.4m) to be completed in FY2021, concrete repair works at Wharf 10 (\$0.9m) to be completed in FY2021 and miscellaneous wharf and barge ramp repair works at Thursday Island to be completed in FY2021 (\$0.3m).
- 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 Navy dredging in Cairns.

The increase in EBIT from the FY2020 actual to the FY2022 budget relates mostly to the following:

- Budget FY2022 maritime revenue is \$3.5m higher than FY2020 principally due to project cargo at Cairns (Kaban windfarm) (\$1.9m), increased sugar, molasses and silica sand exports at Mourilyan (\$0.8m), increased export of silica sand from Cape Flattery (\$1.0m) and minor price increases across the ports (\$0.4m); partially offset by decreased exports of bauxite at Skardon River (\$0.6m), which closed down for an extended period in FY2021.
- Budget FY2022 marina revenue is \$1.5m lower than FY2020 principally due to rebates given to customers to help deal with the impacts of COVID-19 on the tourism industry and an anticipated reduction in longer term and commercial berth revenue due to the impacts of COVID-19 on the tourism industry.
- Budget FY2022 passenger revenue is \$0.4m lower than FY2020 due to passenger numbers forecast to be 40% lower than FY2020, principally due to the impacts of COVID-19 on the tourism industry.
- Budget FY2022 property revenue is \$1.5m higher than FY2020 principally due to lease income from the Kaban windfarm (\$0.6m) and the reduction of rebates given to customers to help deal with the impacts of COVID-19.
- Budget FY2022 pilotage transfer services revenue is \$0.4m lower than FY2020 principally due to a significant reduction in pilotage movements, particularly at 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).
- Budget FY2022 labour costs are \$2.3m higher than FY2020 principally due to four new full-time positions and two new part time positions across planning, environment, finance, operations and commercial, and an additional 3% salary in FY2022.
- Budget FY2022 maintenance expenses are \$2.4m higher than FY2020 due to timing of maintenance programs, including maintenance dredging in Cairns.
- Budget FY2022 other expenses are \$0.8m lower than FY2020 principally due to the write off of bad debts in FY2020 (\$0.4m) and loss on the sale of assets in FY2020 (\$0.4m).

## 4.2 Non-Financial Measures

FY2022 BUDGET QUARTER					FY2020	FY2021	FY2021	FY2022
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
<b>Operational</b>								
2,284,764	2,216,338	1,667,591	2,088,981	Trade (Tonnes)	8,672,540	8,976,412	7,680,411	8,257,674
656	593	514	666	No. of Vessels to Port (including cruise)	2,990	3,282	2,471	2,429
-	3	15	15	No. of Cruise Vessels to Port - International	33	20	-	33
15	21	15	15	No. of Cruise Vessels to Port - Domestic	79	42	17	66
43%	43%	43%	43%	Marina Berth Occupancy (%)	58%	58%	56%	43%
<b>Reputation</b>								
-	-	-	-	No. of Environmental - reportable breaches	-	-	-	-
-	-	-	-	No. of Security Issues - reported	-	-	-	-
-	-	-	-	Lost Time Injury Frequency Rate (LTIFR)	25.0	-	31.1	-
-	-	-	-	Lost Time Injury Duration Rate (LTIDR)	10.0	-	4.0	-
<15%	<15%	<15%	<15%	Staff Turnover (annualised %)	3	<15%	<15%	<15%
80	80	80	80	No. of Net FTE Staff numbers	70	80	79	80
<10	<10	<10	<10	No. of Community Complaints	9	<10	2	<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 FY2022 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 in the Port of Cairns;
  - Support the development of the Cairns Marine Precinct;
  - Finalise new lease to enable mineral trades through Mourilyan;
  - Promote new mineral exports through regional ports;
  - Support the Port's tourism operators to recovery of COVID-19.
- 1.2 Grow superyacht activity and support cruise shipping recovery
  - Cruise shipping recovery and support the reestablishment of Cruise activity to Cairns;
  - Promote Cairns and region as a superyacht destination and refit area.

### 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;
- 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;
  - Explore development opportunity to support Cairns Marine Precinct.

### 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;
  - Progress the Cairns Marine Precinct wharf and services infrastructure;
  - Progress the Tingira Street land developments;
  - Complete Capital Projects in accordance with the Corporate Plan;
  - Support the completion of the Cairns Marine Precinct Business Case.

