

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

**STATEMENT OF CORPORATE INTENT**

**2022-23**

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

The Honourable Cameron Dick MP  
Treasurer and Minister for Trade and 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 2022-23.

This Statement of Corporate Intent is consistent with Ports North’s 2022 – 2027 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 2022-23.

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.

<div></div> <div>The Hon Cameron Dick MP</div> <div>Treasurer and Minister for Trade and Investment</div>	<div></div> <div>Date</div>
<div></div> <div>The Hon Mark Bailey MP</div> <div>Minister for Transport and Main Roads</div>	<div></div> <div>Date</div>
<div></div> <div>Russell Beer</div> <div>Chair, Ports North</div>	<div></div> <div>Date</div>

## 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 and Regional ports;
- Managing the impacts of COVID-19 on the business and on customers.
- Support the development of the proposed new port for the Aurukun Bauxite Project.

## 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;
- Support the development of new Gulf ports in particular the proposed new port for the Aurukun Bauxite Project.
- 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

FY2023 BUDGET QUARTER					FY2021	FY2022	FY2022	FY2023
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
(1,876)	911	(1,100)	1,141	Earnings Before Interest & Tax (EBIT) (\$'000)	(8,463)	3,032	6,011	(924)
(194)	2,593	545	2,804	Earnings Before Interest, Tax & Depreciation (EBITDA) (\$'000)	(1,598)	9,724	12,994	5,748
(1,313)	622	(814)	755	Net Profit After Tax (\$'000)	(6,179)	1,976	4,208	(750)
(30,841)	(28,873)	(30,265)	(28,703)	Economic Profit (\$'000)	(31,886)	(27,547)	(25,240)	(30,195)
(0.43%)	0.21%	(0.25%)	0.26%	Return on Assets	(2.08%)	0.70%	1.43%	(0.21%)
(0.45%)	0.22%	(0.28%)	0.29%	Return on Operating Assets	(2.08%)	0.75%	1.44%	(0.23%)
-	2.63%	2.63%	2.63%	Total Debt to Total Capital (Gearing Ratio)	-	3.87%	-	2.63%
-	3.86	18.35	3.57	Total Debt to Total EBITDA	-	1.54	-	1.74
(0.35%)	0.17%	(0.22%)	0.20%	Return on Equity	(1.83%)	0.55%	1.18%	(0.20%)
-	117.86	8.65	44.51	EBITDA Interest Coverage	-	46.53	-	38.84
3.80	4.00	3.54	3.39	Current Ratio	2.60	4.81	4.06	3.39
12,467	12,818	6,480	3,035	Capital Expenditure (\$'000)	8,850	38,311	13,304	34,800
100%	100%	100%	100%	Budgeted Maintenance Performed (%)	100%	100%	79%	100%

The decrease in EBIT from the FY2022 estimate to the FY2023 budget relates principally to the following.

- Maritime revenue is forecast to increase in FY2023 by \$0.2m, principally due to international cruise revenue (\$0.9m), commencement of silica sand exports from Mourilyan (\$0.3m), slightly higher mineral exports at Skardon River (\$0.2m) and minor price increases across the ports (\$0.5m); partially offset by completion of project cargo at Cairns (Kaban windfarm project) (\$1.7m).
- Marina revenue is forecast to increase slightly in FY2023 by \$0.1m. An allowance has been included within this budget for the uncertainty associated with reef fleet numbers or the potential need to extend further support to the industry.
- Passenger levies are forecast to increase in FY2023 by \$0.3m, principally due to the cessation of temporary relief rebate for passenger levies for tourism operators impacted by COVID-19 and an anticipated increase in passenger numbers.
- Property rentals are forecast to decrease in FY2023 by \$0.9m, principally due to no lease income from the Kaban windfarm project (\$2.8m), partially offset by increased lease income from outdoor dining permits, market and CPI rent reviews (\$1.9m).
- Recoverable dredging revenue is forecast to increase by \$0.6m principally due to an increase in Navy dredging in Cairns (\$0.8m); partially offset by a decrease in Karumba dredging (\$0.2m).
- Pilotage revenue is forecast to increase by \$0.6m principally due to an increase in forecast pilotage movements, principally at Cairns due to the anticipated resumption of international cruise ship visits in December 2022.
- Labour costs are forecast to increase by \$1.1m principally due to a 3% wage increase on 1 July 2022 per the enterprise agreements and new positions in operations and planning and infrastructure.
- Maintenance expenses are forecast to increase by \$1.3m principally due to the timing of Cairns dredging (\$2.0m), as well as repairs at Wharf 1-5 (\$1.5m), water main replacement at Marlin Wharf (\$0.2m) and maintenance works at Thursday Island (\$0.2m). These increases are partially offset by reduction in maintenance; including marina pontoon system works at Marlin Marina to be completed in FY2022 (\$0.8m), fender replacement at Wharf 10 (\$0.5m) to be completed in FY2022, road works at Mourilyan (\$0.5m),

replacement of steel fender piles at Marlin Wharf (\$0.4m) to be completed in FY2022, concrete repairs at Wharf 10 (\$0.2m) to be completed in FY2022 and repairs to steel headstocks at CFB2 (\$0.2m).

- Administration and consultancy costs are forecast to increase by \$5.3m principally due to the SPUR ICT project with consultancy (\$3.5m) and computer software expenditure (\$0.8m), as well as commercial consultancies relating to masterplanning and the marina pricing review (\$0.5m) and increased insurance expenditure (\$0.5m).
- Other expenses are forecast to decrease by \$0.2m principally due to the decrease in recoverable dredging at Karumba.

