Gladstone Airport Corporation

Annual Report

Year ended 30 June 2020

Gladstone Airport Corporation

Gladstone
Airport Corporation

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on Gladstone Airport Corporation for the financial year ended 30 June 2020.

Directors

The names of the Directors in office during the financial year and up to the date of this report were:

Mrs Adrienne Ward (Chairperson)
Dr Bradley D Bowes
Cr Richard A Hansen
Mrs Leigh Zimmerlie
Mrs Tina Zawila
Mr Graeme Kanofski

Review of Operations

Gladstone Airport Corporation (GAC) is wholly owned by Gladstone Regional Council (GRC). GAC has operated since 1 July 2012 upon transfer of assets and liabilities and operational responsibilities for the ongoing conduct of the business at Gladstone Airport from GRC.

In what has been a difficult year for the Aviation Industry, during FY2020, GAC generated positive cashflows of $882,000 (2019: $833,000). GAC incurred a loss of $1,434,493 before income tax equivalents and excluding the revaluation of land and buildings and impairment of plant and equipment.

The Aviation Industry has been significantly impacted by the emerging COVID-19 situation, with periods of interstate and intrastate travel restrictions causing passenger numbers through the Gladstone Airport to significantly reduce in addition to a general decline in market values for airport assets due to COVID-19. Furthermore, in recent years the forecast volumes have been significantly adjusted to reflect lower passenger numbers expected for the airport due to a decline in demand for LNG and mining passengers. The impacts of the downturn upon the operational activities of the GAC has resulted in a significant devaluation of the Corporation's property, plant and equipment in 2019/20. The Corporation has taken steps to mitigate the impact of the pandemic and reduction in passenger numbers and will continue to adapt to the changing operating environment going forward.

Significant Changes in the State of Affairs

There have been no circumstances or events outside what has already been disclosed in this annual report that have significantly affected, or may significantly affect the entity's operations or the results of those operations in the future financial years.

Principal Activities

The principal activities of GAC 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

There have been no circumstances or events, outside what has already been disclosed in this annual report, that have significantly affected, or may significantly affect the entity's operations or the results of those operations in future financial years.

Environmental Regulation

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 is regulated by significant environmental regulations under laws of the Commonwealth and/or state.

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 Regulation 2019
Environmental Protection (Air) Policy 2019
Environmental Protection (Noise) Policy 2019
Environmental Protection (Water and Wetland Biodiversity) Policy 2019
State Planning Policy 1/02: Development in the Vicinity of Certain Airports and Aviation Facilities
Nature Conservation Act 1992
Nature Conservation (Animals) Regulation 2020
National Greenhouse and Energy Reporting Act 2007

Dividends

There was no dividend paid during the year (2019: $324,819).

Directors

The Directors during the financial year were:

Adrienne Ward

Adrienne was appointed to the Board of Directors of Gladstone Airport Corporation on 20 September 2016.

Adrienne has an extensive background in corporate and government strategy, as well as working in high-risk and dynamic environments. Along with her husband, she currently owns a number of businesses in Gladstone and has previously worked in state and national roles within organisations such as Accenture, Westpac Banking Corporation and Leighton Contractors.

Adrienne is a passionate advocate and contributor to both Gladstone and Queensland. Her current roles include Non-Executive Director of Gladstone Ports Corporation; President of the Gladstone Hockey Association; Member of The Public Transport Fares Advisory Panel, Qld; Member of The Australian Institute of Company Directors (AICD) Central Qld Committee; Committee Member of the Regional Arts Development Fund (RADF) Gladstone and Ambassador for the Women in Business Awards of Australia.

Adrienne is a former Telstra Businesswoman of the Year and was also awarded The Centenary Medal in 2003 for distinguished service and achievement in business and commerce.

Dr Bradley D Bowes

Dr Bowes is a senior executive with over 20 years' experience in a range of commercial, operational, and corporate roles in airport management and development.

His aviation career includes company secretary and head of governance, risk, compliance and legal services for the Brisbane Airport Corporation from 1997 to 2010.

Prior to that he was a senior manager with significant commercial and operational roles at the Federal Airports Corporation prior to leading the strategic planning and privatisation processes at Brisbane Airport.

Brad has also held senior roles in a large statutory authority in the transport sector.

He is currently Group Company Secretary at RACQ.

Brad also chairs the Gladstone Airport Corporation Risk and Compliance Committee.

DIRECTORS' REPORT (Continued)

Directors (Continued)

Cr Rick Hansen

Cr Rick Hansen was elected to Gladstone City Council in 2006 and in turn to the Gladstone Regional Council in 2008.

He was appointed as a Director of Gladstone Airport Corporation on 5 April 2016 and sits on the GAC Finance and Audit Committee and the GAC Risk and Compliance Committee.

Rick has been involved in the community extensively having worked in major industry for over 20 years, owned and managed a small business for over 20 years and represented the community in Council for the past 14 years.

He has considerable experience in the business of Council from Planning to Community and Finance, has held the Engineering Services and Corporate and Governance portfolios and has been a member of Council's Business Improvement Committee.

