Gladstone Airport Corporation

Annual Report 2013

Enabling the growth of our region



ARRIVALS





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Enabling the growth of our region

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Chairmans Message

Vision

Gladstone Airport to be amongst Australia's leading regional airports.

It is my privilege to present the historic, first Annual Report of the Gladstone Airport Corporation.

Although the airport has had a long history under the Gladstone-Calliope Aerodrome Board and more recently under direct control of the Gladstone Regional Council, since corporatisation on 1st July 2012, its operation and management has been overseen by a board of independent non-executive directors appointed by its shareholder, the Gladstone Regional Council.

Enabling progress

Gladstone Airport is a valuable community asset which makes a significant contribution to the economic and social fabric of the region. Indeed, the growth of the airport is inextricably linked to the growth of the region as recent increases in passenger number closely track the delivery of major infrastructure developments, particularly in the LNG industry.

Last year, there were 463,500 passenger movements through Gladstone Airport. That represents a 30 per cent increase over the previous year. This growth has underpinned an operating profit of $8.4 million in 2012/13 and we anticipate this strong revenue growth will continue in 2013/14.

The GAC Board has put considerable effort into understanding this growth and more particularly, the contribution made by the Fly-in-Fly-out (FIFO) workforce as well as the resident population of the region. It is important to note that FIFO workforce and construction related passengers comprised 55 per cent of total passenger movements through Gladstone Airport in 2012/13 and it is anticipated that this will rise to 60 per cent in 2013/14 with only a nominal increase in 2014/15.

The substantial increase in FIFO passengers reflects the increase in construction activity associated with development of the LNG facilities and whilst this elevated level of passenger movements is likely to persist over the next two to three years, it is likely that over the longer term, passenger numbers will decline to levels that reflect the demands of the resident community.

Enabling the best infrastructure

Ensuring that the airport's infrastructure and facilities meets this fluctuating demand is a major challenge as the Board must ensure that future revenue streams can support its investment decision especially where they involve borrowings.

Mission

To enable safe and secure travel connections that facilitate economic and social growth of our region.

Prior to the appointment of the existing GAC Board, the Gladstone Regional Council made a significant capital investment at the airport in the form of an upgraded terminal building, a runway expansion and an Instrument Landing System (ILS). My Board is committed to carefully managing and maintaining these facilities and completing the ILS installation.

GAC is charged by its shareholder, the Gladstone Regional Council to act commercially. To that end, my Board has been overseeing a thorough review of all aspects of the airport business. However, we are not only committed to responsibly managing GAC's assets and finances and growing the business in the interest of our shareholder, we are also committed to delivering excellent services and amenities to our stakeholders and our customers.

Enabling improvement

We have focussed on how we can improve access to the airport as well as enhancing the travelling experience for residents, visitors and FIFO workers alike. We have facilitated the expansion of café facilities in the terminal and have seen additional air services established, notably direct flights between Gladstone and Sydney.

Much has been achieved in 2012/13 and I would particularly like to thank my fellow board members for their support and for their substantial contribution to the invaluable work of our board committees. I would also like to thank our small, but effective team at GAC for their commitment to quality services and to the on-going success of GAC.

The Hon Dr David Hamill AM
CHAIRMAN
GLADSTONE AIRPORT CORPORATION

Passengers

+30%

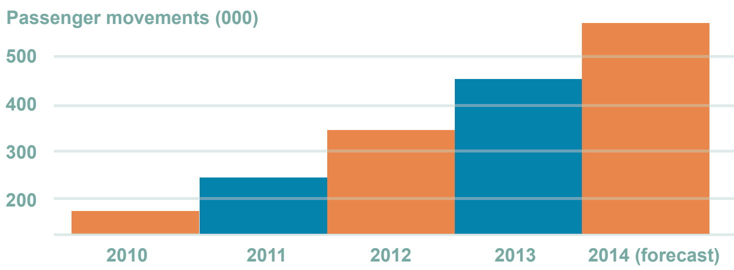
I am pleased to report on a dynamic and successful first year of operations for Gladstone Airport Corporation [GAC] since being incorporated under the *Local Government Act 2009* in July 2012.

Incorporation of the airport provided the impetus and opportunity for us to review all areas of the business and plan ahead to maximise asset capacity and utilisation and return on investment.

Reconstruction of the runway completed in 2011 at a cost of approximately $65 million was a significant investment decision for Gladstone Regional Council and it now provides a solid foundation for GAC to continue developing the airport as an enabler of regional economic growth and to serve the Gladstone community.

Enabling the growth of our region

The vital role Gladstone Airport has played over the past year in supporting continued growth is evidenced by the significant increase in the number of passengers using the airport. The 463,500 passenger movements we facilitated in 2012/13 represent an increase of 140 per cent over the 5 years since the airport upgrade was planned.



While the fly-in-fly-out construction workers and other construction related travel has underpinned this growth, 45 per cent of travel is now driven by the higher disposable income of Gladstone residents, increased airline capacity and lower airfares, and the demand for industry and business support from Brisbane and beyond.

The number of aircraft movements at Gladstone Airport in 2012/13 increased to 21,300 of which 10,000 were airline services. Jet aircraft now make up almost 40 per cent of these movements and include B717, E190 and B737-800 aircraft. General aviation traffic has also grown and varies from large corporate jets to recreational flyers and helicopters carrying out emergency flights, sea pilot transfers and transit connections to Heron Island.

GAC has worked with QantasLink and Virgin Australia and their respective ground handling agents to improve customer services, airport facilities and on-time performance. QantasLink introduced direct services to Sydney which creates opportunities to expand Gladstone's connections to other ports. Collaboration with the airlines on aviation safety and security, and work health and safety has resulted in no serious injuries or significant incidents at the Airport during 2012/13.

Revenue
+45%

Enabling improved return on investment

A significant focus for GAC during 2012/13, given the long term debt of $66 million that GAC assumed at start-up, was to critically review the planning that had previously been undertaken for the airport to determine an appropriate and affordable future capital investment program.

Consultants prepared long-term passenger forecasts based on the known pipeline of private sector major projects and a long-term financial model driven by forecast aviation activity. The 2011 Airport Master Plan was reviewed and a revised terminal precinct development plan was prepared that addresses future ground access to the airport.

GAC took over the $10.5 million project to install a Category 1 Instrument Landing System and Distance Measurement Equipment that will guide aircraft safely around the LNG plant gas exhaust plumes. We also constructed a temporary hangar complex for Careflight to enable their immediate establishment in Gladstone and installed a high intensity runway lighting system.