The increase in EBIT from the FY2021 actual to the FY2023 budget relates principally to the following:

- Budget FY2023 maritime revenue is \$4.8m higher than FY2021 principally due to increased petroleum and LPG imports (\$1.0m), international cruise revenue (\$0.9m) and sugar exports (\$0.3m) at Cairns, increased sugar exports at Mourilyan (\$0.5m), increased export of silica sand from Cape Flattery (\$0.7m), increased exports of bauxite at Skardon River (\$0.7m), cessation of COVID-19 rebates for commercial fishing vessels (\$0.3m) and minor price increases across the ports (\$0.4m).
- Budget FY2023 marina revenue is \$1.4m higher than FY2021 principally due to a decrease in temporary rebates given to customers to support the negative impacts of COVID-19 on the tourism industry.
- Budget FY2023 passenger revenue is \$0.7m higher than FY2021 due to passenger numbers forecast to be 44% higher than FY2021, with some recovery back to pre COVID-19 passenger numbers.
- Budget FY2023 property revenue is \$4.2m higher than FY2021 principally due to a reduction of temporary rebates given to customers to support the negative impacts of COVID-19 (\$2.4m) and market rent review and CPI increases (\$1.8m).
- Budget FY2023 pilotage transfer services revenue is \$0.4m higher than FY2021 principally due to the price increase in pilotage movements, this is partially offset by a reduction in pilotage movements 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 FY2023 labour costs are \$2.9m higher than FY2021 principally due to an additional 6% salary in FY2022 (salary catch up following nil increases in the prior year), a 3% salary increase in FY2023, as well as labour associated with the SPUR ICT project and new positions across planning and operations.
- Budget FY2023 maintenance expenses are \$2.0m lower than FY2021 principally due to the timing of maintenance programs at Cairns.
- Budget FY2023 other expenses are \$0.7m lower than FY2021 principally due to a reduction in the cost of sales for electricity recoverable, due to the removal of the Shangri-La and Hilton from Ports North embedded network. This reduction in expense is offset by a corresponding reduction in Electricity Recoverable revenue.

## 4.2 Non-Financial Measures

FY2023 BUDGET QUARTER					FY2021	FY2022	FY2022	FY2023
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
<b>Operational</b>								
2,612,881	2,196,442	1,672,256	2,756,841	Trade (Tonnes)	6,725,694	8,257,674	9,096,153	9,238,420
741	642	536	761	No. of Vessels to Port (including cruise)	1,792	2,429	2,660	2,680
-	3	15	15	No. of Cruise Vessels to Port - International	-	33	-	33
-	15	-	-	No. of Cruise Vessels to Port - Domestic	46	66	13	15
55%	51%	50%	53%	Marina Berth Occupancy (%)	56%	43%	54%	52%
<b>Reputation</b>								
-	-	-	-	No. of Environmental - reportable breaches	-	-	-	-
-	-	-	-	No. of Security Issues - reported	-	-	-	-
-	-	-	-	Lost Time Injury Frequency Rate (LTIFR)	15.7	-	-	-
-	-	-	-	Lost Time Injury Duration Rate (LTIDR)	13.0	-	-	-
<15%	<15%	<15%	<15%	Staff Turnover (annualised %)	11.7%	<15%	17.76%	<15%
80	80	80	80	No. of Net FTE Staff numbers	77	80	80	80
<10	<10	<10	<10	No. of Community Complaints	2	<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 Estimates 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 FY2023 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 North's Ports
  - Target trade growth through new windfarm import project in the Port of Cairns;
  - Support the development of the Cairns Marine Precinct;
  - Support new mineral trades through Mourilyan;
  - Promote new mineral exports through regional ports;
  - Support the establishment of new Gulf port;
  - 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;
- Complete the Cairns Marine Precinct Early Works wharf and services infrastructure;
- Progress the Tingira Street land developments;
- Complete Capital Projects in accordance with the Corporate Plan;
- Support the progression of the Cairns Marine Precinct development project;
- Work with Queensland Government on the Cairns Marine Precinct Expansion project and Defence requirements.

#### **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.
  - Implement the Sustainability Strategy
- 4.3 Attract, develop and retain motivated employees
  - Attract and appoint appropriately skilled staff;
  - Positive workplace culture supported by policies, systems and employee involvement linking business and employee needs;
  - Support employee learning and improvement through Training and Development Program;
  - Safety Management System under continuous review by Management and Safety Committee ensuring risk of injury in workplace is controlled;
  - 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 in accordance with communication and stakeholder engagement strategy.