Leigh Zimmerlie

Leigh was appointed to the Board of Directors of Gladstone Airport Corporation on 20 September 2016.

Leigh is a long-term Gladstone local employed by Gladstone Area Group Apprentices Limited, in the role of Chief Executive Officer, until her retirement on 31 July 2019.

Prior to Leigh's role at Gladstone Area Group Apprentices Limited she was a Retail Banking Executive whose area covered Queensland from Cairns in the North to the Gold Coast in the South.

Leigh has held positions on many Gladstone boards including, but not limited to - Chair of Gladstone Region Economic Partnerships (GREP), Roseberry Community Services, Bendigo Bank Calliope, Gladstone Chamber of Commerce and is currently Chair of Gladstone Area Promotion & Development Limited (GAPDL).

Leigh also is the President of Creative Gladstone Region Inc.

Tina Zawila

Tina was appointed to the Board of Directors of Gladstone Airport Corporation on 1 July 2017. She chairs the Finance and Audit Committee and is a member of the Nominations and Remuneration Committee.

Tina is a Chartered Accountant with over 30 years' experience in the accounting industry serving the business community of Gladstone. As a Director of UHY Haines Norton CQ Pty Ltd, Tina is passionate about empowering people and organisations to achieve their goals, objectives and financial success.

Committed to continual professional development, Tina also has a Diploma in Financial Planning, is a member of the Australian Institute of Company Directors and is a Fellow of the Institute of Managers and Leaders Australia New Zealand.

An active member of our local community, Tina holds various voluntary roles in not for profit organisations, including her current role as the first female board member, Non-Executive Director and Company Secretary of Gladstone Area Group Apprentices Limited. Tina is also the Chair of the EQIP Business, Industry and Tourism Skills Centre Advisory Committee and is on the Board of the Yaralla Sports Club.

Tina is a Non-Executive Director of the Central Queensland Hospital and Health Board and is the Chair of the Finance and Resource Committee as well as a member of two other Committees.

Gladstone Airport Corporation

DIRECTORS' REPORT (Continued)

Directors (Continued)

Graeme Kanofski

Graeme has had a 40-year career in Local Government with five Councils in Queensland.

Graeme held the position of Chief Executive Officer of the Gladstone/Calliope Aerodrome Board between 1981 and the amalgamations of 2008. The Board administered the Gladstone Airport on a commercial basis. He retired from the role of Chief Executive Officer of Gladstone Regional Council in July 2011.

Since that time Graeme was appointed to the role of Transfer Manager overseeing the de-amalgamation of Livingstone Council.

He holds a Bachelor of Business Degree.

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of GAC during the financial year were:

Director	Board Meetings		Finance & Audit		Risk & Compliance		Nomination, Remuneration & Human Resources	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mrs A Ward	8	8	4	4	-	-	2	2
Dr B Bowes	7	7	-	-	4	4	-	-
Cr R A Hansen	8	8	4	4	4	4	-	-
Mrs L Zimmerlie	7	7	-	-	3	3	2	2
Mrs T Zawila	8	8	4	4	-	-	2	2
Mr G Kanofski	7	7	-	-	4	4	-	-

A - Number of meetings attended.
B - The number of meetings held during the time the Director held office during the year, reduced by approved leave of absence.

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

Finance and Audit	Mrs T Zawila
Risk and Compliance	Dr B Bowes
Nominations, Remuneration and Human Resources	Mrs A Ward

Indemnification of Officers

GAC has paid insurance premiums during the year in respect of Directors' and Officers' liability for Directors and Officers of GAC. The insurance premiums relate to:

- costs and expenses incurred by relevant officers in defending proceedings, whether civil or criminal 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.

GAC has entered into a Deed of Indemnity, Insurance and Access with Directors and Officers. Pursuant to the Deed, GAC 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 GAC.

Proceedings on Behalf of Corporation

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

GAC 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.

Mrs A Ward
Chair

Dated this 7th day of December 2020

Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue from continuing operations			
Operating revenue	2	7,981	10,080
Interest		228	325
Grant revenue		26	26
Total revenue		**8,235**	**10,431**
Expenses from continuing operations			
Auditor's remuneration		79	28
Employee and other benefits		1,905	1,999
Services and utilities		809	916
Repairs and maintenance		513	477
Administration, marketing and other expenses		1,240	1,732
Finance costs	3	2,627	2,615
Depreciation	8,19	2,496	2,477
Revaluation of land and buildings	8	7,300	511
Impairment of plant and equipment	5	36,077	-
(Gain) loss on disposal of non-current assets		-	(10)
Total expenses		**53,046**	**10,745**
Net loss before income tax equivalents		**(44,811)**	**(314)**
Income tax equivalent expense	4	(2,281)	(413)
Net loss after income tax equivalents		**(47,092)**	**(727)**
Other comprehensive income			
Revaluation of land and buildings	8	(6,103)	(42)
Income tax equivalents	4	1,678	11
Change in tax rates on opening asset revaluation reserve		-	157
Total other comprehensive income		**(4,425)**	**126**
Total comprehensive income for the year		**(51,517)**	**(601)**

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The comparatives have not been restated on adoption of AASB 16 and therefore the comparative information is presented using the previous standards relating to leases.