#### **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.

## 6. KEY ASSUMPTIONS AND RISKS

### 6.1 Assumptions

The **key assumptions** underpinning Ports North's strategic planning and financials for 2021-22 include:

Assumptions	FY2020 Actual	FY2021 Budget	FY2021 Estimate	FY2022 Budget
<b>Economic Indices</b>				
CPI	n/a	2.25%	n/a	2.0%
Wage Growth	n/a	3.0%	n/a	6.0%
Interest Rates	n/a	n/a	n/a	n/a
<b>Price Increases</b>				
Maritime Revenue (excl. Thursday Island)	n/a	5.0%	n/a	4.0%
Maritime Revenue (Thursday Island)	n/a	3.0%	n/a	3.0%
Marina Revenue - Reef Fleet Operators	n/a	0.0%	n/a	0.0%
Marina Revenue - Other Marina Customers	n/a	0.0%	n/a	4.0%
Passenger Levies	n/a	5.0%	n/a	0.0%
Electricity Revenue	n/a	5.0%	n/a	5.0%
<b>Operating Revenue (\$'000)</b>	53,652	50,813	47,781	55,379
<b>Operating Expenses (\$'000)</b>	49,335	53,251	51,729	53,347
<b>Trade Activity</b>				
<b>Cairns</b>				
Sugar (Tonnes)	264,800	250,000	250,000	250,000
Molasses (Tonnes)	60,977	70,000	70,000	70,000
Petroleum (Tonnes)	515,904	396,967	454,417	500,000
LPG (Tonnes)	25,903	28,500	28,500	29,000
Fertiliser (Tonnes)	44,903	37,500	37,500	37,500
General Cargo (Tonnes)	164,558	176,000	181,423	414,243
Total Cargo Throughput (Tonnes)	1,077,046	958,967	1,021,840	1,300,743
Marlin Marina Passengers ('000)	631	211	311	373
Marina Average Occupancy (%)	58%	58%	56%	43%
<b>Regional Ports</b>				
<b>Karumba</b>				
Livestock (Tonnes)	-	-	-	-
General Cargo (Tonnes)	6,785	8,369	8,369	6,785
Minerals (Tonnes)	208,640	300,000	300,000	300,000
<b>Thursday Island</b>				
General Cargo (Tonnes)	65,510	67,273	68,283	68,036
<b>Mourilyan</b>				
Sugar (Tonnes)	576,900	600,000	600,000	600,000
Molasses (Tonnes)	41,275	80,000	80,000	80,000
Silica Sand (Tonnes)	-	60,000	-	100,000
<b>Cape Flattery</b>				
Silica Sand (Tonnes)	2,694,652	3,000,000	3,500,000	3,500,000
<b>Quintell Beach</b>				
General Cargo (Tonnes)	2,113	1,803	1,919	2,110
<b>Skardon River</b>				
Minerals (Tonnes)	3,999,619	3,900,000	2,100,000	2,300,000
Total Cargo Throughput (Tonnes)	7,595,494	8,017,445	6,658,571	6,956,931
<b>Total Cargo Throughput (Tonnes) - All Ports</b>	<b>8,672,540</b>	<b>8,976,412</b>	<b>7,680,411</b>	<b>8,257,674</b>

## **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. COVID-19 has affected the short-term marina passengers, retail turnover, cruise and fuel impacts linked to aviation.

Mineral exports from Mourilyan has temporarily ceased and is expected to recommence in FY2025 subject to finalised business case. Mineral Sand exports expected to commence in FY2022).

Mineral exports from Skardon River commenced late April 2018.

Silica sand exports from Cape Flattery continue to be strong with volumes forecast to be consistent in FY2022 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 forecast is prepared on Pilotage activity estimates considering COVID-19 and decline in Weipa exports.

# **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 FY2022 budget:

- No cruise vessels are expected between July and November and 33 vessels between December and June.
- Marina fixed berth & commercial agreement revenue has been reduced by 25% due to the anticipated on-going decline in tourism activity.
- Petroleum volumes are reduced on prior years but increased on FY2021 forecast. Prior to COVID-19 the mix of petroleum was 70% non-aviation and 30% aviation, however since COVID-19 this mix has changed to 88% non-aviation and 12% aviation, with growth in non-aviation fuel compensating for the decline in aviation fuel.
- Passenger numbers are expected to slowly increase with a 20% growth anticipated on the previous year's numbers.
- Pilotage movements are expected to increase due to increased shipping activity at Cairns with the anticipated resumption of cruise ship visits.

## Customer Rebates

It is forecast that up to 30 June 2021, Ports North will have provided \$8.345 million in rebates for port customers. This includes \$2.549 million in FY2020 and \$5.796 million forecast in FY2021. These rebate packages included 100% rebate on marina berthage fees and passenger levies for qualified commercial (tourism) and reef operators and qualified retail, food and beverage leasehold tenants from 1 February 2020 to 31 December 2020 and 100% rebate for other leasehold tenants and commercial berthage fees from 1 April 2020 to 31 December 2020. From 1 January 2021 to 31 March 2021, qualified hotels, marina full time accommodation providers and food and beverage leasehold tenants received a 25% rebate on base rental; from 1 January 2021 to 30 June 2021 commercial and reef operators received a 100% rebate on marina berthage fees and check in counter charges, 50% rebate on passenger levies and Reef Fleet Terminal retail leasehold tenants received a rebate equivalent to the percentage reduction of the overall Cairns Marlin Marina passenger volumes.