## 6. KEY ASSUMPTIONS AND RISKS

### 6.1 Assumptions

The **key assumptions** underpinning Ports North's strategic planning and financials for 2022-23 include:

Assumptions	FY2021 Actual	FY2022 Budget	FY2022 Estimate	FY2023 Budget
<b>Economic Indices</b>				
CPI	n/a	2.00%	n/a	2.25%
Wage Growth	n/a	6.0%	n/a	3.0%
Interest Rates	n/a	1.86%	n/a	2.54%
<b>Price Increases</b>				
Maritime Revenue (excl. Thursday Island)	n/a	4.0%	n/a	4.0%
Maritime Revenue (Thursday Island)	n/a	3.0%	n/a	4.0%
Marina Revenue - Reef Fleet Operators	n/a	0.0%	n/a	0.0%
Marina Revenue - Other Marina Customers	n/a	4.0%	n/a	CPI + 2%
Passenger Levies	n/a	0.0%	n/a	0.0%
Electricity Revenue	n/a	5.0%	n/a	5.0%
<b>Operating Revenue (\$'000)</b>	44,224	55,379	55,336	56,229
<b>Operating Expenses (\$'000)</b>	48,579	53,347	51,501	58,153
<b>Trade Activity</b>				
<b>Cairns</b>				
Sugar (Tonnes)	187,561	250,000	250,000	250,000
Molasses (Tonnes)	64,730	70,000	70,000	70,000
Petroleum (Tonnes)	452,531	500,000	530,698	525,000
LPG (Tonnes)	25,576	29,000	29,000	29,500
Fertiliser (Tonnes)	49,556	37,500	37,500	37,500
General Cargo (Tonnes)	164,142	152,243	163,662	170,000
Project Cargo (Tonnes)	-	262,000	243,410	-
<b>Total Cargo Throughput (Tonnes)</b>	944,096	1,300,743	1,324,270	1,082,000
No. of Cruise Vessels to Port - International	-	33	-	33
Marlin Marina Passengers ('000)	310	373	350	448
Marina Average Occupancy (%)	56%	43%	54%	52%
<b>Regional Ports</b>				
<b>Karumba</b>				
General Cargo (Tonnes)	4,680	6,785	16,000	6,833
Minerals (Tonnes)	265,896	300,000	300,000	300,000
<b>Thursday Island</b>				
General Cargo (Tonnes)	66,560	68,036	73,841	67,720
<b>Mourilyan</b>				
Sugar (Tonnes)	544,980	600,000	600,000	600,000
Molasses (Tonnes)	77,594	80,000	80,000	80,000
Silica Sand (Tonnes)	-	100,000	-	100,000
<b>Cape Flattery</b>				
Silica Sand (Tonnes)	3,027,964	3,500,000	3,500,000	3,500,000
<b>Quintell Beach</b>				
General Cargo (Tonnes)	1,865	2,110	2,042	1,867
<b>Skardon River</b>				
Minerals (Tonnes)	1,792,059	2,300,000	3,200,000	3,500,000
<b>Total Cargo Throughput (Tonnes)</b>	5,781,598	6,956,931	7,771,883	8,156,420
<b>Total Cargo Throughput (Tonnes) - All Ports</b>	6,725,694	8,257,674	9,096,153	9,238,420

## 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 Sand exports from Mourilyan are expected to commence in FY2022.

Mineral exports from Skardon River commenced late April 2018 and are anticipated to increase in FY2023.

Silica sand exports from Cape Flattery continue to be strong with volumes forecast to be consistent in FY2023 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 have been impacted by COVID-19 due to temporary relief rebates granted by Ports North to qualifying port customers.

## Marina

Passenger numbers reflect the significant impacts of COVID-19, some staged recovery is expected over the coming years.

## Port Pilotage

In relation to Port Pilotage the forecast is prepared on Pilotage activity estimates considering COVID-19 impacts in international cruise visits and the 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 FY2023 budget:

- Cruise ship numbers remain uncertain and a forecast of 33 vessels for the year have been included, the timing and final numbers will be subject to the successful return of the market.
- No growth has been forecast in marina fixed berth & commercial agreement berth occupancy.
- Petroleum volumes are slightly decreased on FY2022 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 82% non-aviation and 18% aviation, with the growth in non-aviation fuel compensating for the decline in aviation fuel. This change in ratio reflected a lower aviation activity which was more than offset by increases in drive tourism due to COVID-19. The FY2023 volume forecast is more aligned with previous ratio and assessment of aviation and non-aviation mix given the current market conditions.
- 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

COVID-19 continues to affect many of our customers and tenants and Ports North has provided a comprehensive rebate program to support businesses. Our rebate program has been in place since February 2020 and has been critical to support the regional economy and ensure that the businesses that have had significant adverse COVID impacts could survive retaining employees for post COVID-19 recovery. It is forecast that up to 30 June 2022, Ports North will have provided \$9.963 million in rebates for port customers. This includes \$2.548 million in FY2020, \$5.702 million in FY2021 and \$1.713 million forecast in FY2022.

The FY2022 forecast 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 FY2023 marina budget has been reduced equivalent to having a rebate in place of approximately 50%. This budget reduction reflects the uncertainty of fleet mix numbers as well as the potential need to extend further support to the industry. The final revenues will be dependent on an assessment of industry recovery, extent of loss of industry fleet and potential support needed for these customers.

## 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 2022-23 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.
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.