Gladstone Airport Corporation

Statement of Financial Position
As at 30 June 2020

	Note	2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	6	14,213	13,331
Trade and other receivables	7	522	2,110
Prepayments		186	143
Income tax equivalent assets	4	72	72
Total current assets		**14,993**	**15,656**
Non- current assets			
Right of use assets	19	94	-
Property, plant and equipment	8	34,724	84,272
Deferred tax equivalent assets	4	3,244	3,847
Total non-current assets		**38,062**	**88,119**
Total assets		**53,055**	**103,775**
Liabilities			
Current liabilities			
Trade and other payables	10	874	548
Provisions - long service leave		98	98
Deferred income - infrastructure grants		77	26
Lease liabilities		49	-
Total current liabilities		**1,098**	**672**
Non-current liabilities			
Provisions - long service leave		14	19
Borrowings	11	33,716	33,716
Lease liabilities		48	-
Deferred income - infrastructure grants		713	385
Total non-current liabilities		**34,491**	**34,120**
Total liabilities		**35,589**	**34,792**
Net assets		**17,466**	**68,983**
Equity			
Contributed capital	15	69,793	69,793
Asset revaluation surplus		98	4,523
Accumulated losses		(52,425)	(5,333)
Total equity		**17,466**	**68,983**

The Statement of Financial Position should be read in conjunction with the accompanying notes.

The comparatives have not been restated on adoption of AASB 16 and therefore the comparative information is presented using the previous standards relating to leases.

Statement of Changes in Equity
For the year ended 30 June 2020

	Contributed capital	Asset revaluation surplus	Accumulated losses	Total
	$'000	$,000	$'000	$'000
Balance as at 1 July 2018	69,793	4,397	(4,281)	69,909
Net loss after income tax equivalents	-	-	(727)	(727)
Other comprehensive income for the year	-	(31)	-	(31)
Change in tax rates on opening asset revaluation reserve		157	-	157
Dividend paid	-	-	(325)	(325)
Balance as at 30 June 2019	**69,793**	**4,523**	**(5,333)**	**68,983**
Net loss after income tax equivalents	-	-	(47,092)	(47,092)
Other comprehensive income for the year	-	(4,425)	-	(4,425)
Dividend paid	-	-	-	-
Balance as at 30 June 2020	**69,793**	**98**	**(52,425)**	**17,466**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The comparatives have not been restated on adoption of AASB 16 and therefore the comparative information is presented using the previous standards relating to leases.

Gladstone Airport Corporation

Statement of Cash flows
For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		11,033	10,094
Interest received		228	325
Payments to suppliers and employees		(5,405)	(6,531)
Interest paid		(2,043)	(1,214)
Income tax equivalents received (paid)		-	74
Competitive neutrality fees paid		(506)	(1,335)
Net cash flows from operating activities	20	**3,307**	**1,413**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,378)	(342)
Proceeds from sale of property, plant and equipment		-	87
Net cash flows used in investing activities		**(2,378)**	**(255)**
Cash flows from financing activities			
Lease repayments		(47)	-
Dividend paid to shareholder		-	(325)
Net cash used in financing activities		**(47)**	**(325)**
Net increase in cash and cash equivalents held		882	833
Cash and cash equivalents at beginning of reporting period		13,331	12,498
Cash and cash equivalents at end of reporting period	6	**14,213**	**13,331**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

The comparatives have not been restated on adoption of AASB 16 and therefore the comparative information is presented using the previous standards relating to leases.

1 Summary of significant accounting policies

(a) Basis of preparation

These general-purpose financial statements are for the period 1 July 2019 to 30 June 2020 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). GAC is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

(b) Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The corporation has taken steps to mitigate the impact of the COVID-19 pandemic on its operations and results including cost containment measures.

(c) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the following material items:

- freehold land and buildings - refer to Note 1(i); and
- DOGIT land - refer to Note 1(i)

GAC 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 that is considered to be relevant. 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, GRC, where applicable.

Estimates and assumptions that have a potential significant effect are outlined in the following accounting policies:

Trade and other receivables – Note 1(g)
Valuation, Depreciation and Impairment of Property, plant & equipment – Note 1(i), 1(j), 9, 8 and 5
Employee benefits – Note 1(o)

(e) 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.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1 Summary of significant accounting policies (continued)

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less any allowance for expected credit losses. Settlement of these amounts is required within 30 days from invoice date.

The Corporation has applied the simplified approach to measuring the expected credit losses, which used a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

(h) Capital work-in-progress

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

(i) 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) Land and buildings

Land and Buildings are measured at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued, values the portfolio not less than once every three years. In the years between valuations, the fair values are assessed with reference to appropriate indices to ensure they have not materially changed.

Freehold land is carried at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). The market value of the freehold land for GAC has been arrived at using the current zoning of airport use to arrive at the valuation.