Planning for the following projects was also undertaken:

- Refurbishment of the Terminal Building interiors
- Redevelopment of the Terminal Precinct roads and car parks
- New Air Services Australia Rescue and Fire Fighting Services (ARFFS) Fire Station facility
- New aviation fuel depot
- Permanent hangar complex for Careflight
- Airline club lounge
- Commercial development zones

Financial performance

Aeronautical fees and charges including the passenger service charge and RPT aircraft landing and parking charges remained the same in 2012/13 to stimulate traffic growth at Gladstone Airport through lower airfares and to attract traffic previously lost to neighbouring airports. A $2.00 (Ex GST) per passenger charge was however introduced in September 2012 to partially recover the cost of mandatory passenger and baggage security screening.

Aeronautical revenue increased in 2012/13 compared to the previous year by 46.6 per cent to $13.603 million and contributed 91.6 per cent of GAC's total revenue. General aviation fees and charges were marginally increased in 2012/13 and including revenue from corporate aviation activity, contributed 0.9 per cent to total aeronautical revenue.

Values

Being the best
High quality services
Team culture
Honest and accountable

GAC is determined to grow its non aeronautical revenue though current passenger volumes and a spatially constrained airport site presents a number of challenges. Development of the tendered temporary workers accommodation village did not proceed due to changing market conditions however alternative developments are being pursued for the site.

Licence agreements were renegotiated where possible by GAC to place them on a commercial footing for coming years including rental car licences and a number of site leases. Public car parking fees were restructured and The Coffee Club food and beverage outlet was opened in the departure lounge to enhance passengers' airport experience. Non aeronautical commercial revenue increased in 2012/13 compared to the previous year by approximately 51.1 per cent to $1.252 million.

The increase of 12.9 per cent in operating expenses to $6.325 million was attributable to start-up costs, restructuring the organisation and expenses incurred in migrating to a self-reliant 'for profit' organisation with broader responsibilities. An operating profit of $8.391 million was consequently achieved representing an increase of approximately 86.1 per cent over the previous year.

Net profit for 2012/13 was significantly impacted by the inclusion of an impairment loss of $6.221 million in expenses relating to the reduction in effective length of the runway as mentioned in the Financial Report. A net loss after tax of $3.984 million was declared for financial year 2012/13.

Target financial indicators set out in the GAC 2012/13 Statement of Corporate Intent relating to net profit could not be achieved due to the capital loss and impairment discussed in the Financial Report. A summary of the actual results compared to the target indicators for 2012/13 are set out in the table below.

Financial Performance Indicators	2012/13 Actuals	2012/13 Targets
Net Profit Before Tax - $m	(5.763)	4.081
Net Profit as % Revenue	(38.8)	30.18
Net Profit After Tax - $m	(4.034)	2.798
Return on Assets (EBIT/Gross Assets)	-	8.24
Liquidity Ratio	1.98	2.056
Debit Payment Ratio (I&R/Revenue)	41.18	41.56
Interest Cover	1.68	2.10

Enabling great teams

It is our people, our airline partners, our contractors, our shareholders and our Board that ensure the smooth operation of GAC and the airport. We now provide direct employment for over 160 Gladstone residents and indirect employment for many more in the provision of goods and services to the airport businesses.

GAC's team of 40 capable and skilled people are committed to providing the highest level of service to our customers and airline partners whilst staying ahead of the security, regulatory and compliance environments in which we operate.

Incorporation was not without its challenges and I would like to thank all the people involved in the complex task of transferring assets and the setting up of our new processes and systems for their energy and commitment.

Enabling community engagement

GAC is very much a part of the Gladstone community fabric and is committed to maintaining good relations with our neighbours. We engage with the community, listening and responding to their concerns. In 2014, we will be increasing our involvement in community programs and providing greater access for residents to learn more about what we do and encourage feedback and suggestions as we move forward. One of our challenges is to develop noise abatement procedures to minimise the intrusion of aircraft noise on residential areas.

Congratulations to the Higher Flyers Under 10 touch football team sponsored by GAC who won the grand final of their 2013 season.

It has been an exciting and rewarding year. I would like to thank our staff, our shareholders and our board for their support and encouragement.

Phillip Cash
CEO
GLADSTONE AIRPORT CORPORATION

Gladstone Airport Corporation

Enabling the growth of our region

Financial Report

Gladstone Airport Corporation Directors present their report for the financial year ended 30 June 2013.

Directors

The names of the Directors in office during the financial year were:

Dr David J Hamill (Chairman)	appointed 12 May 2012,	effective 1 July 2012.
Mr Owen F Williams (Deputy Chairman)	appointed 12 May 2012,	effective 1 July 2012.
Ms Elizabeth M Baker	appointed 12 May 2012,	effective 1 July 2012.
Dr Bradley D Bowes	appointed 12 May 2012,	effective 1 July 2012.
Mr John E George	appointed 12 May 2012,	effective 1 July 2012.
Mr J P A (Tony) Goodwin	appointed 12 May 2012,	effective 1 July 2012.

Review of Operations

The corporation commenced operations on 1 July 2012 upon transfer of assets and liabilities and operational responsibilities for the ongoing conduct of the business at Gladstone Airport from Gladstone Regional Council.

The corporation recorded a first year net operating loss after tax of **$3,984,657.**

Significant Changes in the State of Affairs

No significant changes in the operations of the airport occurred during the financial year.

Principal Activities

The principal activities of the corporation during the financial year were ownership and operation of the Gladstone Airport and its related facilities and services. No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs in future financial years.

Likely Developments and Expected Results of Operations

The corporation is progressing with the installation of the Instrument Landing System (ILS) and this is expected to be completed by January 2014.

Environmental Regulation

The corporation is regulated by significant environmental regulations under laws of the Commonwealth and/or state. These environmental regulations are listed below.

Gladstone Airport Corporation (GAC) strives to minimise its environmental impact and implement sustainable business practices. In accomplishing this, it works diligently to continually improve its awareness and management of environmental risks and promotes the open exchange of environmental information with its customers, suppliers and the community to obtain feedback on its environmental performance. GAC ensures that environmental best practice is encouraged and integrated into its business and its work practices, promoting waste minimisation, water conservation and energy conservation in its daily operations.

GAC will comply with relevant environmental legislation, regulation and licence standards in all its operations and environmentally sensitive activities. Relevant environmental regulations and polices include:

Environmental Protection Act 1994	*Environmental Protection Regulations 2009*
Environmental Protection (Air) Policy 2008	*Environmental Protection (Noise) Policy 2008*
Environmental Protection (Water) Policy 2009	*Nature Conservation Act 1992*
Environmental Protection (Waste Management) Regulations 2000	*Nature Conservation (Wildlife management) Regulation 2006*
Sustainable Planning Act 2009	*Sustainable Planning Regulation 2009*
National Greenhouse and Energy Reporting Act 2008	*State Planning Policy 1/02: Development in the Vicinity of Certain Airports and Aviation Facilities*

Dividends

No dividends were declared or paid during the financial year.