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.
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 due to construction market costs</li> <li>• The CMP Expansion Project does not proceed impacting industry growth due to funding and affordability.</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	FY2022 Estimate \$'000	FY2023 Budget \$'000	Expected Completion
<b>Assets Under Construction</b>				
<b>Shareholding Minister Approved</b>				
Foreshore Development (C5)	18,269	-	-	FY2027
Site Decontaminations (C6)	3,534	1,000	2,500	FY2023
Marina Reconfiguration & Expansion (C20/C22)	6,425	-	-	FY2025
Cairns Shipping Development (S14)	111,550	1,030	375	FY2024
Cairns Marine Precinct (S16)	32,000	7,675	21,697	FY2023
<b>Subtotal</b>	<b>171,778</b>	<b>9,705</b>	<b>24,572</b>	
<b>Planned Capital Expenditure yet to be Approved by shareholding Ministers and/or Ports North Board*</b>				
Tingira Street Land Development (S3)	7,925	700	1,255	FY2027
Tingira Street Warehouse (SP3)	12,000	-	-	FY2026
General Cargo Consolidation (S7)	20,983	600	200	FY2024
Wharf 7&8 Southern Approach (S17)	3,000	-	3,000	FY2024
Land & Infrastructure Property Development (S18)	12,000	-	-	FY2027
Smiths Creek Cargo Upgrade	3,000	-	3,000	FY2023
Lease Acquisitions (S12)	4,442	28	-	FY2027
Mourilyan Land Lease Acquisition (M2)	1,289	-	1,000	FY2023
Mourilyan Commercial Fishing Facility (M1)	81	-	-	FY2027
Mourilyan Land Development for Bulk Cargo (M3)	7,687	-	200	FY2027
Horn Island Cargo Wharf and Access Road (T5)	2,029	433	-	FY2022
Horn Island Passenger Jetty & Cargo Wharf (T6)	5,978	250	-	FY2026
Thursday Island Wharf Upgrades (T3)	54	-	-	FY2027
<b>Subtotal</b>	<b>80,468</b>	<b>2,011</b>	<b>8,655</b>	
Minor Capital Works	On going	1,588	1,573	On going
<b>Subtotal</b>	<b>-</b>	<b>1,588</b>	<b>1,573</b>	
<b>TOTAL</b>		<b>13,304</b>	<b>34,800</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.
- Complete the Cairns and Mourilyan Masterplans.
- The Cairns Marine Precinct Early Works marine infrastructure delivery.
- Support the progression of the Cairns Marine Precinct Expansion Project and an increase in Defence capacity based in Cairns by continuing to work with Queensland Government and industry on the Precinct and Defence requirements.
- Support the development of the proposed new port for the Aurukun Bauxite Project.

## 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	Estimated Ratio				
		Borrowings FY2023	FY2023	FY2024	FY2025	FY2026	FY2027
Total Debt to Total Capital <sup>(1)</sup>	< 60%	\$555m	2.6%	5.1%	7.5%	7.5%	7.5%
EBITDA Interest Coverage <sup>(2)</sup>	> 4.0	\$98m	38.8	19.4	30.0	29.8	27.4
Total Debt to EBITDA <sup>(3)</sup>	< 3.0	\$134m	1.7	2.0	1.3	1.3	1.4

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

(2) Interest Cover = EBITDA / Interest Expense

(3) Total Debt to EBITDA = Debt / EBITDA

Ports North's Financial Risks Policy determines an optimum capital structure and reviews 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 2022/23.

## 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, the GOC Savings and Efficiency Program and the Queensland Procurement Policy and Best Practice Principles.



# 11. FINANCIAL STATEMENTS

## 11.1 Statement of Comprehensive Income (Consolidated)

FY2023 BUDGET QUARTER					FY2021	FY2022	FY2022	FY2023
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
6,026	5,706	5,319	6,119	Maritime <sup>(1)</sup>	18,342	23,109	22,960	23,170
940	836	759	856	Marina <sup>(2)</sup>	1,996	1,857	3,284	3,391
218	217	207	170	Passenger Levies <sup>(2)</sup>	148	544	555	812
3,417	3,418	3,354	3,355	Property Rentals <sup>(3)</sup>	9,287	12,811	14,400	13,544
744	744	744	743	Electricity Recoverable <sup>(4)</sup>	3,564	4,443	2,834	2,975
-	1,400	-	2,500	Dredging Recoverable <sup>(4)</sup>	3,180	4,386	3,299	3,900
1,856	1,759	1,510	1,747	Pilotage <sup>(1)</sup>	6,397	6,725	6,264	6,872
-	-	-	-	Fair Value Adjustment to PPE <sup>(5)</sup>	-	-	1,176	-
-	-	-	1,000	Fair Value Adjustment to Investment Property <sup>(5)</sup>	4,386	1,000	1,000	1,000
393	379	355	438	Other Revenue <sup>(6)</sup>	1,310	1,504	1,740	1,565
<b>13,594</b>	<b>14,459</b>	<b>12,248</b>	<b>16,928</b>	<b>Total Revenue</b>	<b>48,610</b>	<b>56,379</b>	<b>57,512</b>	<b>57,229</b>
4,065	4,027	3,913	3,988	Labour <sup>(7)</sup>	13,027	14,780	14,874	15,993
1,164	1,164	1,164	1,164	Energy & Land Rates	4,237	4,539	4,381	4,656
53	53	53	80	Marketing & Business Development	77	185	138	239
4,482	2,482	2,482	2,482	Maintenance, Stores & Materials <sup>(9)</sup>	13,959	13,389	10,602	11,928
3,529	3,639	3,590	3,415	Administration & Consultants <sup>(10)</sup>	4,964	6,369	8,886	14,173
-	-	-	-	Fair Value Adjustment to PPE <sup>(5)</sup>	8,494	-	-	-
-	-	-	-	WIP Written-off	214	-	991	-
495	501	501	2,995	Recoverables / Other Expenses <sup>(8)</sup>	5,236	7,393	4,646	4,492
<b>13,788</b>	<b>11,866</b>	<b>11,703</b>	<b>14,124</b>	<b>Total Expenses</b>	<b>50,208</b>	<b>46,655</b>	<b>44,518</b>	<b>51,481</b>
<b>(194)</b>	<b>2,593</b>	<b>545</b>	<b>2,804</b>	<b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation</b>	<b>(1,598)</b>	<b>9,724</b>	<b>12,994</b>	<b>5,748</b>
1,682	1,682	1,645	1,663	Depreciation	6,865	6,692	6,983	6,672
<b>(1,876)</b>	<b>911</b>	<b>(1,100)</b>	<b>1,141</b>	<b>Earnings Before Interest &amp; Tax</b>	<b>(8,463)</b>	<b>3,032</b>	<b>6,011</b>	<b>(924)</b>
-	22	63	63	Interest Paid on Borrowings	16	209	-	148
<b>(1,876)</b>	<b>889</b>	<b>(1,163)</b>	<b>1,078</b>	<b>Net Profit before Tax</b>	<b>(8,479)</b>	<b>2,823</b>	<b>6,011</b>	<b>(1,072)</b>
(563)	267	(349)	323	Income Tax	(2,300)	847	1,803	(322)
<b>(1,313)</b>	<b>622</b>	<b>(814)</b>	<b>755</b>	<b>Net Profit after Tax</b>	<b>(6,179)</b>	<b>1,976</b>	<b>4,208</b>	<b>(750)</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. FY2022 estimate includes \$1.8m for project cargo revenue associated with Kaban