DOGIT land is land which is provided under a deed of trusteeship. This land is provided to GAC 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 of DOGIT Land is in line with the valuation of Land, however is adjusted for the specific covenant above.

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.*

Buildings are carried at fair value. The current replacement cost of buildings has been determined after consideration of physical, and economic obsolescence.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and recognised in equity as a revaluation surplus. Decreases that offset previous increases of the same asset are recognised against the revaluation surplus. Runways, taxiways, aprons and infrastructure assets are stated at cost less accumulated depreciation and impairment.

Historical costs include expenditure that is directly attributable to the acquisition of the items.

1 Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

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

Depreciation

The depreciable amount of all property, plant and equipment including buildings and infrastructure but excluding freehold land, is depreciated on a straight-line basis or diminishing value basis over the asset's useful life to GAC.

Assets are depreciated from the date of acquisition or from the time the asset is held ready for use in respect of internally constructed assets. Depreciation commences from the time the asset is completed and commissioned ready for use.

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

Class of Fixed Asset	Depreciation Rate
Runways, taxiways and aprons	0% - 15%
Infrastructure	2% - 15%
Buildings	2.5% - 10%
Plant and equipment	2.5% - 40%

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 as assets for financial reporting purposes in the year of acquisition:

Runways, taxiways, aprons & other 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.

(j) Impairment of non-current assets

Each non-current asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, management, with the Directors, determine the recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

An impairment loss is recognised immediately in the Statement of Comprehensive Income unless that asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant asset to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

1 Summary of significant accounting policies (continued)

(j) Impairment of non-current assets (continued)

A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase to the asset revaluation surplus.

The economic downturn during the COVID-19 period, in addition to other factors emphasised the need for the Corporation to reassess its assets for indicators of impairment. A valuation was undertaken resulting in the recognition of a significant impairment loss. The results of the valuation are visible in the property, plant and equipment note (Note 8). Additional information detailing the assessment and the outcome is provided in Note 5.

(k) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing, recognised as a current liability and are normally settled within 30 days of invoice receipt.

(l) Borrowing costs

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.

(m) Asset revaluation surplus

This reserve includes changes in the fair value of non-current assets, net of tax.

(n) Taxation

GAC 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), income tax equivalents and payroll tax.

(i) 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.

(ii) Income tax equivalents

Although exempt from Commonwealth income tax, GAC 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 GRC rather than to the ATO.

The income tax equivalent expense/(benefit) for the year comprises current income tax and deferred tax expense. Current income tax expense charged to 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 GRC under the LGTER. Deferred income tax equivalent expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax equivalent expense/(benefit) 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 (continued)**

(n) **Taxation (continued)**

(ii) Income tax equivalents (continued)

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 profits 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.

(o) **Employee benefits**

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, vesting personal leave, time off in lieu, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave, vesting personal leave, time off in lieu and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(p) **Provisions**

Provisions are recognised when GAC 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.

(q) **Revenue and other income**

Revenues are recognised at the time of sale or service delivery and 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

The revenue comprises runway and terminal charges. Aeronautical revenue is charged on the basis of number 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.

Revenue of this nature is recognised upon receipt as all performance obligations are satisfied at this point in time.

(ii) Property revenue

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

It includes revenues received from the use of airport car parks, and revenue from concessionaires based on their turnover.

1 Summary of significant accounting policies (continued)

(q) Revenue and other income (continued)

(iii) Grant revenue

Grant revenue in relation to infrastructure projects is recognised as deferred income in the Statement of Financial Position and amortised over the useful life of the assets to which they relate.

(r) Maintenance

Costs incurred on surfacing of 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.

Airport pavements, roads, leasehold improvements, plant and machinery of GAC 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.

(s) Financial Instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when GAC 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
- Borrowings - at amortised cost

GAC does not enter into transactions for speculative purposes. GAC has a fixed rate loan from GRC but otherwise undertakes no hedging.

All other disclosures relating to the measurement and financial risk management of financial instruments held by GAC are included in Note 14.

(t) New accounting standards

In the current year GAC 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.

AASB 16 *Leases* superseded AASB 117 *Leases* and a number of interpretations issued by the AASB.
AASB 16 is mandatory for the financial years commencing on or after 1 January 2019 and was adopted by GAC using a modified retrospective approach from 1 July 2019. It resulted in leases being recognised on the balance sheet with an asset (the right to use the leased item) and a financial liability to pay rentals. GAC included a lease liability and corresponding right of use asset of $142,654 in its Statement of Financial Position on 1 July 2019.

(u) New accounting standards for application in future periods

GAC has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. GAC applies standards and interpretations in accordance with their respective commencement dates.

1 Summary of significant accounting policies (continued)

(v) Impacts of COVID-19

The Aviation Industry has been significantly impacted by the emerging COVID-19 situation with periods of interstate and intrastate travel restrictions causing passenger numbers through the Gladstone Airport to significantly reduce in addition to a general decline in market values for airport assets due to COVID-19. Furthermore, in recent years the forecast volumes have been significantly adjusted to reflect lower passenger numbers expected for the airport due to a decline in demand for LNG and mining passengers. As a result of this, GAC revenue has been significantly impacted with 2019/20 operating revenue down 21% on 2018-19 levels.