The FY2022 budget includes a rebate on marina berthage fees, check in counter charges and reef fleet retail customers mirroring the percentage of passenger numbers compared to normal, approximately a 60% rebate. The actual rebate given will depend on the actual passenger's numbers per month compared to pre-COVID passenger numbers. That is, the lower the number of passengers the greater the rebate. The FY2022 budget also includes a 50% rebate on passenger levies which is progressively phased out to nil by 31 December 2021.

## 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 2021-22 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 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 or other 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
Delivery of Systems Project Upgrade Renewal (SPUR)	<p>The SPUR Project does not achieve the required outcomes due to:</p> <ul style="list-style-type: none"> <li>• The operational risk associated with the legacy SAP environment not mitigated due to project delays or ineffective controls</li> <li>• Not implemented effectively and efficiently resulting in high costs and lack of user support</li> <li>• Benefits not realised as final system does not deliver improved business process outcomes and ongoing sustainability</li> </ul>
Cairns Marine Precinct Development (CMP)	<p>The CMP does not achieve the required outcomes due to:</p> <ul style="list-style-type: none"> <li>• Ports North not delivering the Early Works Program on time and within budget</li> <li>• Business case does not deliver on the CMP infrastructure and operating model requirements</li> <li>• Defence requirements in Cairns not satisfied</li> <li>• Insufficient stakeholder support and commitment to development</li> <li>• Unfavourable response from impacted port users</li> <li>• Negative impact on Ports North's ongoing revenue</li> <li>• Loss of control of Ports North land</li> </ul>

## 7. CAPITAL EXPENDITURE

Asset	Total Budget Cost \$'000	FY2021 Estimate \$'000	FY2022 Budget \$'000	Expected Completion
<b>Assets Under Construction</b>				
<b>Shareholding Minister Approved</b>				
Foreshore Development (C5)	18,469	100	-	FY2026
Site Decontaminations (C6)	4,934	650	2,150	FY2026
Marina Reconfiguration & Expansion (C20/C22)	6,925	-	-	FY2026
Cairns Shipping Development (S14)	111,885	1,705	1,030	FY2023
<b>Subtotal</b>	<b>142,213</b>	<b>2,455</b>	<b>3,180</b>	
<b>Planned Capital Expenditure yet to be Approved by shareholding Ministers and/or Ports North Board*</b>				
Tingira Street Land Development (S3)	11,614	1,300	2,000	FY2026
Tingira Street Warehouse (SP3)	4,000	-	-	FY2021
Tingira Street Warehouse (SP4)	3,000	-	-	FY2023
Tingira Street Warehouse (SP5)	1,000	-	-	FY2025
General Cargo Consolidation (S7)	100	100	4,002	FY2023
Lease Acquisitions (S12)	3,914	-	-	FY2024
Cairns Marine Precinct (S16)	28,000	3,084	24,483	FY2023
Mourilyan Land Lease Acquisition (M2)	3,289	1,000	1,000	FY2023
Mourilyan Commercial Fishing Facility (M1)	481	-	-	FY2024
Mourilyan Land Development for Bulk Cargo (M3)	6,737	500	-	FY2026
Mourilyan Berthing Dolphin Upgrade (M3)	3,750	-	-	FY2023
Horn Island Cargo Wharf and Access Road (T5)	3,668	1,450	-	FY2025
Horn Island Passenger Jetty & Cargo Wharf (T6)	5,300	2,800	-	FY2023
Thursday Island Wharf Upgrades (T3)	3,542	-	-	FY2026
<b>Subtotal</b>	<b>78,395</b>	<b>10,234</b>	<b>31,485</b>	
Minor Capital Works	On going	2,485	3,646	On going
<b>Subtotal</b>	<b>-</b>	<b>2,485</b>	<b>3,646</b>	
<b>TOTAL</b>		<b>15,174</b>	<b>38,311</b>	

\*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 Marine Precinct marine infrastructure and services delivery and support of the Cairns Marine Precinct Business Case.

## 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	Estimated Ratio				
		FY2022	FY2022	FY2023	FY2024	FY2025	FY2026
Debt to Equity <sup>(1)</sup>	< 33%	\$183m	3.9%	7.5%	10.8%	10.8%	10.8%
Interest Cover <sup>(2)</sup>	> 2.0	\$80m	14.5	11.2	13.5	15.6	18.7
Debt Service Capability <sup>(3)</sup>	> 1.0	\$386m	41.5	14.9	9.6	9.4	10.3

(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 context.