Directors

The names of the Directors in office throughout the year are:

Dr David Hamill has been a professional non-executive director since 2001, including roles as director of Brookfield Infrastructure Partners LP and Chairman of Envirogen Pty Ltd. Prior to 2001, he was a Member of the Queensland Parliament for 18 years including serving as Queensland Treasurer as well as in the Education and Transport portfolios.

His qualifications include Doctor of Philosophy, Master of Arts (Politics and Economics), Bachelor of Arts (Government) with Honours, and Company Directors Course of the Australian Institute of Company Directors (AICD). Dr Hamill is a member of various professional associations including Fellow of the AICD and a Fellow of the Chartered Institute of Transport.

He is actively involved in community welfare and youth and not-for-profit organisations including serving as Chairman of the Australian Red Cross Blood Service.

Directors (Cont'd)

Owen Williams is a senior professional and an experienced non-executive director with a career in business financing and risk management. He has aviation industry experience as an airport financier and airport director.

Mr Williams' career experience includes more than 30 years in project and structured financing, re-financing, investment management, investment banking, start-ups and growth projects for government and private sector clients as a senior executive.

His qualifications include a Bachelor of Economics, Master of Taxation Law and Postgraduate Investment Banking Program (Northwestern University, Chicago). He is a Fellow of the Australian Institute of Company Directors. Current and past board experience includes Hobart International Airport Pty limited, Tasmanian Ports Corporation Ltd and Yellow Brick Road Group.

Elizabeth Baker is an experienced commercial/corporate in-house lawyer with more than 20 years experience encompassing a broad array of practice areas in the Australian and international contexts. Her career experience extends to various in-house legal counsel roles in the pharmaceutical, banking and primary industries.

Ms. Baker has been employed as General Legal Counsel for Queensland Alumina Limited for the past 10 years in which role she is responsible for the company's legal functions, regulatory compliance and corporate administration.

Her qualifications include a Bachelor of Laws, Master of Laws and Graduate Certificate of Employment Relations. She holds a current practicing certificate as a solicitor in Queensland and is a member of various professional associations.

Dr Brad Bowes is a senior executive with over 20 years experience in a variety of commercial, operational, and corporate roles in airport management, development and governance, with particular expertise in advising on best practice systems and processes of governance, risk management and compliance, business resilience, safety management and administrative efficiency in highly regulated environments. Dr Bowes' aviation career experience includes company secretary and head of governance, risk, compliance and legal services for the Brisbane Airport Corporation and its predecessor entity from 1997 to 2010. He is currently Company Secretary and Executive Manager Governance for RACQ Insurance Limited.

John George's key areas of expertise include accounting, corporate strategy, transaction management, governance, capital raising, mergers and acquisitions. His qualifications include a Bachelor of Business, Certified Practicing Accountant, member of the Chartered Secretaries Australia, Fellow Australian Institute of Management and the Australian Institute of Company Directors.

Mr George is also a trustee of the Bravehearts Endowment Fund, Australia's leading child protection advocate.

Directors (Cont'd)

Tony Goodwin has an extensive legal career and has been a business owner in the Gladstone Region for more than 40 years. Mr Goodwin has career experience in legal practice in a wide range of areas including criminal, commercial and contract law and has undertaken wide-ranging negotiation and advisory work. He is skilled at problem solving, people management and creating solutions to identified issues. Mr Goodwin has extensive community involvement in the Gladstone Region in the areas of sports and parks, law associations, university, housing, Gladstone Harbour Festival and sailing.

He is a qualified lawyer, Notary Public and is authorised to practice in the Supreme Court of Queensland, the High Court of Australia and the Supreme Court of Norfolk Island. He is a member of various local industry development and professional associations and of the Australian Institute of Company Directors. He has previous business interests in General Aviation.

Directors' Meetings

The number of directors meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Corporation during the financial year were:

Director	Board Meetings		Finance & Audit		Risk & Compliance		Nomination & Remuneration	
	A	B	A	B	A	B	A	B
Dr D Hamill	10	13	2	5	n/a	n/a	1	1
Mr O Williams	13	13	5	5	n/a	n/a	1	1
Ms E Baker	10	13	n/a	n/a	6	7	1	1
Dr B Bowes	11	13	n/a	n/a	7	7	n/a	n/a
Mr J George	11	13	5	5	n/a	n/a	n/a	n/a
Mr J P A (Tony) Goodwin	12	13	n/a	n/a	6	7	n/a	n/a

A - Number of meetings attended.
B - The number of meetings held during the time the Director held office during the year.

The chairperson for each of the committees above are listed below:

Finance and Audit	Mr O Williams
Risk and Compliance	Dr B Bowes
Nominations and Remuneration	Dr D Hamill

Indemnification of Officers

The Corporation has paid insurance premiums during the year in respect of directors' and officers' liability, for directors and officers of the Corporation. The insurance premiums relate to:

- costs and expenses incurred by relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Corporation has entered into a Deed of Access and Indemnity with directors and officers. Pursuant to the Deed, Gladstone Airport Corporation undertakes to:

- maintain certain documents and to provide directors and officers access to those documents; indemnify the directors and officers for certain liabilities; and
- maintain an insurance policy covering the directors and officers.

No other indemnities have been given or insurance premiums paid for indemnities for any person who is or has been an officer or auditor of the Corporation

Proceedings on Behalf of Corporation

No person has applied for leave of Court to bring proceedings on behalf of the corporation or intervene in any proceedings to which the corporation is a party for the purpose of taking responsibility on behalf of the corporation for all or any part of those proceedings.

The Corporation was not a party to any such proceedings during the year.

This directors' report is signed in accordance with a resolution of the Board of Directors

Dr David J Hamill
Chairman

Dated this 28th day of October 2013

Mr Owen F Williams
Deputy Chairman

Dated this 28th day of October 2013

Financial Statements

Statement of Comprehensive Income for the year ended 30 June 2013

	Note	Year 30 June 2013 $'000
Revenue from continuing operations		
Operating revenue	2(a)	14,716
Other revenue	2(b)	131
Grants revenue	2(c)	8
Total Revenue		**14,855**
Expenses from continuing operations		
Auditors' remuneration	3	22
Employee and other benefits		3,765
Services and utilities		1,533
Repairs and maintenance		428
Administration, marketing and other		577
Finance Costs	5	5,014
Depreciation	6	2,869
Capital loss and impairment	8	6,410
Total expenses		**20,618**
Net loss before tax		**(5,763)**
Income tax equivalent benefit	**7**	**1,779**
Net loss after tax		**(3,984)**
Other comprehensive income		**-**
Total comprehensive income for the year		**(3,984)**

Statement of financial position as at 30 June 2013

	Note	Year 30 June 2013 $'000
Assets		
Current Assets		
Cash and cash equivalents	9	3,210
Trade and other receivables	10	3,338
Total current assets		**6,548**
Non-current assets		
Land - Freehold	11	9,700
Land - DOGIT	11	750
Buildings	11	17,091
Plant and equipment	11	2,254
Runways, taxiways, aprons and infrastructure	11	67,167
Work in progress	11	1,228
Deferred tax equivalent assets	7	1,779
Total non-current assets		**99,969**
Total assets		**106,517**

Statement of financial position as at 30 June 2013 (Cont'd)

	Note	Year 30 June 2013 $'000
Liabilities		
Current liabilities		
Trade and other payables	12	2,025
Borrowings	13	63,947
Other financial liabilities	14	1
Provisions	15	31
Deferred income - infrastructure grant		7
Total current liabilities		**66,011**
Non-current liabilities		
Trade and other payables	12	2,245
Provisions	15	176
Deferred income - infrastructure grant		276
Total non-current liabilities		**2,697**
Total liabilities		**68,708**
Net assets		**37,809**
Equity		
Contributed capital		41,793
Accumulated losses		(3,984)
Total equity		**37,809**

Statement of Changes in Equity for the year ended 30 June 2013

	Note	Contributed capital	Accumulated losses	Total
		$'000	$'000	$'000
Equity contributed by GRC 1 July 2012	20	41,793	-	41,793
		41,793	-	41,793
Net loss after tax		-	(3,984)	(3,984)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(3,984)	(3,984)
Balance as at 30 June 2013		**41,793**	**(3,984)**	**37,809**

Statement of Cash Flows for the year ended 30 June 2013

	Note	Year 30 June 2013 $'000
Cash flows from operating activities		
Receipts from customers		12,794
Payments to suppliers and employees		(6,731)
Interest received		131
Government grants and deferred income		8
Interest paid		(3,941)
Net cash inflow from operating activities	**21**	**2,262**
Cash flow from investing activities		
Capital expenditure		(1,985)
Proceeds from sale of property, plant and equipment		31
Net cash received from Gladstone Regional Council upon Corporatisation		5,005
Net cash inflow investing activities		**3,051**
Cash flow from financing activities		
Repayment of borrowings		(2,103)
Net cash outflow from financing activities		**(2,103)**
Net increase in cash and cash equivalents held		**3,210**
Cash and cash equivalents at beginning of reporting period		-
Cash and cash equivalents at end of reporting period		**3,210**

The above statement should be read in conjunction with the accompanying notes and summary of significant accounting policies.

1 Summary of significant accounting policies

(a) Reporting entity

Gladstone Airport Corporation (GAC), the 'Corporation', domiciled in Australia, was incorporated on 1 July 2012. The Corporation's assets and liabilities were contributed by the Gladstone Regional Council (GRC) pursuant to the *Local Government (Beneficial Enterprises and Business Activities) Regulation 2010*, which was repealed on 14 December 2012. The Corporation is wholly owned by the Gladstone Regional Council.

(b) Statement of compliance

The financial statements for the Corporation are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. The financial statements also comply with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. The Corporation is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were approved on 28 October 2013 by the Board of Directors.

(c) Basis of measurement

The financial statements have been prepared on an accruals basis. Historical cost basis has been used except for the following material items:

- freehold land has been valued at independently assessed market value;
- DOGIT land – Refer to Note 1(m); and
- defined benefit assets – Refer to Note 1(q).

The Corporation has elected not to adopt new or amended Accounting Standards in advance of their operative date.

The Corporation uses the Australian Dollar as its functional currency and its presentation currency.

(d) Use of estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and in consultation with the parent entity, Gladstone Regional Council where applicable.

1 Summary of significant accounting policies (Cont'd)

(d) Use of estimates and judgements (cont'd)

(i) Impairment - general

The carrying value of non-current assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. Non-current assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Comprehensive Income.

(e) Comparative figures

As the Corporation was incorporated on 1 July 2012, there is no comparative financial information.

(f) Segment reporting

The Corporation operates in the airport business, is located in Gladstone, Queensland and provides infrastructure facilities and services in the aviation transport industry.

(g) Rounding

The amounts presented in the financial statements have been rounded to the nearest thousand dollars or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

(h) Inventories

Inventories comprise spares for equipment utilised in the operation of the airport and are carried at the lower of cost and net realisable value.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(j) Trade and other receivables

Trade and other receivables are stated at their invoiced value less impairment losses. Trade and other receivables are recognised as current assets. Bad debts are written off as incurred.

1 Summary of significant accounting policies (Cont'd)

(k) Capital work-in-progress

The cost of property, plant and equipment which is constructed by the Corporation includes the cost of the purchased services, materials and direct labour. Upon completion of a capital project, all associated costs are transferred and classified from capital work in-progress to its appropriate classification as a non-current asset in the Statement of Financial Position.

(l) Property, plant and equipment

Acquisition of Assets

Acquisition of assets are initially recorded at cost. Cost is determined as the fair value of assets given as consideration plus costs incidental to the acquisition, including all other costs in getting the assets ready for use.

Valuation

(i) Property

Land and Buildings are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant and Equipment.

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio not less than three yearly.

The market value of the freehold land for the Corporation has been arrived at using the current zoning of airport use to arrive at the valuation. Freehold land is carried at its market value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction) and where a market value cannot be established for specialised property, cost is adopted.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity, all other decreases are recognised in the Statement of Comprehensive Income. Building assets of a temporary nature intended to be removed within twelve months of construction will be recorded at cost.

(ii) Plant and equipment, runways, taxiways, aprons and infrastructure

Plant and equipment, runways, taxiways, aprons and infrastructure assets are measured on the cost basis and is therefore carried at cost less accumulated depreciation. In the event the carrying amount of plant and equipment, runways, taxiways, aprons and infrastructure assets are greater than their estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount in the Statement of Comprehensive Income.

1 Summary of significant accounting policies (Cont'd)

(l) Property, plant and equipment (cont'd)

Depreciation

The depreciable amount of all property, plant and equipment assets including buildings, but excluding freehold land, is depreciated on a straight line basis (for buildings and infrastructure) or diminishing value basis (for other assets) over the asset's useful life to the Corporation commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Runways, taxiways and aprons	2.5%
Infrastructure	2.5% - 20%
Buildings	2.5%
Plant and equipment	8% - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Asset thresholds

Assets have predetermined thresholds for recognition purposes, which are in line with the parent entity. Amounts which exceed these thresholds are recognised for financial reporting purposes in the year of acquisition:

Runways, taxiways and aprons	$10,000
Infrastructure	$10,000
Buildings	$10,000
Plant & equipment	$5,000
Land	$1

Items with a lesser value are expensed in the year of acquisition.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in the Statement of Comprehensive Income when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Leased assets

Currently the Corporation has no finance leases in place.

1 Summary of significant accounting policies (Cont'd)

(m) DOGIT Land

By definition A "Deed of Grant of Land in Trust" (DOGIT) is:

(a) Land granted in fee simple in trust by the State; or

(b) Documentary evidence of a grant, including an indefeasible title under the *Land Title Act 1994*.

DOGIT land is land which is provided under a deed of trusteeship. This land is provided to the Corporation with a defined purpose of use. This use is currently defined for airport purposes. The deed contains a number of specific covenants which cover issues such as tenure, use of land and the circumstances in which the use of this land can be terminated. The valuation methodology is detailed in Note 11.

(n) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and recognised as a current liability.

(o) Borrowing costs

Borrowing costs are generally written off over five years or the period of the loan, whichever is shorter. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take more than twelve months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs incurred are capitalised to that component of borrowing, net of any interest earned on those borrowings.

(p) Taxation

The Corporation is a State body as defined in the *Income Tax Assessment Act 1936* and is exempt from Commonwealth Income Tax, but not from other Commonwealth and State taxes such as Fringe Benefits Tax (FBT), Goods & Services Tax (GST) and Payroll Tax.

(i) Fringe benefits tax (FBT)

FBT is accounted for in terms of the FBT liability payable in respect of relevant benefits provided to employees.

1 Summary of significant accounting policies (Cont'd)

(p) Taxation (Cont'd)

(ii) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the ATO is included with other receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(iii) Income Tax

Although exempt from Commonwealth income tax, the Corporation provides for taxation under the income tax rules in accordance with the Local Government Tax Equivalents Regime ("LGTER"). The LGTER is a Queensland Government tax revenue model that advocates the National Competition Policy Reforms, designed to encourage a better use of Australia's resources by enhancing efficiency through competition. The resulting tax is payable to the Gladstone Regional Council rather than to the Australian Taxation Office.

The income tax expense/ (income) for the year comprises current income tax expense/ (income) and deferred tax expense/ (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to (recovered from) the Gladstone Regional Council under the LGTER. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

In accordance with foundation agreements between the Gladstone Regional Council ("GRC") and the Corporation, GRC is accruing tax equivalent payments due by the Corporation until financial year 2016. The deferred payments are non-interest bearing. Accrued payments are to be paid to GRC from 1 July 2016, on a schedule to be agreed.

Current and deferred income tax expense/ (income) is charged or credited outside the Statement of Comprehensive Income when the tax relates to items that are recognised outside that Statement. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred income tax is recognised from the initial recognition of assets or liabilities in a transaction that is not a business combination, where there is no effect on accounting or taxable profit or loss.

1 Summary of significant accounting policies (Cont'd)

(p) Taxation (Cont'd)

(iii) Income Tax (Cont'd)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Employee benefits

Provision is made for the Corporation's liability for employee benefits to the end of the reporting period. These benefits include salaries and wages, annual leave, private leave, RDO, long service leave and time off in lieu. All statutory superannuation contributions are expensed in the period in which they are paid or payable.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, including on-costs in accordance with AASB 119 Employee Benefits.

Employee benefits payable later than one year have been classified as non-current in nature and measured at the present value of the estimated future cash outflows for those benefits using government bonds discount rates that have a similar maturity date after projecting the remuneration rates expected to apply at the time of likely settlement. In determining the liability, consideration is given to the probability that the employee may not satisfy any vesting requirements.

(i) Defined benefit superannuation fund

Actuarial assumptions are made in the determination of the Corporation's defined benefit obligations and takes into account:

- assumed discount rate;
- future salary inflation rate adopted by the Corporation;
- impact on the value of the defined benefit obligations.

1 Summary of significant accounting policies (Cont'd)

(q) Employee benefits (Cont'd)

(i) Defined benefit superannuation fund (cont'd)

A change in the discount rate or salary inflation rate, will increase/decrease the actuarial value of the defined benefit obligation/asset. Actuarial gains and losses are immediately recognised through equity in the Statement of Comprehensive Income in the year in which the actuarial gains and losses arise. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the Corporation's obligations. The calculation is performed by a qualified actuary.

(ii) Long term service benefits

The Corporation's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Corporation's obligations. In determining the liability, consideration has been given to the Corporation's experience with staff departures.

(iii) Wages, salaries, annual leave, sick leave

Liabilities for wages, salaries, annual leave (including leave loading) and personal leave vesting to employees are recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as work cover insurance, superannuation and payroll tax.

(r) Provisions

Provisions are recognised when the Corporation has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

1 Summary of significant accounting policies (Cont'd)

(s) Revenue and other income

Revenues are recognised at the value of the consideration received, net of the amount of the Goods & Services Tax (GST) payable to the Australian Taxation Office (ATO).

(i) Aeronautical revenue

Aeronautical revenue comprises runway and terminal charges. Aeronautical revenue is charged on the basis of numbers of arriving and departing airline passengers and maximum take-off weight of landing scheduled and chartered airline aircraft at Gladstone Airport. General aviation is charged based on the maximum take-off weight of aircraft on landings only.

Recovery of the cost of Government mandated security measures in respect of passenger and baggage screening, is also included in aeronautical revenue.

(ii) Retail revenue

This class of revenue includes food and beverage, retail concessionaire rent, and other charges received.

(iii) Property revenue

This revenue is received from the rental of areas including advertising space within the terminal, buildings and other leased assets.

(iv) Proceeds from the sale of non-current assets

The net proceeds from the sale of non-current assets are included as revenue at the time the title passes to the buyer and the contract is unconditional. The gain or loss is calculated to be the difference between the carrying amount of the asset at the time of disposal and net proceeds from sale.

(t) Maintenance

Pavement surfacing costs incurred on runways, taxiways and aprons are capitalised and are written off over the period between resurfacing projects. This recognises that the benefit is to future periods and also apportions the cost over the period of the related benefit.

Aircraft pavements, roads, leasehold improvements, plant and machinery of the corporation are required to be maintained on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred. Other routine operating maintenance, repair and minor renewal costs are expensed as incurred.

1 Summary of significant accounting policies (Cont'd)

(u) Financing costs

Net financing costs comprise interest payable on borrowings, calculated using the effective interest method, and interest receivable on funds invested. Borrowing costs are expensed as incurred and included in net financing costs unless they are capitalised to capital works in progress for qualifying assets. (refer Note 1(o))

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

(v) Financing arrangements

GRC and the Corporation determined during 2013 that loans from GRC should be secured by a fixed and floating charge over the Corporation's assets and undertakings. A fixed and floating charge over the Corporation's assets and undertakings is to be executed.

(w) Financial Instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Corporation becomes a party to the contractual provisions of the instrument.

(ii) Classification and subsequent measurement

Financial instruments are classified and measured as follows:

- Cash and Cash equivalents - at fair value through profit or loss
- Receivables - at amortised cost
- Payables - at amortised cost

The Corporation does not enter into transactions for speculative purposes. The Corporation has a fixed rate loan from GRC but otherwise undertakes no hedging. Apart from cash and cash equivalents, the Corporation holds no other financial assets.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the corporation are included in note 19.

1 Summary of significant accounting policies (Cont'd)

(x) New accounting standards for application in future periods

In the current year, the Corporation adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to the Corporation's accounting policies.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	Effective for annual report periods beginning on or after:
AASB 9 Financial Instruments (December 2009)	1-Jan-15
AASB 10 Consolidated Financial Statements	1-Jan-13
AASB 11 Joint Arrangements	1-Jan-13
AASB 12 Disclosure of Interests in Other Entities	1-Jan-13
AASB 13 Fair Value Measurement	1-Jan-13
AASB 119 Employee Benefits	1-Jan-13
AASB 127 Separate Financial Statements	1-Jan-13
AASB 128 Investments in Associates and Joint Ventures	1-Jan-13
AASB 1053 Application of Tiers of Australian Accounting Standards	1-Jul-13
AASB 1055 Budgetary Reporting	1-Jul-14
2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)	1-Jan-15
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1-Jul-13
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1-Jan-15
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	1-Jan-13
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Requirements	1-Jul-13
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1-Jan-12
AASB 2011-6 Amendments to Australian Accounting Standards Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements	1-Jul-13
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1-Jan-13
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1-Jan-13
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	1-Jan-13

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1 Summary of significant accounting policies (Cont'd)

(x) New accounting standards for application in future periods (Cont'd)

AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1-Jul-13
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (AASB 1)	1-Jan-13
AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	1-Jul-13
AASB 2012-2 Amendments to Australian Accounting Standards Disclosures – Offsetting Financial Assets and Financial Liabilities	1-Jan-13
AASB 2012-3 Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities [AASB 132]	1-Jan-14
AASB 2012-4 Amendments to Australian Accounting Standards Government Loans [AASB 1]	1-Jan-13
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	1-Jan-13
AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8]	1-Jan-13
AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, AASB 12, AASB 101 & AASB 127]	1-Jul-13
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	1-Jan-13
AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	1-Jan-13
AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, AASB 2, AASB 8, AASB 10, AASB 107, AASB 128, AASB 133, AASB 134 & AASB 2011-4]	1-Jul-13
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1-Jul-14

Management have yet to assess the impact that *AASB 9 Financial Instruments* (December 2010), *AASB 13 Fair Value Measurement*, *AASB 101 Presentation of Financial Statements* and 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 is likely to have on the financial statements of Gladstone Airport Corporation as it is anticipated that further amendments will occur. The Corporation does not expect to implement the amendments prior to the adoption date of 1 January 2013. Adoptions will, however, result is changes to information currently disclosed in the financial statements. The corporation does not intend to adopt any of these pronouncements before their effective dates.

2 Revenue from continuing operations

	Year 30 June 2013
	$'000
(a) Operating revenue	
Aeronautical revenue	13,603
Retail revenue	56
Property revenue	1,057
Total operating revenue	**14,716**
(b) Other revenue	
Interest received	131
Total other revenue	**131**
(c) Grants revenue	
Other income	8
Total other income	**8**
Total revenue	**14,855**

3 Auditor's remuneration

Audit of annual financial statements by the Auditor General of Queensland	22
	22

4 Dividends

	Year 30 June 2013
	$'000
No dividends were declared or paid during the year	

5 Finance costs

Loan interest on charged by Gladstone Regional Council	3,941
Loan administration fees on charged by Gladstone Regional Council	74
Competitive neutrality margin payable to Gladstone Regional Council	991
Bank charges	8
Total finance costs	**5,014**

6 Depreciation

Plant and equipment	635
Buildings	438
Roads infrastructure	166
Runways, taxiways and aprons	1,630
Total depreciation	**2,869**

7 Income tax equivalents

	Year 30 June 2013
	$'000
Income tax equivalents recognised in profit or loss	
Current tax	(306)
Deferred tax	(1,473)
Total income tax equivalent benefit	**(1,779)**
Reconciliation of effective tax rate	
Loss before income tax equivalent	(5,763)
Income tax equivalent at 30%	(1,729)
Non-deductible expenses	1
Change in unrecognised temporary differences subject to initial recognition exemption	(108)
Capital losses not recognised as deferred tax assets	57
Income tax equivalent benefit	**(1,779)**
Tax equivalent assets	
Deferred tax equivalent assets are attributable to the following:	
Property, plant and equipment	1,351
Employee benefits	122
Tax equivalent losses	306
Movements in deferred tax equivalent assets	**1,779**
Balance as at 1 July	-
Current year's income tax equivalent expense	1,473
Tax equivalent losses recognised	306
Balance at 30 June	**1,779**
Unrecognised deferred tax equivalent assets	
Deferred tax equivalent assets have not been recognised in respect of the following:	
Employee provisions transferred from GRC on 1 July 2012	42

8 Capital loss and impairment

	Year 30 June 2013
	$'000
Loss on the disposal of non-current assets	
Proceeds from the sale of property, plant and equipment	(31)
Less: Book value of property, plant and equipment disposed	207
	176
Revaluation decrement	
Revaluation decrease of land	13
	13
Impairment expense	
Impairment of runway (refer to note 11 (b))	6,221
	6,221
Total capital loss and impairment	**6,410**

9 Cash and cash equivalents

Cash	1,303
Short-term bank deposits	1,907
	3,210

10 Trade and other receivables

Trade debtors	3,184
Other receivables	154
	3,338

11 Property, plant and equipment

	Year 30 June 2013
	$'000
Land and buildings	
Land	
Freehold land at independent valuation	9,700
DOGIT land at independent valuation	750
Total land	**10,450**
Buildings	
Buldings at independent valuation	19,824
Accumulated depreciation	(2,733)
Total buildings	**17,091**
Total land and buildings	**27,541**
Runways, taxiways, aprons and infrastructure	
Infrastructure:	
At cost	6,367
Accumulated depreciation	(166)
Total infrastructure	**6,201**
Runways, taxiways and aprons	
At cost	68,817
Accumulated impairment losses	(6,221)
Accumulated depreciation	(1,630)
Total runways, taxiways and aprons	**60,966**
Total runways, taxiways, aprons and infrastructure	**67,167**

11 Property, plant and equipment (Cont'd)

	Year 30 June 2013
	$'000
Plant and equipment	
Plant and equipment	
At cost	2,887
Accumulated depreciation	(633)
Total plant and equipment	**2,254**
Works in progress	
Opening balance 1 July 2012	-
Additions during period	1,329
Internal transfers between works in progress and other classes	(101)
Closing balance 30 June 2013	**1,228**
Total property, plant and equipment	**98,190**

(a) Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold land	DOGIT land	Buildings	Runways, taxiways, aprons & infrastructure	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets transferred from GRC 1/07/12	9,500	750	17,527	75,096	2,642	-	105,515
Additions	213	-	187	88	269	1,329	2,086
Disposals - written down value	-	-	(185)	-	(22)	-	(207)
Revaluation (increments/ decrements)	(13)	-	-	(6,221)	-	-	(6,234)
Internal transfers	-	-	-	-	-	(101)	(101)
Depreciation expense	-	-	(438)	(1,796)	(635)	-	(2,869)
Carrying amount at 30 June 2013	**9,700**	**750**	**17,091**	**67,167**	**2,254**	**1,228**	**98,190**

11 Property, plant and equipment (Cont'd)

(b) Asset revaluations

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio not less than three yearly.

(i) Freehold Land

Freehold land was independently valued at 30 June 2013. The market value of the freehold land less cost to sell, based on an active market, was determined to be $9,700,000 as at 30 June, 2013.

Capital costs of $12,652 associated with the purchase of 35 Wistari Street, Gladstone were capitalised to the property, however as this was in excess of the valuation amount it has been recognised in the Statement of Comprehensive Income as an asset impairment.

(ii) Land - DOGIT

DOGIT land totalling 12.4595 Hectares was for the 2013 financial year held in trust by the Gladstone Regional Council. Under the terms of the trust the land is restricted to use for aerodrome purposes. Acknowledging the restrictions under the trust, the DOGIT land cannot be valued on the same basis as adjoining freehold land.

The DOGIT land is considered to form an integral part of the airport's operations and to have a 'value in use' to the Corporation based on the current zoning scheme.

DOGIT land was independently valued at 1 July 2012 and 30 June 2013 based on market value at $750,000.

(iii) Buildings

Buildings were independently valued based on market value.
The market value of the buildings at 1 July 2012 was determined to be $17,527,140 and at 30 June 2013 the market value was $17,091,000.

During the financial year the caretaker's house was demolished and this resulted in a loss on disposal of $184,756.

(iv) Runways, taxiways and aprons

Impairment of runway

A Civil Aviation Safety Authority (CASA) inspection of Runway 10/28 found that the width of its runway strip at the runway ends did not meet CASA standards for the design maximum sized aircraft. Consequently the effective length of the runway is reduced resulting in 200 metres of runway pavement at the eastern end plus 45 metres at the western end, valued at $6,220,880, being ineffective under the design parameters. The book value of Runway 10/28 has accordingly been reduced at 30 June 2013 by this amount.

11 Property, plant and equipment (Cont'd)

(b) Asset revaluations

(v) Plant and equipment

Plant and equipment is carried at cost, so there is no impact on the asset revaluation of this class of asset. The Corporation is committed to performing independent formal valuations on a triennial basis.

12 Trade and other payables

	Year 30 June 2013
	$'000
Current	
Trade payables and accrued expenses	362
Other payables (Net amount GST payable)	171
Amount payable to:	
- Parent entity (GRC)	112
Employee benefits payable	389
Competitive neutrality margin payable to GRC (note 13)	991
	2,025
Non-current	
Employee benefits payable	68
ILS capital and future calibration costs	2,177
	2,245

13 Borrowings

	Year 30 June 2013 $'000
Current	
Loan unsecured - GRC	**63,947**

The Corporation's borrowings are from GRC. The Corporation's borrowings are fixed rate with an interest rate of 6.06% plus and an administrative fee of 0.1% per annum. The facility is an amortising loan with full repayment over the period to 30 June 2030.

A competitive neutrality margin of 1.5% on the outstanding loan balance is also paid by the Corporation to GRC. The Council is accruing competitive neutrality margin until financial year 2016. Accrued payments are to be paid to GRC from 1 July 2015, on a schedule to be agreed.

The unsecured loan and competitive neutrality margin have been disclosed as current borrowings as a formal loan agreement has not yet been finalised with GRC as at the date of this report.

It is expected that the loan will be required to be secured by a fixed and floating charge over the Corporation's assets and undertakings.

14 Other financial liabilities

	Year 30 June 2013 $'000
Current	
Deposits and other amounts held on behalf of third parties	1
Total other financial liabilities	**1**

Guarantees

The Corporation and its officers have not entered into any guarantees in the current year in relation to the debts of the Corporation.

15 Provisions

	Year 30 June 2013
	$'000
Current	
Long service leave	31
Total current liabilities	**31**
Non-current	
Long service leave	176
Total non-current liabilities	**176**

16 Capital commitments

(a) Instrument landing system (ILS) and Distance Measuring Equipment (DME)

The Corporation has incurred ILS related capital expenditure of $608,094 in the period to 30 June 2013. The Corporation has entered into ILS contracts which are capital works-in-progress and total $2,771,223.

(b) Other capital work-in-progress

As at 30 June 2013, the Corporation has a number of projects requiring additional financial commitment to complete. The Corporation has currently entered negotiations for a number of major projects estimated to be worth $1,673,300.

17 Contingent liabilities and contingent assets

At the time of completing the financial statements, no contingent assets or liabilities were identified.

18 Events after the reporting period

On 1 August 2013, Gladstone Regional Council effected the transfer of the DOGIT land and registered a title transfer to the Corporation. Although this event has occurred, there have been no changes to the underlying terms and conditions attached to this type of land. As such, there are no changes or impact on the value carried in the financial statements.

19 Financial instruments

	Note	Year 30 June 2013
		$'000
Financial assets		
Cash and cash equivalents	9	3,210
Trade and other receivables	10	3,340
Total financial assets		**6,550**
Financial liabilities		
Financial liabilities at invoiced value		
Trade and other payables	12	4,270
Borrowings	13	63,947
Total financial liabilities		**68,217**

Financial risk management policies

Policies are developed by committees and recommended to the Board for approval on a regular basis.

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Corporation is exposed to various risks including liquidity, interest rate, market and credit risks. These risks are an inherent part of the operations of an airport. The Corporation manages these risk exposures using various financial instruments, governed by a set of policies approved by the Board. The Corporation's policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes and the Board may consider different methods to assess and manage different types of risk to which it is exposed. These methods include correlations between risk types, sensitivity analysis in the case of interest rates, price risks, ageing analysis and sensitivity analysis for liquidity risk and credit risk.

The main risks that the Corporation is exposed to through its financial instruments are:

1. Credit risk;
2. Liquidity risk;
3. Market risk; and
4. Interest rate risk

19 Financial instruments (Cont'd)

Financial risk management policies (Cont'd)

There have been no substantive changes in the types of risks the Corporation is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks during the reporting period.

1 Credit risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default. The Corporation conducts transactions with trade debtors – the credit risk is the recognised amount, net of any impairment losses. As at 30 June 2013 trade debtors amounted to $3,183,888. The Corporation has credit risk associated with airlines, and credit provided to direct customers. The Corporation minimises this credit risk through the application of stringent credit policies.

2 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation manages liquidity risk by targeting a minimum liquidity level, ensuring long term commitments are managed with respect to forecast available cash inflows, maintaining a strong relationship with the Gladstone Regional Council.

The ability of the Corporation to meet its obligation to its lenders is largely dependent upon cash flows generated by passenger volumes and aircraft movements.

During the year, the Board undertook detailed reviews of the Master Plan, the traffic forecast and the financial model that was provided to the Corporation upon incorporation. Discussions commenced post balance date with GRC regarding the medium and long term financing structure of the Corporation.

19 Financial instruments (Cont'd)

Financial risk management policies (Cont'd)

Financial liability and financial asset maturity analysis

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	2013	2013	2013	2013
	$'000	$'000	$'000	$'000
Financial Liabilities due for Payment				
Trade and other payables	4,270	-	-	4,270
Loan - Gladstone Regional Council	63,947	-	-	63,947
Total contractual outflows	**68,217**	**-**	**-**	**68,217**
Financial Assets - cash				
Cash and cash equivalents	3,210	-	-	3,210
Trade and other receivables	3,338	-	-	3,338
Total anticipated inflows	**6,548**	**-**	**-**	**6,548**
Net (outflow) / inflow on financial instruments	**61,669**	**-**	**-**	**61,669**

The unsecured loan and competitive neutrality margin have been disclosed as current borrowings as a formal loan agreement has not yet been finalised with GRC as at the date of this report.

It is expected that the loan will be required to be secured by a fixed and floating charge over the Corporations' assets and undertakings.

3 Market risk

The Corporation has exposure to market risk in the following areas: interest rate, macro changes that may impact on regional industry such as the resources sectors due to changes in strategic and operational decisions by aviation companies. The following section summarises the Corporation's approach to managing these risks.

19 Financial instruments (Cont'd)

Financial risk management policies (Cont'd)

4 Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest rate borrowings expose the Corporation to changes in fair value, while variable interest rate investments expose the Corporation to fluctuations in return and cash flow. The major exposure for the Corporation is its borrowings from Gladstone Regional Council, which is in turn borrowed at fixed rates from Queensland Treasury Corporation. This mitigates the Corporation's exposure to movement in interest rates. The market interest rates used to discount estimated cash flows for borrowings are based on the Queensland Treasury Corporation yield curve at the reporting date.

Changes in variable and fixed interest rates of one per cent (100 basis points) would have the following effect on the Corporation's profit or loss and equity at reporting date if the financial instruments were to be re-financed. The net fair value of cash, investments, trade receivable, and trade and other payables are determined by valuing them at their carrying amounts. Due to their short-term maturity, their carrying amounts approximate their fair values. The net fair value of long-term borrowings is determined by valuing their discount cash flows, at market interest rates of similar borrowings, to their present value. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

For the year ended 30 June 2013 interest-bearing liabilities amounted to $63.95 million.

Interest Rate Risk Sensitivity Analysis

	Value	Impact on Profit	Impact on Equity
	2013	2013	2013
	$'000	$'000	$'000
Financial assets			
Cash and cash equivalents	3,210	(32)	(32)
Financial Liabilities			
Borrowings	63,947	639	639

The Corporation holds no investments other than cash.

20 Capital

Gladstone Regional Council passed a resolution on 19 June 2012 to effect corporatisation of Gladstone Airport Corporation on 1 July 2012, under Section 49 *Local Government Regulation 2012*. The Corporation does not have share capital in the normal meaning found in the *Corporations Act 2001*. Equity comprised the value of net assets and liabilities contributed at 1 July 2012, as detailed below:

	Year 30 June 2013
	$'000
Cash	5,005
Freehold land	9,500
DOGIT land	750
Buildings	17,527
Runways, taxiways, aprons and infrastructure	75,096
Plant and equipment	2,642
Total Assets	**100,520**
Liabilities	
Loan unsecured - GRC	66,050
ILS capital and future calibration costs	2,177
Employee leave liability	500
Total liabilities	**68,727**
Contributed Capital	**41,793**

The value of the Property, Plant and Equipment transferred to the Corporation on 1 July 2012 was determined by independent valuation.

21 Reconciliation of cash flows from operating activities to net loss after income tax

	Year 30 June 2013
	$'000
Net loss after income tax	**(3,984)**
Non-cash operating items	
Depreciation	2,869
Loss on sale of property, plant and equipment	176
Impairment of property, plant and equipment	6,234
Changes in operating assets and liabilities	
Government grant & deferred income	283
Increase in provisions	164
Change in trade and other receivables	(3,338)
Change in trade and other payables	1,637
Change in deferred taxes	(1,779)
Net cash from operating activities	**2,262**

22 Superannuation

Gladstone Airport Corporation is a Local Government owned Corporation wholly owned by Gladstone Regional Council, and in meeting it's obligations to its employees with respect to superannuation contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits. Other schemes are contributed to at the election of the employee, however the scheme is the default superannuation provider for Corporation employees.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

22 Superannuation (Cont'd)

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund;

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and

The Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB 119. The Corporation has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

The Regional DBF is a defined benefit plan as defined in AASB119. The Corporation is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Corporation for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Corporation. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, employers were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the *Local Government Act 2009* the trustee of the scheme has the power to levy additional contributions on employers which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be conducted as at 1 July 2015.

Directors' Declaration for the year ended 30 June 2013

In the Directors' opinion:

i. the accounts have been prepared in accordance with section 297 of the *Local Government Act 2009* (the Act) and sections 176(a) and 177 of the *Local Government Regulation 2012* (the Regulation);

ii. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

iii. the attached financial statements and notes thereto give a true and fair view of the Corporation's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

iv. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

The Hon Dr David J Hamill AM
Chairman

Dated this 28th day of October 2013

Mr Owen F Williams
Deputy Chairman

Dated this 28th day of October 2013

Independent Auditor's Report

To the members of Gladstone Airport Corporation

Report on the Financial Report

I have audited the accompanying financial report of Gladstone Airport Corporation, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

The Directors' Responsibility for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* including compliance with Australian Accounting Standards. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (Cont'd)

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters in which the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* -

(a) I have received all the information and explanations which I have required; and

(b) in my opinion -

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects;

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Gladstone Airport Corporation for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year; and

  (iii) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b)

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

QUEENSLAND
0 7 NOV 2013
AUDIT OFFICE

P J FLEMMING CPA
(As Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane


ARRIVALS

Gladstone Airport Corporation

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