The impacts of the downturn upon the operational activities of GAC has been identified as an indicator of impairment in 2019/20. Further detail in relation to the impairment of assets is provided in Note 1(j).

	2020	2019
	$'000	$'000
2 Operating revenue		
Aeronautical revenue	6,469	8,249
Retail revenue	198	227
Property revenue	1,314	1,604
	7,981	**10,080**
3 Finance costs		
Loan interest on-charged by GRC	2,043	2,043
Loan administration fees on-charged by GRC	39	39
Competitive neutrality margin payable to GRC	506	506
Bank charges	30	27
Interest on leases	9	-
	2,627	**2,615**

A competitive neutrality margin of 1.5 % on the outstanding loan balance is currently charged by GRC.

4 Income tax equivalents

	2020	2019
Prima facie tax/(tax benefit) on profit/(loss) from ordinary activities before	(12,323)	(86)
Tax at 27.5% (2019: 27.5%)		
Add tax effect of:		
Long service leave	9	10
Entertainment (non-deductible)	1	-
Temporary differences not brought to account	14,604	-
Less tax effect of:		
Long service leave	(10)	(1)
Change in tax rate	-	490
	2,281	**413**
Income tax equivalent (assets) liabilities		
Payable to GRC	**(72)**	**(72)**

4 Income tax equivalents (continued)

Tax equivalent assets

Deferred tax equivalent assets are attributable to the following:

	2020 $'000	2019 $'000
Property, plant and equipment	4,466	5,369
Employee benefits	57	49
Deferred income	203	113
Other	262	34
	4,988	**5,565**

Deferred tax equivalent liabilities are attributable to the following:

	2020 $'000	2019 $'000
Property, plant and equipment	(1,716)	(1,716)
Other	(28)	(2)
	(1,744)	**(1,718)**
Net deferred tax equivalent assets	**3,244**	**3,847**

	2020 $'000	2019 $'000
Balance as at 1 July	3,847	3,908
Current year's deferred tax equivalent benefit (expense)	(2,281)	(229)
Current year's deferred tax equivalent expense recognised through equity	1,678	11
Change in tax rates on prior year deferred tax balances recognised through equity	-	157
Balance at 30 June	**3,244**	**3,847**

Deferred tax assets relating to property, plant and equipment amounting to $14,604,469 were not recognised in GAC's statement of financial position at 30 June 2020. GAC has recognised deferred tax assets to the extent they are estimated to be recoverable.

5 Impairment

The impacts of the emerging COVID-19 situation as well as the reduction in passenger numbers (as detailed in Note 1(v)) served as indicators of impairment in the current year. On this basis, the Corporation sought valuations from external experts to determine the impact on its assets. A valuation was undertaken as at 30 June 2020 through a combination of fair value assessment for building assets and a value in use model for the total cash-generating unit.

As the individual assets do not generate cash inflows largely independent of one another, they are combined to form a cash-generating unit (CGU).

The recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. The recoverable amount of the CGU was calculated to be $37.9m. The following key assumptions were used within the valuation:

- Terminal growth rate 2.5%.
- Discount rate 8.0%.
- Recovery to pre-COVID-19 ordinary operations by the year ending 30 June 2022 (2 years). The impacts of COVID-19 are still expected to affect the operations of the Gladstone Airport during the year ending 30 June 2021.
- The assumption of a 2-year recovery is based on the projection that passenger numbers through the Gladstone Airport will return to the same level as the year ended 30 June 2019.
- Passenger growth rate 2022-2030 of 0.5% - 2.5%. The growth rate is based upon a 2-year recovery period followed by 0.5% growth in the 2022-23 and 2023-24 financial years and a 2.5% growth in each subsequent period.

5 Impairment (continued)

The effect of a change in each key assumption is as follows:

Impact on recoverable amount of -0.5% in terminal growth rate	Impact on recoverable amount of +0.5% in terminal growth rate	Impact on recoverable amount of -1% in discount rate	Impact on recoverable amount of +1% in discount rate	Impact on recoverable amount of +1-year post-COVID recovery time
$'000	$'000	$'000	$'000	$'000
(1,788)	2,149	7,620	(5,339)	(3,170)

Impact on recoverable amount of -0.5% pax growth rate	Impact on recoverable amount of +0.5% pax growth rate
$'000	$'000
(4,553)	4,719

The valuation resulted in an implied equity value at 30 June 2020 of $18.306m as calculated below:

	$'000
Value in use (recoverable amount)	37,906
Add: Cash and cash equivalents	14,213
Less: Borrowings	(33,716)
Less: Other financial liabilities	(97)
Implied equity value	**18,306**

The significant disparity between the implied equity value of $18.306m at 30 June 2020, and the audited net asset value of $68.983m at 30 June 2019 provides evidence of impairment of the underlying assets.