## 9. COMMUNITY SERVICE OBLIGATIONS

Nil - No CSOs have been identified for Ports North in 2021/22.

## 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. Ports North will also comply with and support the government's Hydrogen Strategy and the Queensland Procurement Policy and Best Practice Principles.



# 11. FINANCIAL STATEMENTS

## 11.1 Statement of Comprehensive Income (Consolidated)

FY2022 BUDGET QUARTER					FY2020	FY2021	FY2021	FY2022
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
5,468	6,995	5,275	5,371	Maritime <sup>(1)</sup>	19,521	19,770	19,138	23,109
464	464	464	465	Marina <sup>(2)</sup>	3,409	3,196	2,410	1,857
92	137	173	142	Passenger Levies <sup>(2)</sup>	927	302	155	544
3,043	3,036	3,361	3,371	Property Rentals <sup>(3)</sup>	11,284	9,870	9,563	12,811
1,111	1,111	1,111	1,110	Electricity Recoverable <sup>(4)</sup>	3,990	4,667	4,291	4,443
133	133	133	3,987	Dredging Recoverable <sup>(4)</sup>	4,287	4,856	4,856	4,386
1,933	1,724	1,435	1,633	Pilotage <sup>(1)</sup>	7,159	6,608	6,279	6,725
-	-	-	-	Fair Value Adjustment to PPE <sup>(5)</sup>	-	-	351	-
-	-	-	1,000	Fair Value Adjustment to Investment Property <sup>(5)</sup>	1,537	-	-	1,000
353	335	409	407	Other Revenue <sup>(6)</sup>	3,076	1,544	1,089	1,504
<b>12,597</b>	<b>13,935</b>	<b>12,361</b>	<b>17,486</b>	<b>Total Revenue</b>	<b>55,190</b>	<b>50,813</b>	<b>48,132</b>	<b>56,379</b>
3,714	3,723	3,627	3,716	Labour <sup>(7)</sup>	12,499	14,965	14,306	14,780
1,135	1,135	1,135	1,134	Energy & Land Rates	3,225	3,992	4,856	4,539
46	46	46	47	Marketing & Business Development	114	319	239	185
5,222	2,743	2,736	2,688	Maintenance, Stores & Materials <sup>(9)</sup>	10,916	14,979	11,643	13,389
1,611	1,677	1,646	1,435	Administration & Consultants	6,216	6,209	6,298	6,369
-	-	-	-	Fair Value Adjustment to PPE <sup>(5)</sup>	39,453	-	-	-
-	-	-	-	WIP Written-off	3,267	-	-	-
892	860	925	4,716	Recoverables / Other Expenses <sup>(8)</sup>	8,146	7,921	7,643	7,393
<b>12,620</b>	<b>10,184</b>	<b>10,115</b>	<b>13,736</b>	<b>Total Expenses</b>	<b>83,836</b>	<b>48,385</b>	<b>44,985</b>	<b>46,655</b>
<b>(23)</b>	<b>3,751</b>	<b>2,246</b>	<b>3,750</b>	<b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b>	<b>(28,646)</b>	<b>2,428</b>	<b>3,147</b>	<b>9,724</b>
1,687	1,687	1,650	1,668	Depreciation	4,952	4,866	6,744	6,692
<b>(1,710)</b>	<b>2,064</b>	<b>596</b>	<b>2,082</b>	<b>Earnings Before Interest &amp; Tax</b>	<b>(33,598)</b>	<b>(2,438)</b>	<b>(3,597)</b>	<b>3,032</b>
-	70	69	70	Interest Paid on Borrowings	-	337	-	209
<b>(1,710)</b>	<b>1,994</b>	<b>527</b>	<b>2,012</b>	<b>Net Profit before Tax</b>	<b>(33,598)</b>	<b>(2,775)</b>	<b>(3,597)</b>	<b>2,823</b>
(513)	598	158	604	Income Tax	(10,351)	(833)	(1,078)	847
<b>(1,197)</b>	<b>1,396</b>	<b>369</b>	<b>1,408</b>	<b>Net Profit after Tax</b>	<b>(23,247)</b>	<b>(1,942)</b>	<b>(2,519)</b>	<b>1,976</b>

(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 FY2021 includes rebates given to commercial fishing customers impacted by COVID -19.

(2) Marina revenue decreases in FY2022 are primarily due to the impact of COVID-19 on tourism and reef operators.

(3) Property rentals increases in FY2022 are primarily due to lease income from the Kaban windfarm and reductions 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 FY2021 being a higher year and FY2022 a lower 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 FY2021 fair value calculation.