(2) Marina and passenger revenue increases in FY2023 are primarily due to a decrease in rebates provided to port customers and a recovery of passenger numbers from COVID-19 tourism impacts.

(3) Property rentals decreases in FY2023 are principally due to the inclusion of lease income from the Kaban windfarm in FY2022.

(4) Dredging Recoverable relates to Navy Dredging (on a two year cycle with FY2023 being a higher year and FY2022 a lower year) and Karumba Dredging (\$2.5m).

(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 FY2022 fair value calculation.

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

(7) Labour increase is principally due to a wage increase on 1 July 2022 per the Enterprise Agreements. FY2022 estimate includes \$0.400m for SPUR project labour and FY2023 budget includes \$0.400m.

(8) Recoverables and Other Expenses include electricity cost of sales, dredging recoverable and other expenses. FY23 budget includes \$0.700m for SPUR project software expenditure.

(9) Maintenance costs in FY2023 includes \$2.5m for Cairns Port Dredging, activity deferred from previous years, and long term maintenance programs across all ports.

(10) FY2022 estimate includes \$2.2m for SPUR project consultancies and FY2023 budget includes \$5.7m.

## 11.2 Statement of Financial Position (Consolidated)

FY2023 BUDGET QUARTER YTD					FY2021	FY2022	FY2022	FY2023
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>	4,046	1,000	1,327	1,000
35,046	34,040	27,874	30,916	Advances <sup>(2)</sup>	22,651	23,554	49,806	30,916
8,345	8,195	8,014	10,764	Receivables <sup>(3)</sup>	8,234	8,157	10,932	10,764
228	643	1,997	2,007	Current Tax Asset	2,225	417	-	2,007
48	48	48	48	Inventories	46	55	46	48
2,781	2,003	1,225	447	Other Current Assets	303	289	303	447
47,448	45,929	40,158	45,182		37,505	33,472	62,414	45,182
				<b>Non-Current Assets</b>				
204,593	213,224	218,059	218,429	Property, Plant & Equipment <sup>(4)</sup>	195,576	206,329	195,086	218,429
179,101	181,606	181,606	183,606	Investment Property <sup>(5)</sup>	175,152	175,159	177,851	183,606
383,694	394,830	399,665	402,035		370,728	381,488	372,937	402,035
<b>431,142</b>	<b>440,759</b>	<b>439,823</b>	<b>447,217</b>	<b>Total Assets</b>	<b>408,233</b>	<b>414,960</b>	<b>435,351</b>	<b>447,217</b>
				<b>Current Liabilities</b>				
5,266	5,355	5,243	7,131	Payables	8,765	7,059	7,455	7,131
-	-	-	-	Current Interest Bearing Liabilities	-	-	-	-
-	-	-	-	Current Tax Liabilities	-	-	334	-
4,716	3,621	3,612	3,682	Current Provisions <sup>(6)</sup>	3,220	1,116	4,653	3,682
2,500	2,501	2,500	2,499	Other Current Liabilities	2,456	2,899	2,935	2,499
12,482	11,477	11,355	13,312		14,441	11,074	15,377	13,312
				<b>Non-Current Liabilities</b>				
-	10,000	10,000	10,000	Borrowings	-	15,000	-	10,000
30,565	30,565	30,565	35,247	Deferred Tax Liabilities	31,725	30,308	30,565	35,247
650	650	650	650	Non-Current Provisions	650	923	650	650
31,215	41,215	41,215	45,897		32,375	46,231	31,215	45,897
<b>43,697</b>	<b>52,692</b>	<b>52,570</b>	<b>59,209</b>	<b>Total Liabilities</b>	<b>46,816</b>	<b>57,305</b>	<b>46,592</b>	<b>59,209</b>
<b>387,445</b>	<b>388,067</b>	<b>387,253</b>	<b>388,008</b>	<b>Net Assets</b>	<b>361,417</b>	<b>357,655</b>	<b>388,759</b>	<b>388,008</b>
				<b>Equity</b>				
275,178	275,178	275,178	275,178	Contributed Equity	247,178	247,178	275,178	275,178
94,953	94,953	94,953	94,953	Reserves	98,655	90,687	94,953	94,953
18,627	18,627	18,627	18,627	Opening Retained Profits	21,762	21,733	15,584	18,627
(1,313)	(691)	(1,505)	(750)	Current Year Result	(6,178)	(1,943)	3,044	(750)
<b>387,445</b>	<b>388,067</b>	<b>387,253</b>	<b>388,008</b>	<b>Shareholder's Equity</b>	<b>361,417</b>	<b>357,655</b>	<b>388,759</b>	<b>388,008</b>

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

(2) Advances includes the QTC cash facility. The increase in Advances from FY2021 actual to FY2022 estimate is principally due to the \$28m equity injection from the State Government for the CMP. The decrease in Advances in the FY2023 budget principally relates to forecast capital expenditure, partially offset by forecast borrowing of \$10m.