To reduce the carrying amount of net assets to the implied equity value, an adjustment of $49.480m was applied across the following asset classes:

Asset Class	**Valuation adjustments** $'000
Buildings	13,403
Runways, taxiways, aprons and infrastructure	35,310
Plant and equipment	767
Total	**49,480**

The buildings class is held at fair value, and therefore the treatment of the valuation adjustments relating to these assets is detailed in Note 8 (a fair value adjustment against both the asset revaluation surplus and Statement of Comprehensive Income).

Runways, taxiways, aprons and infrastructure and plant and equipment assets are held at cost, therefore the impairment loss relating to these classes was treated as an impairment expense.

	2020	**2019**
	$'000	$'000
Impairment expense		
Runways, taxiways, aprons and infrastructure	35,310	-
Plant and equipment	767	-
Total	**36,077**	**-**

All adjustments are reflected against the relevant classes in the property, plant and equipment note (Note 8).

6 Cash and cash equivalents

Cash on hand	64	92
Short-term bank deposits	14,149	13,239
	14,213	**13,331**
A change in interest rate of 1% (100 basis points) would impact cash by:	142	133

7 Trade and other receivables

Trade debtors	512	2,117
Less: Allowance for expected credit losses	(16)	(96)
	496	2,021
Accrued income	26	89
	522	**2,110**

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
2020				
Financial Assets				
Trade and other receivables	538	-	-	538
2019				
Financial Assets				
Trade and other receivables	2,206	-	-	2,206

Contracted cash flows in relation to future lease rentals which are not recorded in the statement of financial position, are disclosed in Note 19.

8 Property, plant and equipment

(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 and infrastructure	Plant and equipment	Work in Progress	Total
Basis of measurement	**F.V.**	**F.V.**	**F.V.**	**Cost**	**Cost**	**Cost**	
Asset values	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening value as at 1 July 2019	**6,582**	**774**	**21,542**	**54,022**	**1,071**	**281**	**84,272**
Additions	-	-	-	-	48	2,330	2,378
Disposals							
Internal transfers	-	-	19	-	230	(248)	-
Fair value decrement to asset revaluation surplus	-	-	(6,103)	-	-	-	(6,103)
Fair value decrement to statement of comprehensive income	-	-	(7,300)	-	-	-	(7,300)
Impairment	-	-	-	(35,310)	(767)	-	(36,077)
Depreciation			(721)	(1,570)	(156)	-	(2,447)
Carrying amount at 30 June 2020	**6,582**	**774**	**7,437**	**17,142**	**426**	**2,362**	**34,724**

8 Property, plant and equipment (continued)

Opening value as at 1 July 2018	**7,077**	**832**	**22,260**	**55,600**	**1,218**	**50**	**87,037**
Additions	-	-	-	-	28	314	342
Disposals	-	-	-	-	(77)	-	(77)
Internal transfers	-	-	-	-	83	(83)	-
Fair value increment to asset revaluation surplus	(19)	(23)	-	-	-	-	(42)
Impairment	(476)	(35)	-	-	-	-	(511)
Depreciation	-	-	(718)	(1,578)	(181)	-	(2,477)
Carrying amount at 30 June 2019	**6,582**	**774**	**21,542**	**54,022**	**1,071**	**281**	**84,272**

(b) Asset revaluations

(i) Land

Land was measured at fair value on 8 June 2018 by N Franks (registered valuer) of AssetVal Pty Ltd. Fair value was derived by reference to market based evidence including observable sales data for properties of similar nature and specification, whilst being adjusted for size, location, zoning and features. Due regard for highest and best use of each parcel of land was taken into consideration.

A desktop valuation was performed by R Kenealy of AssetVal Pty Ltd on 9 April 2020. An assessment of the valuation movement has been deemed immaterial and therefore no increment/decrement has been recorded for 30 June 2020.

(ii) Buildings

Buildings were measured at fair value on 8 June 2018 by N Franks (registered valuer) of AssetVal Pty Ltd. The valuation methodology was determined by having regard to the existence of a market, the level of specialisation of the assets and the availability of sales evidence, resulting in both level 2 and level 3 valuation inputs. Due regard for highest and best use of the assets was taken into consideration.

Given the specialised nature of the main airport assets, the valuation adopted the current replacement cost approach to these assets, a level 3 assessment under AASB13. Under this approach the cost to replace the asset is calculated and then adjusted to take into account of accumulated depreciation. The valuer disaggreated the building into different components and for each component determined a value based on the inter-relationship between a range of factors. These included asset condition, legal and commerical obsolescence and the determination of key depreciation related assumptions such as residual value and the pattern of consumption of the future economic benefit.

In determining the valuation of level 2 inputs, the valuation adopted a market value approach taking into account sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs in this valuation approach are price per square meter.