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

(7) Labour increase is mostly due to wage increases on 1 July 2021 and 1 January 2022 to reflect the Addendum to the GOC Wages Policy.

(8) Recoverables and Other Expenses include electricity cost of sales, dredging recoverable and other expenses.

(9) Maintenance costs in FY2022 includes \$2.5m for Cairns Port Dredging, activity deferred from previous years, and long term maintenance programs across all ports.

## 11.2 Statement of Financial Position (Consolidated)

FY2022 BUDGET QUARTER YTD					FY2020	FY2021	FY2021	FY2022
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
				<b>Current Assets</b>				
1,000	1,000	1,000	1,000	Cash Assets <sup>(1)</sup>	5,062	1,000	1,325	1,000
20,128	30,718	20,867	43,367	Advances <sup>(2)</sup>	30,497	23,554	26,707	43,367
6,695	6,858	7,239	9,134	Receivables <sup>(3)</sup>	8,722	8,157	7,261	9,134
2,369	3,033	1,740	1,491	Current Tax Asset	1,611	417	2,546	1,491
55	55	55	55	Inventories	54	55	54	55
2,049	1,477	904	331	Other Current Assets	249	289	249	331
32,296	43,141	31,805	55,378		46,195	33,472	38,142	55,378
				<b>Non-Current Assets</b>				
-	-	-	-	Receivables <sup>(3)</sup>	-	-	-	-
198,601	197,795	197,464	196,596	Property, Plant & Equipment <sup>(4)</sup>	193,454	206,329	198,648	196,596
173,411	179,958	192,036	202,141	Investment Property <sup>(5)</sup>	167,960	175,159	171,509	202,141
372,012	377,753	389,500	398,737		361,414	381,488	370,157	398,737
<b>404,308</b>	<b>420,894</b>	<b>421,305</b>	<b>454,115</b>	<b>Total Assets</b>	<b>407,609</b>	<b>414,960</b>	<b>408,299</b>	<b>454,115</b>
				<b>Current Liabilities</b>				
4,238	4,308	4,261	7,146	Payables	8,570	7,059	7,119	7,146
-	-	-	-	Current Interest Bearing Liabilities	-	-	-	-
-	-	-	-	Current Tax Liabilities	-	-	-	-
2,000	2,120	2,210	2,359	Current Provisions <sup>(6)</sup>	6,298	1,116	1,975	2,359
1,999	2,001	2,000	1,999	Other Current Liabilities	2,046	2,899	1,940	1,999
8,237	8,429	8,471	11,504		16,914	11,074	11,034	11,504
				<b>Non-Current Liabilities</b>				
-	15,000	15,000	15,000	Borrowings	-	15,000	-	15,000
32,894	32,892	32,893	33,261	Deferred Tax Liabilities	30,110	30,308	32,893	33,261
987	987	987	987	Non-Current Provisions	987	923	987	987
33,881	48,879	48,880	49,248		31,097	46,231	33,880	49,248
<b>42,118</b>	<b>57,308</b>	<b>57,351</b>	<b>60,752</b>	<b>Total Liabilities</b>	<b>48,011</b>	<b>57,305</b>	<b>44,914</b>	<b>60,752</b>
<b>362,190</b>	<b>363,586</b>	<b>363,954</b>	<b>393,363</b>	<b>Net Assets</b>	<b>359,598</b>	<b>357,655</b>	<b>363,385</b>	<b>393,363</b>
				<b>Equity</b>				
247,178	247,178	247,178	275,178	Contributed Equity	247,178	247,178	247,178	275,178
96,993	96,993	96,993	96,993	Reserves	90,687	90,687	96,993	96,993
19,216	19,216	19,216	19,216	Opening Retained Profits	47,771	21,733	21,733	19,216
(1,197)	199	567	1,976	Current Year Result	(26,038)	(1,943)	(2,519)	1,976
<b>362,190</b>	<b>363,586</b>	<b>363,954</b>	<b>393,363</b>	<b>Shareholder's Equity</b>	<b>359,598</b>	<b>357,655</b>	<b>363,385</b>	<b>393,363</b>

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

(2) Advances includes the QTC cash facility. The decrease in Advances from FY2020 actual to FY2021 estimate is due to no borrowing being undertaken in FY2021 and the payment of the FY2020 dividend. The increase in Advances in the FY2022 budget relates to forecast borrowing of \$15m.

(3) Increase is due to accrual of Karumba dredging recoverable in June 2022, FY2022 dredging assumed to be accrued at June 2022 and paid in FY2023.

(4) Decrease in FY2022 is due to no budgeted revaluation movement and depreciation impact on PP&E.

(5) Increase in FY2022 from FY2021 actual due to capital works program for FY2022 and forecast \$1.000m increase in valuation of IP.

(6) Movements mostly due to provision for dividend. The Company declared a dividend at 30 June 2020 of \$2.790m. No dividend is expected for FY2021 dividend due to a forecast net adjusted consolidated loss. The Company is not expected to declare a dividend in FY2022 due to a net adjusted consolidated loss after tax (mainly due to revenue impacts resulting from the impacts of COVID-19).

## 11.3 Statement of Cash Flows (Consolidated)

FY2022 BUDGET QUARTER YTD					FY2020	FY2021	FY2021	FY2022
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
				<b>Cash Flows from Operating Activities</b>				
13,018	13,832	12,279	14,544	Receipts from Customers <sup>(1)</sup>	52,317	52,338	48,892	53,673
(17,041)	(9,489)	(9,455)	(10,513)	Payments to Suppliers and Employees <sup>(2)</sup>	(38,280)	(52,659)	(38,705)	(46,498)
41	57	46	43	Interest Received	916	281	286	187
1,529	1,159	1,531	1,883	GST Received from ATO <sup>(2)</sup>	12,697	5,242	4,121	6,102
(1,347)	(1,319)	(1,278)	(1,259)	GST Paid to ATO	(5,498)	(4,915)	(4,486)	(5,203)
1,107	1,388	1,232	1,644	GST Received from Customers	5,415	5,221	4,704	5,371
(1,360)	(1,276)	(1,876)	(1,881)	GST Paid to Suppliers <sup>(2)</sup>	(12,657)	(5,669)	(4,113)	(6,393)
<b>(4,053)</b>	<b>4,352</b>	<b>2,479</b>	<b>4,461</b>	<b>Net Cash Flows from Operating Activities</b>	<b>14,910</b>	<b>(161)</b>	<b>10,699</b>	<b>7,239</b>
				<b>Cash Flows from Investing Activities</b>				
-	-	-	-	Proceeds from Sale of PPE and Investment Property	2	-	153	-
(3,542)	(7,428)	(13,397)	(9,906)	Payments for PPE and Investment Property <sup>(3)</sup>	(99,079)	(24,941)	(15,811)	(34,273)
6,579	(10,590)	9,851	(22,500)	Advances to Queensland Treasury <sup>(4)</sup>	57,210	6,943	3,790	(16,660)
<b>3,037</b>	<b>(18,018)</b>	<b>(3,546)</b>	<b>(32,406)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(41,867)</b>	<b>(17,998)</b>	<b>(11,868)</b>	<b>(50,933)</b>
				<b>Cash Flows from Financing Activities</b>				
-	-	-	-	Repayment of Borrowings	-	-	-	-
-	15,000	-	-	Proceeds from Borrowings	-	15,000	-	15,000
-	-	-	-	Payment of Principal and Interest of lease liabilities	(133)	-	-	-
-	(70)	(69)	(70)	Finance Costs	-	(337)	-	(209)
<b>-</b>	<b>14,930</b>	<b>(69)</b>	<b>(70)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(133)</b>	<b>14,663</b>	<b>-</b>	<b>14,791</b>
				<b>Cash Flows from Government</b>				
-	-	-	28,000	Proceeds from Equity Contribution <sup>(5)</sup>	30,000	-	-	28,000
-	-	-	-	Dividend Paid <sup>(6)</sup>	-	(2,790)	(2,790)	-
691	(1,263)	1,135	15	Income Tax (Equivalent) Paid	(3,649)	2,225	223	578
<b>691</b>	<b>(1,263)</b>	<b>1,135</b>	<b>28,015</b>	<b>Net Cash Flows from Government</b>	<b>26,351</b>	<b>(565)</b>	<b>(2,567)</b>	<b>28,578</b>
<b>(325)</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>Net Increase/(Decrease) in Cash Held</b>	<b>(739)</b>	<b>(4,061)</b>	<b>(3,736)</b>	<b>(325)</b>
1,325	1,000	1,001	1,000	Cash at the Beginning of the Year	5,800	5,061	5,061	1,325
<b>1,000</b>	<b>1,001</b>	<b>1,000</b>	<b>1,000</b>	<b>Cash at the End of the Year</b>	<b>5,061</b>	<b>1,000</b>	<b>1,325</b>	<b>1,000</b>

(1) Decrease in FY2022 is in line with the assumptions explained in Section 6.1

(2) Increase in FY2022 principally due to a general increase in costs. Higher than normal GST in FY2020 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 FY2020 in relation to the CSDP and a \$28m equity injection in FY2022 in relation to the CMP.

(6) The Company declared a dividend at 30 June 2020 due to a net adjusted consolidated loss after tax. No dividend is expected to be declared in FY2021 due to a forecast net adjusted consolidated loss. The Company is not expected to declare a dividend in FY2022 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	FY2020 Actual \$'000	FY2021 Budget \$'000	FY2021 Estimate \$'000	FY2022 Budget \$'000
Equity Injections	30,000	-	-	28,000
Equity Withdrawals	-	-	-	-
<b>Net Equity</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>28,000</b>

Dividends, Tax Equivalent Payments (TEPs) & Community Service Obligations (CSOs)	FY2020 Actual \$'000	FY2021 Budget \$'000	FY2021 Estimate \$'000	FY2022 Budget \$'000
Dividend Provided <sup>(1)</sup>	2,790	-	-	-
Income Tax Expense/(Benefit)	(10,351)	(833)	(1,078)	847
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 2021/22.

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

Activity	FY2020 Actual \$'000	FY2021 Budget \$'000	FY2021 Estimate \$'000	FY2022 Budget \$'000
Sponsorship *	26	120	87	57
Advertising	3	7	5	5
Corporate Entertainment	9	18	14	16
Donations	-	-	-	-
Strategic Community and Stakeholder Engagement Activities	136	166	107	153
<b>TOTAL</b>	<b>174</b>	<b>311</b>	<b>213</b>	<b>230</b>

Activity	FY2021 Budget \$'000	FY2021 Estimate \$'000	FY2022 Budget \$'000	FY2022 BUDGET QUARTER \$'000			
				Sept	Dec	Mar	Jun
<b>SPONSORSHIP</b>							
Cairns Indigenous Art Fair	15	15	15	-	-	-	15
<b>Total over \$5,000</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>
Other (total) below \$5,000	105	72	42	12	12	13	5
<b>TOTAL (1)</b>	<b>120</b>	<b>87</b>	<b>57</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>20</b>
<b>ADVERTISING</b>							
<b>Total over \$5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other (total) below \$5,000	7	5	5	1	1	1	2
<b>TOTAL (2)</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>CORPORATE ENTERTAINMENT</b>							
<b>Total over \$5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other (total) below \$5,000	18	14	16	4	4	4	4
<b>TOTAL (3)</b>	<b>18</b>	<b>14</b>	<b>16</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>DONATIONS</b>							
<b>Total over \$5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other (total) below \$5,000	-	-	-	-	-	-	-
<b>TOTAL (4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>STRATEGIC COMMUNITY &amp; STAKEHOLDER ENGAGEMENT ACTIVITIES</b>							
<b>Total over \$5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Advance Cairns	48	48	48	48	-	-	-
TTNQ	20	9	18	-	-	-	18
Ports Australia	33	32	33	33	-	-	-
Queensland Ports Association	10	9	10	-	10	-	-
Australian Cruise	8	-	8	-	-	-	8
Gulf Savannah	15	-	-	-	-	-	-
<b>Total over \$5,000</b>	<b>134</b>	<b>98</b>	<b>117</b>	<b>81</b>	<b>10</b>	<b>-</b>	<b>26</b>
Other (total) below \$5,000	32	9	36	-	12	12	12
<b>TOTAL (5)</b>	<b>166</b>	<b>107</b>	<b>153</b>	<b>81</b>	<b>22</b>	<b>12</b>	<b>38</b>
<b>TOTAL (1) + (2) + (3) + (4) + (5)</b>	<b>311</b>	<b>213</b>	<b>230</b>	<b>98</b>	<b>39</b>	<b>30</b>	<b>64</b>

## Corporate Entertainment

Activity	FY2021 Budget \$'000	FY2021 Estimate \$'000	FY2022 No. of Activities	FY2022 Budget \$'000	FY2022 BUDGET QUARTER \$'000			
					Sept	Dec	Mar	Jun
<b>Corporate Entertainment Total</b>								
* Staff Functions	8	7	4	6	2.0	2.0	1.0	1.0
* Business Development	5	4	14	5	1.0	1.0	2.0	1.0
* Stakeholder and Community Engagement	5	4	32	5	1.0	1.0	1.0	2.0
<b>TOTAL UNDER \$5,000</b>	<b>18</b>	<b>15</b>	<b>50</b>	<b>16</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>

## 12.2 Employment and Industrial Relations Plan 2021-22

### 1. Employment and Industrial Relations Direction

Ports North is committed to being 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 2021)

<i>CEO / Senior Executives</i>	<i>Base Salary <sup>1</sup></i>	<i>Employer Superannuation Contribution</i>	<i>Total Fixed Remuneration<sup>2</sup></i>	<i>Performance Payment Made <sup>3</sup></i>
Mr Chris Boland Chief Executive Officer	337,013	42,169	379,180	-
Mr Sean Reardon General Manager Planning and Infrastructure	252,035	23,943	275,978	-
Ms Kerry Egerton General Manager Corporate Services	229,149	29,216	258,365	-
Mr Kevin Malone General Manager Commercial	230,839	21,930	252,769	-
Mr Chris Tabe General Manager Finance	182,955	17,839	200,794	-
Mr Richard Stevenson General Manager Operations	172,652	16,834	189,486	-

- 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, Ports North Operations and Maintenance Enterprise Agreement and Ports North Marine Pilots Enterprise Agreement) and Individual Flexibility Agreements in accordance with the Port Authorities Award 2010. Agreement employment conditions are summarised in the table below.

<b>Award/Agreement</b>	<b>Conditions</b>	<b>Positions</b>	<b>Expiry Date</b>
Ports North Administrative and Technical Enterprise Agreement 2017	<ul style="list-style-type: none"> <li>• 36.25 hrs/week</li> <li>• 5 weeks AL</li> <li>• 15 days sick leave</li> <li>• 13 wks after 10 yrs LSL</li> <li>• Overtime / Time off in Lieu</li> <li>• Aggregated salary arrangement</li> </ul>	35 Positions <ul style="list-style-type: none"> <li>• Administration</li> <li>• Clerical</li> </ul>	30 June 2020  <i>In-principle agreement on a new EA based on the same terms and conditions has been achieved and the process to finalise agreement is underway.</i>
Ports North Operations and Maintenance Enterprise Agreement 2017	<ul style="list-style-type: none"> <li>• 38 hrs/week</li> <li>• 5 weeks AL/6 weeks for shift worker</li> <li>• 15 days sick leave</li> <li>• 13 wks after 10 yrs LSL</li> <li>• Overtime / Time of in Lieu</li> <li>• Aggregated salary arrangement</li> </ul>	21 Positions <ul style="list-style-type: none"> <li>• Tradesperson</li> <li>• Seaport Officers</li> <li>• Labourers</li> <li>• Plant Operators</li> </ul>	30 June 2020  <i>In-principle agreement on a new EA based on the same terms and conditions has been achieved and the process to finalise agreement is underway.</i>
Port Authorities Award 2010 and an Individual Flexibility Agreement (IFA)	<ul style="list-style-type: none"> <li>• 24 hr 8/6 roster</li> <li>• 5 weeks AL</li> <li>• 10 days sick leave</li> <li>• 13 wks after 10 yrs LSL</li> </ul>	6 Positions <ul style="list-style-type: none"> <li>• Master and Deckhands</li> </ul>	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"> <li>• 24 hr x 7 day/week roster</li> <li>• 5 weeks AL</li> <li>• 10 days sick leave</li> <li>• 13 wks after 10 yrs LSL</li> <li>• Medical and Health &amp; Wellness reimbursement</li> <li>• Paid public holidays (11 pa)</li> <li>• Paid days off in lieu</li> </ul>	12 Positions <ul style="list-style-type: none"> <li>• Marine Pilots</li> </ul>	31 October 2020  <i>In-principle agreement on a new EA based on the same terms and conditions has been achieved and the process to finalise agreement is underway.</i>

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

Ports North Enterprise Agreements expired in 2020. In-principle agreement on new Enterprise Agreements based on the same terms and conditions has been achieved and the process to formally finalise the agreements is expected to be completed in the first quarter of 2021.

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 79 FTEs as at 31 January 2021. The workforce plan is expected to remain relatively static over the FY2022 plan period.

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 2021 together with a forecast for FY2022.

<i>Employment Category</i>	<i>31 January 2021</i>	<i>FY2022 SCI Budget</i>
Permanent	69	69
Temporary	2	3
Chief + Senior Executives	6	6
Apprentices	-	-
Trainees/Under-graduates	1	1
Casual	1	1
Other	-	-
<b>Total Directly Employed FTE</b>	<b>79</b>	<b>80</b>

## 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 direct 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 GOC Performance and Governance - 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:

	FY2022 Budget \$'000	FY2021 Estimate \$'000
Net Profit/(Loss) after Tax	1,976	(2,519)
Less: Increase in the Value of Investment Property	(1,000)	-
Less: Increase in Value of PP&E	-	(351)
Less: Community Ports Net Profit after Tax	(1,128)	(558)
<b>Net Profit Before Adjustment fo Revaluation</b>	<b>(152)</b>	<b>(3,428)</b>
Less: Decrease in Value of Property, Plant and Equipment	-	-
<b>Adjusted Net Profit for Dividend Calculations</b>	<b>(152)</b>	<b>(3,428)</b>
<b>Dividend Payable at 100%</b>	<b>-</b>	<b>-</b>

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.