(3) Increase from FY2021 actual to FY2022 estimate is due to the extension of payment terms provided by Ports North to qualifying customers impacted by COVID-19.

(4) Increase in FY2023 is principally due to budgeted capital expenditure partially offset by the depreciation impact on PP&E.

(5) Increase in FY2023 from FY2022 estimate due to capital works program for FY2023 and forecast \$1.000m increase in valuation of IP.

(6) Movements mostly due to provision for dividend. FY2022 dividend is expected to be at 100% of consolidated adjusted profit (as per policy). No dividend is expected for FY2023 dividend due to a forecast net adjusted consolidated loss.

## 11.3 Statement of Cash Flows (Consolidated)

FY2023 BUDGET QUARTER YTD					FY2021	FY2022	FY2022	FY2023
Sep	Dec	Mar	Jun		Actual	Budget	Estimate	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
				<b>Cash Flows from Operating Activities</b>				
15,785	14,402	12,203	13,412	Receipts from Customers <sup>(1)</sup>	44,988	52,338	53,182	55,802
(18,027)	(11,018)	(10,934)	(11,678)	Payments to Suppliers and Employees <sup>(2)</sup>	(41,726)	(52,659)	(44,767)	(51,657)
67	56	56	56	Interest Received	202	281	172	235
2,065	2,081	1,464	896	GST Received from ATO <sup>(2)</sup>	3,297	5,242	3,951	6,506
(1,394)	(1,351)	(1,332)	(1,299)	GST Paid to ATO	(4,496)	(4,915)	(5,972)	(5,376)
1,247	1,440	1,219	1,587	GST Received from Customers	4,462	5,221	6,035	5,493
(2,357)	(1,931)	(1,292)	(1,183)	GST Paid to Suppliers <sup>(2)</sup>	(3,174)	(5,669)	(3,969)	(6,763)
<b>(2,614)</b>	<b>3,679</b>	<b>1,384</b>	<b>1,791</b>	<b>Net Cash Flows from Operating Activities</b>	<b>3,553</b>	<b>(161)</b>	<b>8,632</b>	<b>4,240</b>
				<b>Cash Flows from Investing Activities</b>				
-	-	-	-	Proceeds from Sale of PPE and Investment Property	283	-	-	-
(12,467)	(12,818)	(6,481)	(3,034)	Payments for PPE and Investment Property <sup>(3)</sup>	(9,174)	(24,941)	(13,372)	(34,800)
14,760	1,006	6,165	(3,042)	Advances to Queensland Treasury <sup>(4)</sup>	7,846	6,943	(27,162)	18,889
<b>2,293</b>	<b>(11,812)</b>	<b>(316)</b>	<b>(6,076)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(1,045)</b>	<b>(17,998)</b>	<b>(40,534)</b>	<b>(15,911)</b>
				<b>Cash Flows from Financing Activities</b>				
-	-	-	-	Repayment of Borrowings	-	-	-	-
-	10,000	-	-	Proceeds from Borrowings	-	15,000	-	10,000
(6)	-	-	-	Payment of Principal and Interest of lease liabilities	(118)	-	-	(6)
-	(22)	(62)	(64)	Finance Costs	-	(337)	-	(148)
<b>(6)</b>	<b>9,978</b>	<b>(62)</b>	<b>(64)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(118)</b>	<b>14,663</b>	<b>-</b>	<b>9,846</b>
				<b>Cash Flows from Government</b>				
-	-	-	-	Proceeds from Equity Contribution <sup>(5)</sup>	-	-	28,000	-
-	(1,164)	-	-	Dividend Paid <sup>(6)</sup>	(2,790)	(2,790)	-	(1,164)
-	(681)	(1,006)	4,349	Income Tax (Equivalent) Paid	(616)	2,225	1,183	2,662
-	<b>(1,845)</b>	<b>(1,006)</b>	<b>4,349</b>	<b>Net Cash Flows from Government</b>	<b>(3,406)</b>	<b>(565)</b>	<b>29,183</b>	<b>1,498</b>
<b>(327)</b>	-	-	-	<b>Net Increase/(Decrease) in Cash Held</b>	<b>(1,016)</b>	<b>(4,061)</b>	<b>(2,719)</b>	<b>(327)</b>
1,327	1,000	1,000	1,000	Cash at the Beginning of the Year	5,062	5,061	4,046	1,327
<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>Cash at the End of the Year</b>	<b>4,046</b>	<b>1,000</b>	<b>1,327</b>	<b>1,000</b>

(1) Increase in FY2023 is in line with the assumptions explained in Section 6.1.

(2) Increase in FY2023 principally due to a general increase in costs.

(3) Includes actual cash payments made for capital projects in each year, with payments forecast in FY2023 including capital works relating to the CMP.

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

(5) Includes \$28m equity contribution in FY2022 in relation to the CMP.

(6) No dividend was declared in FY2021 due to a net adjusted consolidated loss after tax. A dividend of \$1.164m is expected to be declared in FY2022 due to a forecast net adjusted consolidated profit. The Company is not expected to declare a dividend in FY2023 due to a net adjusted consolidated loss after tax.

Equity Injections/Withdrawals	FY2021 Actual \$'000	FY2022 Budget \$'000	FY2022 Estimate \$'000	FY2023 Budget \$'000
Equity Injections	-	28,000	28,000	-
Equity Withdrawals	-	-	-	-
<b>Net Equity</b>	<b>-</b>	<b>28,000</b>	<b>28,000</b>	<b>-</b>

Dividends, Tax Equivalent Payments (TEPs) & Community Service Obligations (CSOs)	FY2021 Actual \$'000	FY2022 Budget \$'000	FY2022 Estimate \$'000	FY2023 Budget \$'000
Dividend Provided <sup>(1)</sup>	-	-	1,164	-
Income Tax Expense/(Benefit)	(2,300)	847	1,803	(322)
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 2022/23.

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

Activity	FY2021 Actual \$'000	FY2022 Budget \$'000	FY2022 Estimate \$'000	FY2023 Budget \$'000
Sponsorship *	11	57	41	50
Advertising	1	5	8	3
Corporate Entertainment	8	16	12	10
Donations	-	-	-	-
Strategic Community and Stakeholder Engagement Activities	122	153	155	155
<b>TOTAL</b>	<b>142</b>	<b>231</b>	<b>216</b>	<b>218</b>

Activity	Description/Benefit	FY2022	FY2022	FY2023	FY2023 BUDGET QUARTER				FY2023
		Budget \$'000	Estimate \$'000	Budget \$'000	Sept	Dec	Mar	Jun	Per Head Budget \$'000
SPONSORSHIP									
	The Cairns Indigenous Art Fair (CIAF) is a major Cairns event dedicated to strengthening Far North Queensland Aboriginal and Torres Strait Islander arts industry. The Cairns Cruise Liner Terminal has been a major venue hosting the Art Fair and other cultural events which provide a significant regional economic benefit. CIAF is an extremely successful regional event that continues to grow and is recognised as Australia’s premier Indigenous Art Fair. The event has provided an excellent opportunity for Ports North to showcase Cityport, our foreshore facilities and the positive contribution the organisation makes to the economic, social and cultural benefits of the regional community.								
Cairns Indigenous Art Fair (Regional Cultural & Art Event)		15	15	15	-	-	-	15	0.19
<b>Total over \$5,000</b>		<b>15</b>	<b>15</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>0.19</b>
Other (total) below \$5,000		42	26	35	9	10	10	6	0.44
<b>TOTAL (1)</b>		<b>57</b>	<b>41</b>	<b>50</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>21</b>	<b>0.63</b>
ADVERTISING									
<b>Total over \$5,000</b>		-	-	-	-	-	-	-	-
Other (total) below \$5,000		5	8	3	1	1	1	-	0.04
<b>TOTAL (2)</b>		<b>5</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>0.04</b>
CORPORATE ENTERTAINMENT									
<b>Total over \$5,000</b>		-	-	-	-	-	-	-	-
Other (total) below \$5,000		16	12	10	2	4	2	2	0.13
<b>TOTAL (3)</b>		<b>16</b>	<b>12</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>0.13</b>
DONATIONS									
<b>Total over \$5,000</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>-</b>
STRATEGIC COMMUNITY & STAKEHOLDER ENGAGEMENT ACTIVITIES									
<b>Total over \$5,000</b>									
Advance Cairns (Membership)	Advance Cairns is the peak economic organisation for the Far North Region.	48	48	48	48	-	-	-	0.60
TTNQ (Membership)	Tourism Tropical North Queensland (TTNQ) is the destination marketing organisation for the Far North Region. TTNQ and Ports North collaborate on the tourism related aspects of Ports North's business including cruise and reef tourism.	18	18	-	-	-	-	-	-
Ports Australia (Membership)	Ports Australia is the national body of Australia’s ports sector. Ports Australia provides opportunities for the Ports sector to meet and discuss local, national and international issues impacting their Port and communities.	33	38	33	33	-	-	-	0.41
Queensland Ports Association (Membership)	Queensland Ports Association is the state body representing the ports sector.	10	9	10	-	10	-	-	0.13
Superyacht GBR (Membership)	Superyacht Great Barrier Reef is the Far North Region industry association for attracting, growing and developing superyacht visits to the region and to the Cairns Marlin Marina.	-	-	6	-	-	6	-	0.08
Australian Cruise (Membership)	Australian Cruise Association is the peak cruise industry association for growing and developing the Australia Pacific region as the world's leading cruise destination. The organisation is made up of 87 members and represents regional ports, national and state tourism agencies, shipping agents, inbound tour operators and companies dedicated to making the Australian Cruise Association region a major world class base and destination for cruise vessels.	8	8	8	-	-	-	8	0.10
<b>Total over \$5,000</b>		<b>117</b>	<b>121</b>	<b>105</b>	<b>81</b>	<b>10</b>	<b>6</b>	<b>8</b>	<b>1.31</b>
Other (total) below \$5,000		36	34	50	8	10	23	9	0.63
<b>TOTAL (5)</b>		<b>153</b>	<b>155</b>	<b>155</b>	<b>89</b>	<b>20</b>	<b>29</b>	<b>17</b>	<b>1.94</b>
<b>TOTAL (1) + (2) + (3) + (4) + (5)</b>		<b>231</b>	<b>216</b>	<b>218</b>	<b>101</b>	<b>35</b>	<b>42</b>	<b>40</b>	<b>2.73</b>

## Corporate Entertainment

Activity	FY2022 Budget \$'000	FY2022 Estimate \$'000	FY2023 No. of Activities	FY2023 Budget \$'000	FY2023 BUDGET QUARTER \$'000			
					Sept	Dec	Mar	Jun
<b>Corporate Entertainment Total</b>								
* Staff Functions	6	3	4	4	-	3.0	-	1.0
* Business Development	5	5	10	3	1.0	-	1.0	1.0
* Stakeholder and Community Engagement	5	5	10	3	1.0	1.0	1.0	-
<b>TOTAL UNDER \$5,000</b>	<b>16</b>	<b>13</b>	<b>24</b>	<b>10</b>	<b>2.0</b>	<b>4.0</b>	<b>2.0</b>	<b>2.0</b>

## 12.2 Employment and Industrial Relations Plan 2022-23

### 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

The impacts of COVID-19 is and will continue to be a focus for the organisation and its employees with relevant changes to workplace practices and policies to ensure staff health and wellbeing is maximised while business as usual activities are maintained.

Attracting and retaining the necessary skills required in the organisation has always been challenging in the Cairns region and this is further compounded by the effects of COVID-19 on the broader employment market. 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.

Ports North are also embarking on an organisation wide ICT systems and process upgrade project which will extend throughout 2022 and 2023. This is a significant change project for the organisation and will impact on resourcing levels with plans being developed to back-fill and acquire additional project resources were needed. Staff across the organisation have been involved in the project planning and business case development stages and there is a demonstrated commitment across all employees to the project.

### 3. Senior Executive Remuneration (As at 31 January 2022)

<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	370,714	46,384	417,098	-
Mr Sean Reardon General Manager Planning and Infrastructure	263,091	26,309	289,400	-
Ms Kerry Egerton General Manager Corporate Services	244,701	31,199	275,900	-
Mr Kevin Malone General Manager Commercial	252,769	25,277	278,046	-
Mr Chris Tabe General Manager Finance	195,897	24,976	220,873	-
Mr Richard Stevenson General Manager Operations	188,204	20,231	208,435	-

- 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 2020	<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>	33 Positions <ul style="list-style-type: none"> <li>• Administration</li> <li>• Clerical</li> </ul>	30 June 2023
Ports North Operations and Maintenance Enterprise Agreement 2020	<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 2023
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 2020	<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 2023

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 expire in 2023 and preparation for renegotiation of the agreements will commence in late 2022 with a view to engaging unions early in 2023. The bargaining process will be undertaken in accordance with Government GOC Bargaining Guidelines and Wages Policy. The focus of the negotiation will be identification and implementation of productivity initiatives, organisational improvements and changes to business practices that deliver benefits to the organisation. This process continues to be a challenge as Ports North has had productivity initiatives in place for a number of years and the organisation continually reviews business efficiencies and makes appropriate adjustments accordingly. The workplace does not have any industrial issues or claims and no matters have been raised by employees at this stage for inclusion in future negotiations.

## 6. Workforce Planning

Ports North has a workforce plan of 80 FTEs as at 31 January 2022. The permanent workforce plan is expected to remain relatively static over the FY2023 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 2022 together with a forecast for FY2023.

<b>Employment Category</b>	<b>31 January 2022</b>	<b>FY2023 SCI Budget</b>
Permanent	70	70
Temporary	3	2
Chief + Senior Executives	6	6
Apprentices	-	-
Trainees/Under-graduates	-	1
Casual	1	1
Other	-	-
<b>Total Directly Employed Workforce</b>	<b>80</b>	<b>80</b>
Apprentices (Group)	-	-
Trainees (Group)	-	-
Contractor & Labour Hire (trade/technical)	-	-
Contractor & Labour Hire (professional/administrative/technical)	2	2
System Process Upgrade and Renewal (SPUR) Project <i>A range of temporary contractors will be engaged for varying periods up to 12 months as part of the project implementation team</i>	-	7
<b>Total Indirectly Employed Workforce</b>	<b>2</b>	<b>9</b>
<b>Total Workforce</b>	<b>82</b>	<b>89</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 and the next audit is scheduled for May 2022.

## **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 Shareholder & Structural Policy Division - Government Owned Corporations Performance and Governance and Public Sector Industrial Relations - Office of Industrial Relations. Consultation with relevant industrial organisations occurs as part of the enterprise bargaining process.

## 12.3 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:

	FY2023 Budget \$'000	FY2022 Estimate \$'000
Net Profit/(Loss) after Tax	(750)	4,208
Less: Increase in the Value of Investment Property	(1,000)	(1,000)
Less: Increase in Value of PP&E	-	(1,176)
Less: Community Ports Net Profit after Tax	(181)	(868)
<b>Net Profit Before Adjustment fo Revaluation</b>	<b>(1,931)</b>	<b>1,164</b>
Less: Decrease in Value of Property, Plant and Equipment	-	-
<b>Adjusted Net Profit for Dividend Calculations</b>	<b>(1,931)</b>	<b>1,164</b>
<b>Dividend Payable at 100%</b>	<b>-</b>	<b>1,164</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.