As part of the valuation undertaken by an independent external expert, a fair value adjustment was applied to the buildings asset class. This adjustment was partially processed against the asset revaluation surplus balance pertaining to buildings to the extent that the surplus existed, with the remaining amount impacting the Statement of Comprehensive Income. These adjustments are shown in Note 8(a) above and also detailed further as part of the wider valuation adjustments of assets held at historical cost less accumulated depreciation and impairment losses in Note 5.

9 Fair value measurements

GAC values certain classes of assets at fair value and discloses fair value measurement in accordance with AASB 13 *Fair Value Measurement*.

9 Fair value measurements (continued)

Recognised fair value measurements

GAC measures and recognises the following assets at fair value on a recurring basis:

- Freehold land;
- DOGIT land;
- Buildings

GAC does not measure any liabilities at fair value on a recurring basis.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in Level 3.

There were no transfers between levels of the hierarchy during the year.

The table presents GAC's assets measured and recognised at fair value at 30 June 2020.

		2020	2019
		$'000	$'000
Recurring fair value measurements			
Freehold land (Level 3)	8	6,582	6,582
DOGIT land (Level 3)	8	774	774
Buildings (Level 2, 3)	8	7,437	21,542
		14,793	**28,898**

10 Trade and other payables

Trade payables and accrued expenses	698	353
GST, PAYG, payroll tax payable	52	101
Employee entitlements - annual and personal leave	124	94
	874	**548**

11 Borrowings

Loan secured - GRC	**33,716**	**33,716**

GAC's borrowings are from GRC. GAC's borrowings are at a fixed rate with an interest rate of 6.06% plus an administrative fee of 0.115%. The facility is an amortising loan with the agreement expiring on 30 June 2030, upon which time repayment of the outstanding debt is due in full. In accordance with the shareholder loan agreement GRC grants GAC an option to extend the agreement for a period not exceeding 15 years, GAC may exercise the option not earlier than 365 days before the agreement expires, and not later than 90 days before agreement expires. The parties have agreed to review the loan agreement, repayment schedule and interest rate, on an annual basis.

For the purposes of completing the maturity analysis, the principal component of this loan has been included in the more than five-year time band.

As at 30 June 2020, the loan was secured by a fixed and floating charge over GACs assets and undertakings.

12 Contingent liabilities and contingent assets

As at the date of signing these financial statements, no contingent assets or liabilities were identified.

13 Events after the reporting period

There have been no circumstances or events, outside what has already been disclosed in this annual report, that has significantly affected, or may significantly affect the entity's operations or the results of those operations in future financial years.

14 Financial instruments

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. GAC 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. GAC manages these risk exposures using various financial instruments, governed by a set of policies approved by the Board. GAC'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.

There have been no substantive changes in the types of risks GAC 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.

(a) 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. GAC conducts transactions with trade debtors - the credit risk is the recognised amount, net of any impairment losses. As at 30 June 2020, trade debtors amounted to $512,168 (2019: $2,116,992). GACs main credit risk is associated with airlines. Within the Aviation Industry, significant amounts of credit risk are attributable to airline operators. Whilst the Aviation Industry has been significantly impacted by COVID-19, the allowance for expected credit losses of $0.016m (2019: $0.096m) has not been impacted significantly given the key debtors remain operational, no increased credit risk has been observed for these debtors and outstanding debtors are expected to be received in full.

(b) Liquidity risk

Liquidity risk is the risk that GAC will encounter difficulty in meeting obligations associated with financial liabilities. GAC manages liquidity risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflows and maintaining a strong relationship with the GRC. The ability of GAC to meet its obligation to its lender is largely dependent upon cashflows generated by passenger volumes and aircraft movements.

The following table sets out the entity's remaining contractual maturity for its liquidity risk in relation to financial liabilities held by GAC. It represents the undiscounted contracted cash flows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements. The table includes both interest and principal cash flows and therefore these totals may differ from their carrying amount in the Statement of Financial Position.

14 Financial instruments (continued)

Financial liability maturity analysis

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
2020	$'000	$'000	$'000	$'000
Financial Liabilities due for payment				
Trade and other payables	874	-	-	874
Secured loan - Gladstone Regional Council	2,043	8,173	43,932	54,148
Total contractual outflows	**2,917**	**8,173**	**43,932**	**55,022**
2019				
Financial Liabilities due for payment				
Trade and other payables	646	-	-	646
Secured loan – Gladstone Regional Council	2,043	8,173	45,975	56,191
Total contractual outflows	**2,689**	**8,173**	**45,975**	**56,837**

15 Contributed capital

GRC passed a resolution on 19 June 2012 to effect corporatisation of GAC on 1 July 2012, under the Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 (repealed). Equity comprised the value of net assets and liabilities contributed at 1 July 2012. In 2014, $28 million in debt was converted to equity.

	2020	2019
	$'000	$'000
	69,793	69,793
	69,793	**69,793**

16 Commitments

	2020	2019
Operating lease commitments		
- not later than 1 year	8	135
- later than 1 year and not later than 5 years	22	257
	30	**392**

Leases have now been recognised in accordance with AASB 16 *Leases*. Refer Note 19.

	2020	2019
Other Commitments		
- not later than 1 year	73	180
- later than 1 year and not later than 5 years	62	9
	135	**189**

Capital Commitments
Committed at the reporting date by not recognised as liabilities

	2020	2019
Property, plant and equipment	405	6

17 Key management personnel disclosures

Key management personal (KMP) include the Directors and CEO.
The aggregate compensation made to KMP of the company is set out below:

	2020	2019
	$'000	$'000
Short-term employee benefits	373	337
Post-employment benefits	35	32
Long-term benefits	-	-
	408	**369**

18 Related party transactions

GRC charged GAC the following amounts throughout the year:

	2020	2019
Administration and IT services*	53	53
Loan administration services (Note 3)*	39	39
Competitive neutrality expenses (Note 3)	506	506
Loan interest (Note 3)*	2,043	2,043
Dividend paid to GRC	-	325
Income tax equivalents (benefit) expense (Note 4)	-	183
Rates, water and cleansing charges	89	91

* These charges are levied on a cost-recovery basis by GRC.

GRC does not provide any services to GAC at no cost.

The following payable balances to GRC are outstanding at the reporting date:

	2020	2019
Current		
Trade payables	6	8
Income tax equivalents (Note 4)	(72)	(72)
Competitive Neutrality Fee	127	42

19 Leases

Gladstone Airport Corporation as a lessee

Equipment

GAC leases computer and printing equipment associated with airline booking and passenger management as well as electronic passenger information services from SITA. The Lease term is 5 years with fixed payments.

Right of use assets

	Equipment	Total
	$'000	$'000
Adoption of AASB 16 at 1 July 2019	143	143
Depreciation charge	(49)	(49)
Balance at 30 June 2020	**94**	**94**

19 Leases (continued)

Lease Liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

<1 year $'000	1-5 years $'000	>5 years $'000	Total $'000	Total per Statement of Financial Position $'000
55	50	-	105	97
55	**50**	**-**	**105**	**97**

Amounts included in the Statement of Comprehensive Income related to leases

The following amounts have been recognised in the Statement of Comprehensive Income for leases where GAC is the lessee.

	$'000
Interest on lease liabilities	(9)
Depreciation of right to use asset	(49)
Expenses relating to short-term leases	(5)
	(63)
Total cash outflows for leases	**(55)**

Gladstone Airport Corporation as a lessor

When GAC is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains any non-lease components, then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

GAC does not have any finance leases. GAC's operating leases relate to the residential and other tenancies within the Airport. Rent from investment and other property is recognised as income on a periodic straight-line basis over the lease term.

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of GAC, accumulated allowance for uncollected minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

The minimum guaranteed lease receipts are as follows:

	30 June 2020 $'000	30 June 2019 $'000
Not later than one year	434	584
Between 1 and 2 years	335	434
Between 2 and 3 years	318	335
Between 3 and 4 years	74	318
Between 4 and 5 years	56	74
Later than five years	75	132
	1,292	**1,877**

20 Reconciliation of loss after income tax equivalents to net cash from operating activities

	2020	2019
	$'000	$'000
Loss after income tax equivalents for the year	(47,092)	(727)
Non-cash operating items:		
Depreciation	2,496	2,477
(Gain) loss on disposal of property, plant and equipment	-	(10)
Impairment of plant and equipment	36,077	-
Revaluation of land and buildings	7,300	511
Allowance for expected credit losses	(80)	96
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	1,668	(1,001)
Increase in prepayments	(43)	(20)
Decrease in deferred tax assets	2,281	229
Increase (decrease) in trade and other payables	326	(306)
Decrease in provisions	(5)	(68)
Decrease (increase) in deferred income	379	(26)
Increase in income tax equivalent liabilities	-	258
Net cash flows from operating activities	**3,307**	**1,413**

Directors' Declaration
for the year ended 30 June 2020

In the Directors' opinion:

i. the accounts have been prepared pursuant to the requirements of the *Local Government Act 2009* (the Act) and the *Local Government Regulation 2012* (the Regulation) and comply with the prescribed requirements of the Act and the Regulation for the establishment and keeping of accounts;

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 GAC's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

Signed in accordance with a resolution of the Directors.

Mrs A Ward
Chair

Dated this 7th day of December 2020

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of Gladstone Airport Corporation

Report on the audit of the financial report

Opinion

I have audited the financial report of Gladstone Airport Corporation (the corporation).

In my opinion, the financial report:

a) gives a true and fair view of the corporation's financial position as at 30 June 2020, and of its financial performance and cash flows for the year then ended

b) complies with the *Local Government Act 2009*, and the Local Government Regulation 2012 and International Financial Reporting Standards as disclosed in Note 1 (a).

The financial report comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

The directors are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the corporation 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 the prescribed accounting requirements identified in the *Local Government Act 2009* including compliance with Australian Accounting Standards, and for 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.

The directors are responsible for assessing the ability of the corporation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the corporation.
- Conclude on the appropriateness of the corporation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the corporation’s directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

M. Claydon

10 December 2020

Michael Claydon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane