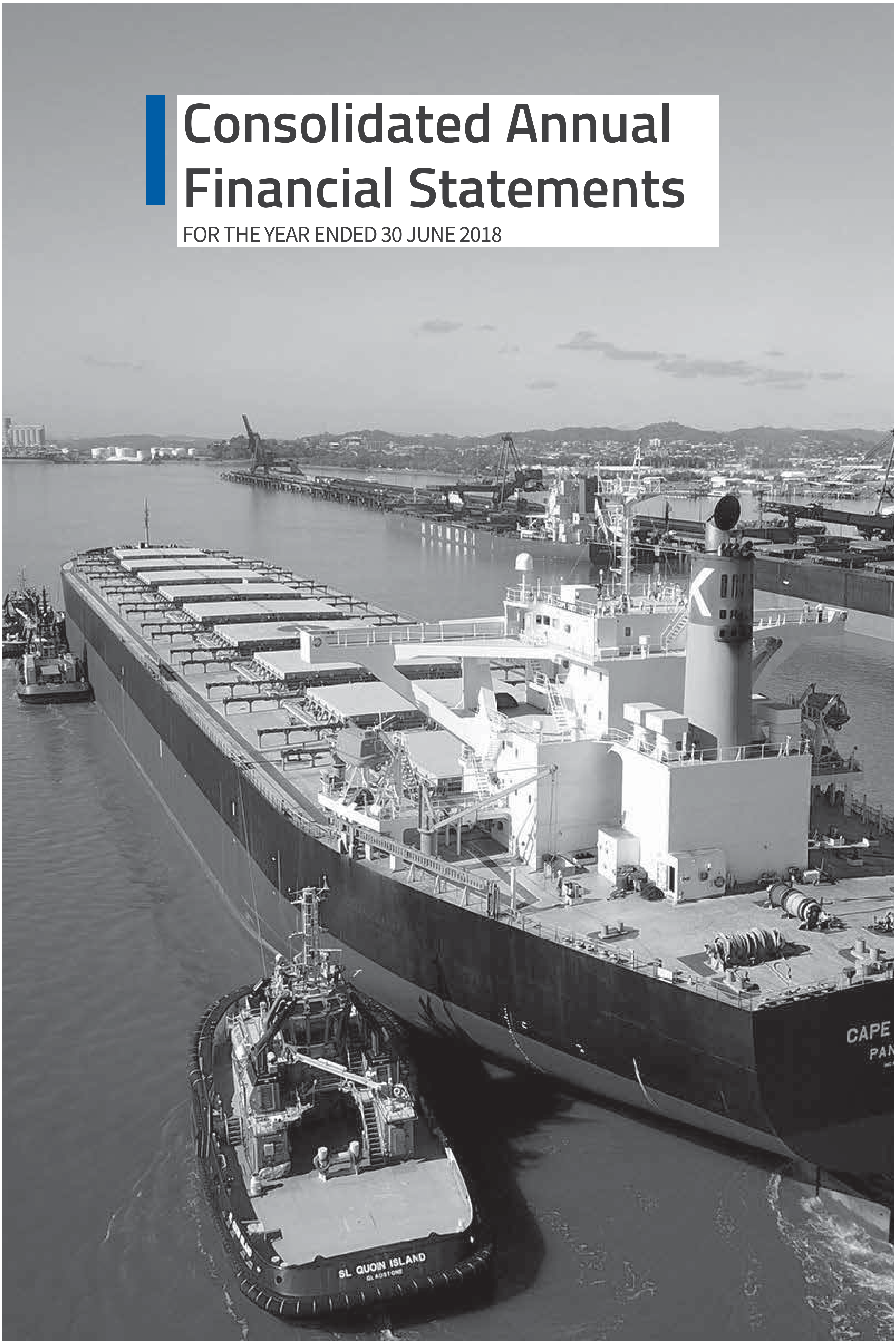
Consolidated Annual Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018



Gladstone Ports Corporation Limited

ACN 131 965 896 • ABN 96 263 788 242

Purpose and scope

Gladstone Ports Corporation Limited (GPC) is a company Government Owned Corporation (GOC), constituted on 1 July 2004 under the provisions of the *Government Owned Corporations Act 1993* (the Act). GPC converted to a company GOC on 1 July 2008, under the provisions of the Act. Under the terms of s118 of the Act, the *Financial Accountability Act 2009* applies to GPC as if it were a statutory body.

These statements have been prepared to:

(i) Comply with the provisions of the *Corporations Act 2001*, and other prescribed requirements
(ii) Comply with the provisions of the *Financial Accountability Act 2009* and other prescribed requirements
(iii) Communicate information concerning GPC's financial performance for the year and its financial position at year end.

The statements are general purpose in nature and provide a full presentation of all the financial activities of GPC. The consolidated financial statements of GPC for the year ended 30 June 2018 was authorised for issue to shareholding Ministers in accordance with a resolution of the Directors on 30 August 2018.

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Directors' Report

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present their report together with the auditor's report and the consolidated financial statements of Gladstone Ports Corporation Limited (GPC), being Gladstone Ports Corporation Limited (the parent) and its controlled entities (Gladstone Marine Pilot Services Pty Ltd and Gladstone WICET Operations Pty Limited) for the year ended 30 June 2018.

The Board comprises of non-executive Directors with diverse business experience as well as community leadership roles. The criteria for membership of the Board are in accordance with the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. The *Government Owned Corporations Act 1993* requires that, in appointing a person as Director, the Governor in Council must have regard to that person's ability to contribute to the Group's commercial performance and implementation of its Statement of Corporate Intent (SCI). Directors are appointed for a term of not more than five years but may be reappointed.

In order to comply with the provisions of the *Corporations Act 2001* the Directors submit their report for the year ended 30 June 2018.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Chairman

Leo Zussino BE, MBA

Leo Zussino was appointed as the Chairman of the GPC Board of Directors from 15 September 1990 until 30 June 1999 and was reappointed from 1 October 2015 until 30 September 2018. Leo is also the Chairman of the Human Resources Committee and a member of the Audit and Compliance Committee and the Risk Committee.

During the past 31 years, Leo has held senior executive and non-executive positions in both private and public sectors. He has extensive experience as a non-executive Chairman of Australian and Queensland Government and Industry Boards, and is a past CEO of the Group (2000 to 2013). Leo has a strong track record in strategic and corporate planning, and major economic infrastructure project facilitation and delivery. This has provided solid commercial outcomes, resulted in operational excellence, created robust commercial partnerships, and led to long-term successful industrial and Government relationships.

Leo also serves as the Chairman of the Gladstone Development Board and interim CEO from July 2017 to 30 June 2018, and has served as Chairman of Australian Maritime Safety Authority (2008 to 2014), Chairman of Gladstone Economic & Development Board (2001 to 2012), President of Ports Australia (1996 to 1998), Chairman of Queensland Ports Authority Association (1992 to 1999), Chairman of the Gladstone Port Authority (1990 to 1999) and was a Council Member of CQ University (1990 to 2001).

Peter Corones AM

Peter Corones was appointed as a Director on 1 July 1994 for two years. Peter's directorship was extended to 30 June 1999, where after he was reappointed for various periods from 1 July 1999 until 30 June 2003; reappointed from 1 July 2003 until 30 June 2005; reappointed from 1 July 2005 until 30 September 2007; reappointed from 1 October 2007 until 30 September 2009; reappointed from 1 October 2009 until 30 September 2012. Peter ceased as Director on 16 August 2012. Re-appointed from 1 October 2015 until 30 September 2018. Peter is a member of the Human Resources Committee.

A business proprietor and company director, Peter's strong background spans 41 years of extensive commercial and community experience. Over the past three decades he has been a member of, or served in titled executive and non-executive roles on a number of key Boards and Authorities in the region. Current roles include Chairman of Gladstone Area Group Apprentices Limited (GAGAL) and Governor in Council appointee to the CQ University Council. Peter served on the City of Gladstone Council for more than 20 years, was Mayor for 14 years, and is a past Director of GPC. Gladstone born, Peter has significant knowledge of the region's economic and industry development; ports; tourism, promotion, administration; project and community facilitation and understands the characteristics and challenges of the region. Peter was awarded a Centenary Medal for distinguished service to local government (2001) and a Medal of the Order of Australia (2009) for service to the Gladstone Region community.

Directors' Report (continued)

Gail Davidson FAICD

Appointed from 1 October 2008 until 30 September 2011; reappointed from 1 October 2011 until 30 September 2014; reappointed from 2 October 2014 until 30 September 2017; reappointed 12 October 2017 to 30 September 2020. Gail is a member of the Human Resources Committee.

Gail has held management roles in a number of areas for over 41 years and until July 2016 was the Executive General Manager Disability and Community Services for Endeavour Foundation. Gail has been involved in the disability sector for over 27 years, having previously worked in the hospitality and health sectors. She has been a member of the Gladstone Foundation Board of Advice, the Disability Council of Queensland, the Gambling Community Benefit Fund, under Treasury, the Complaints Management Quality Committee advising the Minister and was the Inaugural Chair of the Regional Disability Council of Central Queensland. At present she is also a Queensland representative in Canberra on policy matters for the National Disability Service and has recently been appointed to the Board of Mercy Community Services in Brisbane. She has qualifications in management, is a fellow of the Australian Institute of Company Directors and is continuing her studies.

Grant Cassidy FAICD

Grant was appointed as a director from 1 October 2015 until 30 September 2018. Grant is a member of the Audit and Compliance Committee and the Risk Committee.

Grant has over 16 years' experience in the Central Queensland tourism industry, gained as Managing Director of the Cassidy Hospitality Group, a specialist group which owns and operates accommodation and restaurant businesses in the region. His previous 16 year's media experience provides a depth of understanding of sales, marketing and media management. As a very active and long-term contributor to the area's community organisations Grant understands local issues, having been Chairman of Capricorn Enterprise (the region's peak tourism and economic development organisation) and a former member of the Tourism Queensland Board. In the latter role, Grant chaired the Audit and Risk committee. Grant has also previously held board positions with organisations such as Rockhampton Girls Grammar School and CQ University Australia. Grant was one of the three Rockhampton representatives to attend The Queensland Plan forums. In addition, Grant is respectively the Chairman of the Capricorn Business Advisory Committee; the Regional Development Australia – Fitzroy and Central West Board, and the Salvation Army Rockhampton Red Shield Business Appeal Committee.

Peta Jamieson GradCertBA, BA (Hons), BA, MScEnvMgt, GAICD

Appointed from 1 October 2015 until 30 September 2018. Peta is a member of the Human Resources Committee and the Risk Committee.

Peta has extensive experience in Queensland State Government; Brisbane City Council and the Local Government Association of Queensland (LGAQ), and is the director of her own management consultancy. She has a breadth of both executive and operational experience, and a clear understanding of how government, its policies, and processes work. Peta is a strong advocate for the Bundaberg and Wide Bay Burnett Region. She is actively involved with community, commercial and government bodies such as the Wide Bay Burnett Regional Organisation of Councils and Starfire Solutions on local and regional projects and initiatives. Peta is also Chair on the Wide Bay Hospital and Health Board and member of its Finance Committee, Executive Committee and Audit and Risk Committee.

Marita Corbett BCom, CA

Appointed from 15 December 2016 until 30 September 2019. Marita is the Chair of the Risk Committee and the Audit and Compliance Committee.

Marita is a Chartered Accountant, Certified Internal Auditor and Certified in Risk Management Assurance. She has 27 years' experience as a governance, risk management and accounting professional, supporting organisations to improve operations and accomplish objectives through the evaluation of decision making, risk management, internal control and governance processes. She is the National Lead Partner Risk Advisory for BDO. Her experience has been built with a number of large organisations with significant revenue and asset bases, diverse stakeholders, investments, commercial and operational scopes, and risk based decision making requirements. Marita is Chair of the Audit and Risk Committee for the Department of Environment and Science, Chair of the Audit and Risk Committee for the Public Safety Business Agency, an Independent Member of the Audit Committee for the Queensland Parliamentary Service and a former Chair of the Risk Management Committee of the Crime and Misconduct Commission.

Directors' Report (continued)

Stewart Butel BSc, Graduate Diploma of Business Studies, GAICD

Appointed from 12 October 2017 until 30 September 2020. Stewart is a member of the Audit and Compliance Committee and the Risk Committee.

Stewart has over 40 years' experience in the Australian resources industry. He joined Wesfarmers Limited in June 2000, was appointed Managing Director of Wesfarmers Resources in September 2006 and successfully led the company until his retirement in August 2016. Stewart has a strong track record in the Queensland Resources industry, having been President of Queensland Resources Council (QRC), the peak industry body for the resources industry in Queensland, and awarded the QRC Medal in 2016 for services to the Queensland resources industry. He was also past Chairman of the Australian Coal Association, and its low emissions technology fund ACALET. Stewart has held past board positions with organisations such as the Minerals Council of Australia, the Chamber of Mines and Energy, Western Australia, and the ASX listed Duet Group. At present Stewart is a Non-Executive Director of the ASX listed Stanmore Coal Limited.

Previous Director

Judy Reynolds, BBus, CA, MAICD

Appointed from 1 October 2008 until 30 September 2011. Reappointed from 1 October 2011 until 30 September 2014; reappointed from 2 October 2014 until 30 September 2017. Judy was Chair of the Audit and Compliance Committee.

Chief Governance Officer and Company Secretary

Sohana Maharaj BA, LLB, MBA, MCIPS, MAICD

Sohana Maharaj was appointed as the Chief Governance Officer at GPC from 2 January 2018. Sohana serves as the Company Secretary to the Board and Committees and oversees enterprise risk management and corporate governance at the Corporation.

Sohana is an ex-litigation lawyer and a seasoned practitioner in enterprise risk, compliance, and corporate governance, with over 20 years of experience in governance and risk management in both the public and private sectors. In a previous role, Sohana was the Chief Operating Officer of Absa Brokers Pty Ltd (South Africa), a financial services provider within the Barclays Africa group.

Sohana is a member of the Chartered Institute of Procurement and Supply, Risk Management Institute of Australasia and a member of the Australian Institute of Company Directors.

Principal activities

The consolidated entity's principal activities are to:

a) provide import and export shipping infrastructure to the Central Queensland region through the Port of Gladstone, Port of Rockhampton and Port of Bundaberg, and encourage the use of these facilities for the economic benefit of stakeholders

b) manage cargo handling facilities for coal and other bulk products at Port of Rockhampton, RG Tanna Coal Terminal, Barney Point Terminal and Auckland Point facilities

c) develop, manage and lease land and other assets for port related purposes

d) manage ancillary services and functions which support core business activities.

Operating results for the year

The Group's net profit after income tax is $65.373M (2017: $72.036M) representing a decrease of 9.2% from the previous year. All profits are from continuing operations. The 2018 results included net revaluation increases of $3.026M (2017: net revaluation increase of $6.286M). This related to investment property write downs and reversal of previous write downs on assets revalued as part of the end of year valuation process.

Directors' Report (continued)

Auditor independence

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is included following the Directors' Report.

Dividends

Dividends paid to shareholders during the financial year were as follows:

	2018 $'000	2017 $'000
Dividends paid from prior year profits	61,037	279,233
Dividends paid from asset revaluation reserve	-	126,594
	Cents per share	**Cents per share**
Dividend per share	15.18	100.94

In addition to the above dividends, the Directors recommended the payment of a final dividend at 100% of profits, adjusted in line with shareholding Ministers' approval. The final dividend amounts to $61.945M (15.41 cents per share).

Review of financial conditions and likely developments

Trade performance remained strong during 2017/18 despite challenging conditions. Together, the three port precincts handled more than 120.2Mt of product, nearly 1Mt less than last year's figures. The Port of Gladstone recorded a throughput of 119.4Mt led by coal, liquefied natural gas (LNG) and aluminium-related exports. 67.2Mt of coal exports were facilitated by the Port of Gladstone. This was below target due to a number of factors, including supply chain challenges and mine production issues. Curtis Island exports also continued to grow, with 20.3Mt of LNG transported to Asia. 565,637 tonnes of product was handled at the Port of Bundaberg during 2017/18 with increased silica sand and wood pellet exports setting the foundation for future growth at the port. Ammonium nitrate was the major driver of trade at the Port of Rockhampton.

Ordinary property revenue continued to decline (a decrease of 6.7%) in 2018 due to the general downturn in the Gladstone property market. It is expected that this will continue in the short-term.

Over the next five years port development will focus on ensuring that the capacity of the shipping channels is matched to the potential growth of trade.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of Gladstone Ports Corporation Limited during the year ended 30 June 2018.

Environmental regulation

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation. Refer to comments under the section 'Our environment and sustainability' of the 2017/18 Annual Report.

There have been no significant known breaches of the consolidated entity's licence conditions or any environmental regulations to which it is subject.

Directors' Report (continued)

Indemnification and insurance of Directors and Officers

During the financial year the Group indemnified all Directors and Executive Officers in respect of Directors and Officers liability and company reimbursement insurance. The base premium paid amounted to $84,535.

Under the policy the insurer agrees to pay:

(a) all losses which each insured person becomes legally obligated to pay on account of any claims for wrongful acts

(b) all losses for which the company may grant indemnification to each insured person.

The Group has not otherwise during or since the end of the financial year, except to the extent permitted by law, indemnified an officer of the company against a liability incurred as such an officer.

Directors' attendance at Board and Committee meetings

	Board (8 held)	Audit and Compliance Committee (4 held)	Human Resources Committee (4 held)	Risk Committee (4 held)
Leo Zussino	8 (out of 8)	4 (out of 4)	4 (out of 4)	4 (out of 4)
Peter Corones AM	8 (out of 8)	**	4 (out of 4)	**
Gail Davidson	7 (out of 8)	**	4 (out of 4)	**
Grant Cassidy	8 (out of 8)	4 (out of 4)	**	4 (out of 4)
Peta Jamieson	7 (out of 8)	**	3 (out of 4)	4 (out of 4)
Marita Corbett	7 (out of 8)	3 (out of 4)	**	4 (out of 4)
Stewart Butel	6 (out of 6)	3 (out of 3)	**	2 (out of 2)
Judy Reynolds	1 (out of 2)	1 (out of 1)	**	**

** Not a member of the relevant committee

Committee membership

At the date of this report the Group had an Audit and Compliance Committee, a Human Resources Committee and a Risk Committee.

Audit and Compliance Committee:
Marita Corbett – Chair
Leo Zussino
Grant Cassidy
Stewart Butel

Human Resources Committee:
Leo Zussino – Chairman
Gail Davidson
Peter Corones AM
Peta Jamieson

Risk Committee:
Marita Corbett – Chair
Leo Zussino
Grant Cassidy
Peta Jamieson
Stewart Butel

Directors' interests

The Directors have no interest in any shares of the Group as all shares are held for the benefit of the State of Queensland by Ministers of the Crown.

Remuneration of key management personnel

Note 23 of the consolidated financial statements provides detailed disclosures relating to the remuneration of key management personnel. The term key management personnel refers to those persons having the authority and responsibility for planning, directing and controlling the activities of GPC, directly or indirectly, including any director of GPC.

Directors' Report (continued)

Risk management

The Group, in carrying out its business, maintains a risk management philosophy that appropriately:

a) protects the wellbeing of the Group's workforce, the wider community in which it operates and its physical environment

b) manages threats that could adversely affect the Group's ability to meet its corporate objectives, its growth in shareholder value and its stewardship of company assets.

Proceedings on behalf of company

Gladstone Ports Corporation (GPC) has been served on 27 February 2018 a Claim and Statement of Claim filed in the Supreme Court of Queensland on behalf of a 'Murphy Operator Pty Ltd' and others against GPC.

The claim is a representative class action on behalf of the following 4 categories of claimant: (1) commercial fishing group members; (2) fish processing group members; (3) fish selling group members; and (4) service group members. The claim arises from the conduct of the Fisherman's Landing Expansion Project and the Western Basin Dredging and Disposal Project.

GPC has engaged legal representatives to act on its behalf.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to s298 (2) of the *Corporations Act 2001*.
On behalf of the Directors:

original signed

Grant Cassidy
Acting Chairman
Dated: 30 August 2018

Auditor’s Independence Declaration

To the Directors of Gladstone Ports Corporation Limited

This auditor’s independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of Gladstone Ports Corporation Limited for the financial year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gladstone Ports Corporation Limited and the entities it controlled during the period.

original signed

Vaughan Stemmett
as delegate of the Auditor-General

30 August 2018
Queensland Audit Office
Brisbane

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
Revenue from operations	7(a)	426,608	424,072
Other income	7(a)	37,907	32,192
Net profit on disposal of non-current assets		146	3,061
Reversal of impairments	12(c)	1,120	1,466
Reversal of prior revaluation decrease	12(c)	17,323	10,065
Total income		**483,104**	**470,856**
Employee benefits expenses		(125,411)	(124,300)
Operational expenses	7(b)	(132,820)	(133,742)
Depreciation/amortisation expenses	7(b)	(80,463)	(72,739)
Finance costs	7(b)	(37,475)	(37,571)
Fair value revaluation decrease of investment properties	12(c)	(15,417)	(5,245)
Profit before income tax		**91,518**	**97,259**
Income tax expense	8(a)	(26,145)	(25,223)
Profit for the year		**65,373**	**72,036**
Profit attributable to: Owners of Gladstone Ports Corporation Limited		**65,373**	**72,036**
Items that will not be reclassified subsequently to profit or loss			
Revaluation increase of property, plant and equipment and intangible assets	12(c)	255,810	113,340
Income tax relating to components of other comprehensive income	8(e)	(76,744)	(34,002)
Other comprehensive income for the year, net of income tax		**179,066**	**79,338**
Total comprehensive income for the year		**244,439**	**151,374**
Total comprehensive income for the year is attributable to:			
Owners of Gladstone Ports Corporation Limited		**244,439**	**151,374**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	9	21,132	159,735
Cash advance facility	10	179,222	-
Trade and other receivables	11	82,061	80,115
Inventories		12,376	11,803
Prepayments		1,821	1,732
Derivative financial instruments		-	2,854
		296,612	**256,239**
Assets classified as held for sale		1,219	522
Total current assets		**297,831**	**256,761**
Non-current assets			
Trade and other receivable	11	916	1,493
Property, plant and equipment	12(a)	2,223,812	1,997,842
Deferred tax assets	8(d)	24,185	18,405
Intangible assets	13	35,132	25,780
Investment properties	14	84,142	90,899
Total non-current assets		**2,368,187**	**2,134,419**
Total assets		**2,666,018**	**2,391,180**
Liabilities			
Current liabilities			
Trade and other payables	15	55,908	59,547
Provisions	17	108,742	99,795
Income tax payable	8(c)	8,372	8,850
Derivative financial instruments		-	2,905
Total current liabilities		**173,022**	**171,097**
Non-current liabilities			
Trade and other payables	15	18,199	20,164
Borrowings	16	776,855	778,834
Provisions	17	36,060	25,307
Deferred tax liabilities	8(e)	411,445	327,835
Total non-current liabilities		**1,242,559**	**1,152,140**
Total liabilities		**1,415,581**	**1,323,237**
Net assets		**1,250,437**	**1,067,943**
Equity			
Issued capital	18	**675,496**	**675,496**
Asset revaluation reserve	18	**560,465**	**381,411**
Retained earnings		**14,476**	**11,036**
Total equity		**1,250,437**	**1,067,943**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Issued capital	Asset revaluation reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000
Opening balance at 1 July 2016		**675,496**	**302,110**	**-**	**977,606**
Total comprehensive income attributable to owners of the parent					
Profit for the year		-	-	72,036	72,036
Other comprehensive income		-	79,338	-	79,338
Transfers within equity					
Disposal of revalued assets		-	(37)	37	-
Transactions with owners in their capacity as owners					
Dividends proposed	17	-	-	(61,037)	(61,037)
Closing balance as at 30 June 2017		**675,496**	**381,411**	**11,036**	**1,067,943**
Opening balance as at 1 July 2017		**675,496**	**381,411**	**11,036**	**1,067,943**
Total comprehensive income attributable to owners of the parent					
Profit for the year		-	-	65,373	65,373
Other comprehensive income		-	179,066	-	179,066
Transfers within equity					
Disposal of revalued assets		-	(12)	12	-
Transactions with owners in their capacity as owners					
Dividends provided for or paid	17	-	-	(61,945)	(61,945)
Closing balance as at 30 June 2018		**675,496**	**560,465**	**14,476**	**1,250,437**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		509,280	469,886
Tax equivalents paid to Queensland Treasury		(25,536)	(29,801)
Net FBT, Fuel Tax Credit and GST paid to Australian Taxation Office (ATO)		(25,480)	(20,365)
Payments to suppliers		(145,734)	(136,606)
Employee related payments		(124,045)	(123,503)
Interest received		3,368	2,826
Interest paid		(29,420)	(31,048)
Other finance costs		(8,055)	(6,523)
Net cash inflows from operating activities	9(a)	**154,378**	**124,866**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and investment properties		382	3,777
Purchase of property, plant and equipment		(37,032)	(46,655)
Purchase of intangibles		(14,093)	(11,885)
Advances to Queensland Treasury		(179,222)	-
Net cash (outflows) from investing activities		**(229,965)**	**(54,763)**
Net cash flows from financing activities			
Repayment of borrowings		(1,979)	-
Loan drawdowns		-	317,641
Dividends paid		(61,037)	(405,827)
Net cash (outflows) from financing activities		**(63,016)**	**(88,186)**
Net (decrease) in cash and cash equivalents		**(138,603)**	**(18,083)**
Cash and cash equivalents at beginning of the financial year		**159,735**	**177,818**
Cash and cash equivalents at the end of the financial year	9	**21,132**	**159,735**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1. General information

The financial statements comprise the consolidated financial statements of the Group. The Group is a for-profit entity and includes Gladstone Ports Corporation Limited, Gladstone Marine Pilot Services Pty Ltd and Gladstone WICET Operations Pty Ltd. Gladstone Ports Corporation Limited (GPC) is a public company incorporated and operating in Australia. GPC's registered office and principal place of business is:

40 Goondoon Street
Gladstone QLD 4680
Tel: (07) 4976 1333

The consolidated entity's principal activities are to:

a) provide import and export shipping infrastructure to the Central Queensland region through the Port of Gladstone, Port of Rockhampton and Port of Bundaberg, and encourage the use of these facilities for the economic benefit of stakeholders
b) manage cargo handling facilities for coal and other bulk products at Port of Rockhampton, RG Tanna Coal Terminal, Barney Point Terminal and Auckland Point facilities
c) develop, manage and lease land and other assets for port related purposes
d) manage ancillary services and functions which support core business activities.

Information on the Group's structure is provided in Note 4 and information on other related party relationships is provided in Note 24.

2. Basis of preparation

(1) Presentation

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of the financial assets and liabilities at fair value through profit or loss and certain classes of property plant and equipment and investment property measured at fair value.

Functional and presentation currency
The consolidated financial statements are presented in Australian Dollars which is the entity's functional currency.

Rounding of amounts
The financial report is presented in Australian dollars and the company is of a kind referred to in ASIC legislative instrument 2016/191. Amounts in the financial statements and Directors' Report have been rounded to the nearest one thousand dollars, unless otherwise stated.

Foreign currency transactions and balances
In preparing the financial statements, transactions in currencies other than Australian Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Basis of preparation (continued)

(1) Presentation (continued)

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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition or part of the item of expense. Trade receivables and payables are stated with the amount of GST included.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from or payable to the taxation authority, are classified as operating cash flows.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables in the Consolidated Statement of Financial Position.

(2) Basis of consolidation

The consolidated financial statements represent the financial statements of GPC and its subsidiaries.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Details of all subsidiaries are listed in Note 4. Parent entity financial statements are listed in Note 5.

(3) Statement of compliance

These consolidated financial statements are a general purpose financial report and have been prepared in accordance with the *Corporations Act 2001*, the *Financial Accountability Act 2009*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated financial statements of Gladstone Ports Corporation Limited and its subsidiaries (collectively, 'the Group') for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 30 August 2018.

The financial statements of Gladstone Ports Corporation Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(4) Changes in accounting policies, disclosures, standards and interpretations

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with the current year's presentation and disclosure.

Accounting Standards and Interpretation issued but not yet effective

The Group has not adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2018. Details are included in the table on the following page.

2. Basis of preparation (continued)

(4) Changes in accounting policies, disclosures, standards and interpretations (continued)

Title	Operative for reporting periods beginning on/after	Assessment
AASB 9: Financial Instruments	1 January 2018	Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, GPC does not anticipate that the application of AASB 9 will have a material impact on the consolidated financial position/performance.
AASB 15: Revenue from Contracts with Customers	1 January 2018	The Group plans to adopt AASB 15 using the modified retrospective method, with the effect of initially applying the standard recognised at the date of application (i.e. 1 July 2018). GPC have determined that the application of AASB 15 will not have a material impact on the consolidated financial position/performance.
AASB 16: Leases	1 January 2019	As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately $1.7M. AASB 16 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The Group plans to adopt AASB 16 using the modified retrospective method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2019). GPC have determined that the application of AASB16 will not have a material impact on the consolidated financial position/performance. The company has identified the following classes of leases that are expected to be included in the Statement of Financial Position: sea bed leases that are held in perpetuity and office leases. A significant number of judgements are required in determining the value of the lease liability under the new standard including lease option periods, implied interest rates and variable lease payments. Based on current assumptions the company expects to include a lease liability and a corresponding right-of-use asset. Due to the significant amount of judgement involved, it is therefore not possible to estimate the amount of the right-of-use asset and lease liabilities that will have to be recognised on adoption of the new standard.
AASBs 2014-2016 Cycle	1 January 2017	The Group has applied the amendments to AASB 12 included in the Annual Improvements to AASBs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted. AASB 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of AASB 12 for such interests. The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

The Group intends to apply accounting standards and interpretations as they are required and not earlier.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates significant to the financial statements are disclosed in the following notes:

Valuation of property, plant and equipment	Note 12(c)
Personal leave and long service leave provision	Note 17
Recovery of deferred tax assets	Note 8(d)
Estimation of useful lives of assets	Note 12(a)
Provision for impaired debts	Note 11

4. Interests in other entities

Details of the Group's subsidiaries as at 30 June 2018 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30 June 2018	30 June 2017
Gladstone Marine Pilot Services Pty Ltd	Pilotage services	Australia	100%	100%
Gladstone WICET Operations Pty Ltd	Deregistered 13 June 2018	Australia	0%	100%

Summarised financial information in respect of each of the Group's subsidiaries is set out below:

2018 Subsidiary	Total assets	Total liabilities	Total revenue	Profit/(loss) before tax
	$'000	$'000	$'000	$'000
Gladstone Marine Pilot Services Pty Ltd	4,078	4,078	20,664	-
Gladstone WICET Operations Pty Ltd	-	-	-	-

2017 Subsidiary	Total assets	Total liabilities	Total revenue	Profit/(loss) before tax
	$'000	$'000	$'000	$'000
Gladstone Marine Pilot Services Pty Ltd	4,280	4,280	20,739	-
Gladstone WICET Operations Pty Ltd	-	-	-	-

5. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

	2018	2017
	$'000	$'000
Financial position		
Assets		
Current assets	297,833	256,740
Non-current assets	2,367,054	2,133,289
Total assets	**2,664,887**	**2,390,029**
Liabilities		
Current liabilities	172,863	170,900
Non-current liabilities	1,241,587	1,151,186
Total liabilities	**1,414,450**	**1,322,086**
Net assets	**1,250,437**	**1,067,943**
Equity		
Issued capital	675,496	675,496
Reserves	560,465	381,411
Retained earnings	14,476	11,036
Total equity	**1,250,437**	**1,067,943**
Financial performance		
Profit for the year	65,373	72,036
Other comprehensive income	179,066	79,338
Total comprehensive income	**244,439**	**151,374**
Commitments for the acquisition of property, plant and equipment by the parent entity		
Due not later than 1 year	13,997	15,680

As at 30 June 2018, the parent entity had contractual commitments for the acquisitions of property, plant and equipment totalling $13,996,634 (2017: $15,680,136). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

6. Segment information

The Group operates in a single segment, namely the maritime port industry, at three locations in Central Queensland - Port of Gladstone, Port of Bundaberg and Port of Rockhampton.

7. Profit before income tax

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. Revenue is recognised when services are delivered and is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received.

Revenue has been calculated based on existing contracts. Harbour dues, tonnage rates, other shipping charges or cargo handling charges for all vessels are invoiced after departure of the vessel.

Lease revenue from investment properties is recognised in revenue on a straight-line basis over the term of the lease and is included in revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income due to its operating nature.

Interest received is recognised as interest accrues using the effective interest method.

Revenue for the rendering of a recoverable service is recognised upon the delivery of the service to the customers. Accrued revenue is recognised if the revenue has been earned but not yet invoiced.

	2018	2017
	$'000	$'000
Revenue		
Cargo handling charges	239,474	238,928
Harbour dues	88,745	85,197
Tonnage rates	51,857	52,876
Other shipping charges	8,054	8,574
Pilotage	25,418	23,933
Property revenue	11,686	12,524
Smallcraft services	1,374	2,040
Total	**426,608**	**424,072**
Other income		
Interest received	3,543	2,973
Recoverable works	31,559	25,722
Other	2,805	3,497
Total	**37,907**	**32,192**

7. Profit from operating activities (continued)

(b) Expenses

	Note	2018 $'000	2017 $'000
Depreciation/amortisation expenses			
Property, plant and equipment	12(a)	75,721	67,703
Intangible assets	13	4,742	5,055
Investment properties	14	-	(19)
Total		**80,463**	**72,739**
Operational expenses			
Contractors		40,196	40,453
Services and consultants		12,015	11,272
Indirect taxes and government charges		6,699	7,079
Materials and supplies		15,054	16,018
Energy		18,854	18,239
Insurance		3,694	3,334
Lease payments		2,979	3,043
Bad debts		11,917	16,710
Rehabilitation provision		18,817	14,019
Other		2,595	3,575
Total		**132,820**	**133,742**
Finance costs			
Interest		29,490	31,050
Competitive neutrality fee		8,035	6,571
Financial instrument (profit)/loss		(50)	(50)
Total		**37,475**	**37,571**

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. No borrowing costs were capitalised in 2018 or 2017.

8. Income tax equivalent

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax - income tax equivalents
The Group is exempt from income tax under section 24AM of the *Income Tax Assessment Act 1997* (Cth). However, pursuant to the *Government Corporations Act 1993* and the National Tax Equivalent Regime, the Group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

The income tax equivalent expense (referred to as income tax expense) for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate for each jurisdiction adjusted by changes in deferred tax, assets and liabilities attributable to temporary differences and unused tax losses.

AASB112 Income Taxes uses a 'Balance Sheet approach' for calculating income tax balances. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The differences are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted at the balance sheet date.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Offsetting deferred tax balances
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for taxable temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that have been enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Investment allowances and similar tax incentives
Entities within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces current tax exposure.

Tax consolidation
GPC and its wholly-owned entities are a tax consolidated group for income tax purposes. The head entity in this Group is Gladstone Ports Corporation Limited. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company.

8. Income tax equivalent (continued)

(a) Income tax expense

	2018	2017
	$'000	$'000
Profit before income tax	91,518	97,259
Prima facie tax at 30% (2017: 30%)	27,455	29,178
Non-deductible (revenue)/expenses	583	522
Research and development tax offset 2016	-	(2,013)
Research and development tax offset 2017	-	(1,580)
Research and development tax offset provision 2018	(1,866)	-
Prior year over provision	(27)	(884)
Income tax expense	**26,145**	**25,223**
Comprised of:		
Deferred tax asset	(5,780)	(4,395)
Deferred tax liability	6,866	(1,498)
Income tax payable	**25,059**	**31,116**
	26,145	**25,223**

(b) Amounts charged or credited directly to equity

	2018	2017
	$'000	$'000
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of property, plant and equipment	324,057	247,314
Deferred income tax reported in equity	**324,057**	**247,314**

(c) Income tax payable

	2018	2017
	$'000	$'000
Opening balance	8,850	7,535
Charged to income	25,059	31,116
Payments	(25,537)	(29,801)
Closing balance	**8,372**	**8,850**

8. Income tax equivalent (continued)

(d) Deferred tax asset

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to use those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

	2018	2017
	$'000	$'000
Long service leave	6,712	6,351
Sick leave	2,995	2,913
Annual leave	4,562	4,725
Accumulated time off	124	141
Public holidays	70	54
Provision for obsolete stock	18	3
Accrued expenses	34	23
Unrealised loss on financial instruments	-	15
Provision for rehabilitation	8,458	3,054
Provision for revenue received in advance	1,144	1,126
Doubtful debts	68	-
Closing balance	**24,185**	**18,405**

	2018	2017
	$'000	$'000
Opening balance	18,405	14,010
Amount credited to Statement of Profit or Loss and Other Comprehensive Income	5,780	4,395
Closing balance	**24,185**	**18,405**

(e) Deferred tax liability

	2018	2017
	$'000	$'000
Inventory	3,092	3,096
Accrued income	96	44
Property, plant and equipment	396,940	323,430
Deferred revenue	11,317	1,265
Closing balance	**411,445**	**327,835**

	2018	2017
	$'000	$'000
Opening balance	327,835	295,331
Amount charged to Statement of Profit and Loss and Other Comprehensive Income	6,866	(1,498)
Amount (charged)/credited direct to equity	76,744	34,002
Closing balance	**411,445**	**327,835**

9. Cash and cash equivalents

Cash at bank earns interest at floating rates based upon daily bank deposit rates. Money market investments are limited to investments in bank-backed securities or short-dated securities guaranteed by the Commonwealth or the State. Credit risk exposure on these investments is minimised by the short-term nature of the investment. Cash at bank and on call includes restricted amounts. A balance of $5,905,212 (2017: $16,231,990) relates to LNG projects and Port Service Agreement retentions held, and may only be used in relation to these matters.

	2018	2017
	$'000	**$'000**
Cash at bank and on hand	21,132	39,575
Queensland Treasury Corporation – cash on call	-	120,160
Total	**21,132**	**159,735**

During the year, funds surplus to the Group's immediate requirements were required to be advanced to the Queensland General Government Sector via a dedicated cash management advances facility. This has resulted in a reduction in cash at bank at 30 June 2018.

(a) Reconciliation of profit for the year after income tax equivalent to net cash provided by operating activities

	2018	2017
	$'000	**$'000**
Profit for the year after income tax	65,373	72,036
Depreciation/amortisation expense	80,463	72,739
Revaluation of non-current assets	(1,906)	(4,820)
Impairment reversal of non-current assets	(1,120)	(1,466)
Net profit or loss on sale of property, plant and equipment	(146)	(3,061)
Change in assets and liabilities		
(Increase)/decrease in receivables	(1,369)	(25,096)
(Increase)/decrease in other assets	2,765	(199)
Decrease/(increase) in inventories	(574)	1,364
(Increase) in deferred tax asset	(5,780)	(4,395)
Increase/(decrease) in trade and other payables	(5,604)	6,815
Increase/(decrease) in other liabilities	(2,905)	103
Increase in provisions	18,793	11,029
Increase/(decrease) in income tax payable	(478)	1,315
(Decrease)/increase in deferred tax liability	6,866	(1,498)
Net cash inflow from operating activities	**154,378**	**124,866**

10. Cash Advance Facility

Under the Queensland Government's cash management regime which became effective in the 2016/17 financial year, Government Owned Corporations (GOC's) advance all surplus cash to Queensland Treasury. Queensland Treasury pays interest on these advances at the Queensland Treasury Corporation (QTC) Cash Fund rate.

GOC access to the advances is generally subject to notification periods of 24 to 48 hours. Because of the short term nature of the advances, their carrying amount is assumed to represent fair value.

At 30 June 2018, the balance held in QTC Cash Advance Facility was $179,221,635 (2017: $nil).

11. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

	2018	2017
Current	**$'000**	**$'000**
Trade receivables	81,959	79,981
Less: provision for impairment	(226)	(14)
	81,733	**79,967**
Accrued interest	322	147
Other receivables	6	1
Total	**82,061**	**80,115**
Non-current		
Trade receivables	916	1,493

Reconciliation of impaired debts:	2018	2017
	$'000	**$'000**
Opening balance	14	13
Impaired debts written off	(11,704)	(16,734)
Movement in provision	11,916	16,735
Closing balance	**226**	**14**

Where receivables are beyond normal trading terms, the likelihood of the recovery of these receivables is assessed by management. All receivables are assessed on an individual basis. GPC wrote off one bad debt from a coal company during the year that represented the majority of the bad debts written off. Legal efforts are being made to recover the debts but the amount is not considered recoverable.

11. Trade and other receivables (continued)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Ageing analysis of trade and term debtor balances at 30 June:

2018	**Not due**	**Overdue < 1 year**	**Overdue 1–5 years**	**Overdue >5 years**
	$'000	**$'000**	**$'000**	**$'000**
Debtor balance	81,348	1,855	-	-
Provision for impairment	-	(226)	-	-
-	**81,348**	**1,629**	**-**	**-**

2017	**Not due**	**Overdue < 1 year**	**Overdue 1–5 years**	**Overdue >5 years**
	$'000	**$'000**	**$'000**	**$'000**
Debtor balance	81,480	142	-	-
Impaired debt provision	-	(14)	-	-
	81,480	**128**	**-**	**-**

The major component of debtor exposure is to coal producers using the Port of Gladstone for the export of product. Coal producers are mostly major listed companies or their related companies and account for 66% (2017: 71%) of trade debtors at balance date. Credit is only available to established customers on 30-day terms except in the case of coal exporters who may be required to make payment within 14 days of receipt of monthly statements. Credit risk exposure is minimised in the case of term leases where personal guarantees are required from directors of small private companies. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Refer to Note 19(a) credit risk exposure for further information.

12. Property, plant and equipment

(a) Balances and reconciliations of carrying amount

2018	Land	Buildings	Channels, swing basins and berth pockets	Commercial wharves	Recreational and fishing wharves	Roads and services (structural improve-ments)	Plant	Furniture and fittings	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2017	114,591	43,783	728,839	216,123	334	145,601	663,843	402	84,326	**1,997,842**
WIP additions	-	-	-	-	-	-	-	-	37,026	37,026
Transfers (to)/ from WIP	4,970	3,535	-	7,705	-	7,735	45,411	336	(69,692)	-
Disposals	-	-	-	-	-	(6)	(84)	(22)	-	(112)
Transfers (to)/ from asset categories	43	(223)	(478)	17,747	737	(12,613)	(5,213)	-	-	-
Transfers (to)/from investment properties	(10,282)	-	-	-	-	-	-	-	-	(10,282)
Depreciation	-	(1,546)	(8,058)	(7,684)	(63)	(5,348)	(52,937)	(85)	-	(75,721)
Revaluations	11,307	8,301	41,607	43,633	332	25,329	144,507	43	-	275,059
Carrying amount at 30 June 2018	**120,629**	**53,850**	**761,910**	**277,524**	**1,340**	**160,698**	**795,527**	**674**	**51,660**	**2,223,812**

2017	Land	Buildings	Channels, swing basins and berth pockets	Commercial wharves	Recreational and fishing wharves	Roads and services (structural improve-ments)	Plant	Furniture and fittings	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2016	96,795	41,677	719,663	203,387	292	129,568	607,359	435	83,345	**1,882,521**
WIP additions	-	-	-	-	-	-	-	-	46,657	46,657
Transfers (to)/ from WIP	5	808	702	341	-	8,707	35,046	67	(45,676)	-
Disposals	-	(35)	-	-	-	(39)	(358)	(51)	-	(483)
Transfers (to)/ from asset categories	1,045	(941)	5	-	-	(87)	(28)	6	-	-
Transfers to assets held for sale	(55)	-	-	-	-	-	-	-	-	(55)
Transfers (to)/ from investment properties	11,351	-	(2,076)	-	-	-	-	-	-	9,275
Depreciation	-	(1,486)	(9,285)	(6,440)	(9)	(5,078)	(45,332)	(73)	-	(67,703)
Revaluations	5,450	3,760	19,830	18,835	51	12,530	67,156	18	-	127,630
Carrying amount at 30 June 2017	**114,591**	**43,783**	**728,839**	**216,123**	**334**	**145,601**	**663,843**	**402**	**84,326**	**1,997,842**

12. Property, plant and equipment (continued)

Property, plant and equipment are stated at cost or fair value, less accumulated depreciation and any impairment losses, except for work in progress. Work in progress is stated at cost, net of accumulated impairment losses, if any.

Initial recognition

Assets are recognised at cost, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. The cost of non-current assets constructed by the Group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

An asset recognition threshold of one thousand dollars has been adopted and applies to all assets acquired with a useful life of more than one year.

Any cost that increases the originally assessed capacity or production capacity of an asset is capitalised. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.

Depreciation

Depreciation is recognised on a straight-line basis on all non-current assets, so as to reflect the consumption of the economic benefits over the expected economic lives of assets. The depreciation rates used for major assets in each class are as follows:

Buildings	2.50%–11.77%
Channels, swing basins and berth pockets	1.00%
Commercial wharves	2.22%–20.00%
Recreational and fishing wharves	2.50%–20.00%
Roads and services (structural improvements)	1.25%–15.40%
Plant	1.00%–33.00%
Furniture and fittings	4.00%–27.02%

Where assets have separately identifiable components, these components are assigned useful lives distinct from the asset to which they relate. The assets' useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The estimation of the useful lives of assets has been based upon historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year the asset is de-recognised.

12. Property, plant and equipment (continued)

(b) Carrying amounts if assets were measured at cost less accumulated depreciation

If assets were measured using the cost model the carrying amounts would be as follows:

	2018 Net book value	2017 Net book value
	$'000	$'000
Land	71,962	72,362
Buildings	40,674	38,996
Channels, swing basins and berth pockets	125,190	126,957
Commercial wharves	190,134	174,513
Recreational and fishing wharves	940	377
Roads and services (structural improvements)	133,985	139,202
Plant	559,033	562,314
Furniture and fittings	645	416
Capital works in progress	51,660	84,326
Total	**1,174,223**	**1,199,463**

(c) Valuations

Measurement after recognition

Revaluation increments are credited to the asset revaluation reserve, net of tax, except to the extent that they reverse a revaluation decrement previously recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Revaluation decrements are recognised in profit or loss, except to the extent they offset a previous revaluation. In this case the decrement is recorded in the asset revaluation reserve. The net amounts of accumulated depreciation are restated to the revalued amounts.

Categorisation of fair values recognised as at 30 June 2018:

	Level 1	Level 2	Level 3	Fair value as at 30 June
	$'000	$'000	$'000	$'000
Land	-	-	120,629	**120,629**
Buildings	-	-	53,850	**53,850**
Channel, swing basins and berth pockets	-	-	761,910	**761,910**
Commercial wharves	-	-	277,524	**277,524**
Recreational and fishing wharves	-	-	1,340	**1,340**
Roads and services	-	-	160,698	**160,698**
Plant	-	-	795,527	**795,527**
Furniture and fittings	-	-	674	**674**
			2,172,152	**2,172,152**

12. Property, plant and equipment (continued)

(c) Valuations (continued)

There were no transfers between the levels during the year.

Sensitivity analysis was undertaken as follows:

Level 3 input	Fair Value output	Rate Used by Group
WACC rate 5.9% post tax	$2.91B	$2.34B
WACC rate 6.2% post tax	$2.67B	$2.34B
WACC rate 6.7% post tax	$2.34B	$2.34B

As required under AASB 116, Gladstone Ports Corporation has an obligation to revalue its non-current assets with sufficient regularity to ensure that the carrying amounts do not differ materially from those which would be determined using fair value at the end of the reporting period.

In estimating the fair value of an asset or liability, the Group uses market observable data to the extent that it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation (level 2 inputs). Where level 2 inputs are not available the Group uses an income based approach to determine fair value. Management establishes the appropriate inputs to the model. The Commercial General Manager reports the findings to the Audit and Compliance Committee and Board to explain the causes of fluctuations in the fair value of assets and liabilities.

As at 30 June 2018, management estimated the fair value of the Group's property, plant and equipment assets using an income approach based on a discounted cash flow (DCF) model. GPC revalues its PPE assets via an income approach annually.

Summary of key inputs and assumptions

The fair value of assets was obtained based upon projected revenue, capital and operating cash flows for the ten years ending 30 June 2028. Management judgement was applied to forecast future tonnages taking into account historical data where it exists. Management applied the following key assumptions:

- Key inputs within the model relating to capital and operating expenditure are derived from known and future planned capital and operating works that are aligned to the delivery of GPC's core strategic goals, asset management strategies and future strategic plans as well as the incorporation of recurring expenditure required to maintain effective business operations in line with known and anticipated operating parameters and conditions.
- Future growth rates are determined through detailed review of future macro-economic factors, and guidance provided through the Reserve Bank of Australia growth rate assumptions, namely CPI.
- Revenue forecast is based upon contractual arrangements where they exist or historic tonnage throughput.
- A terminal value was calculated based upon the assumption that the cash flows in year ten will continue indefinitely into the future. A CPI rate of 2.5% (2017: 2.5%) is applied, when calculating terminal values to reflect inflation for long term growth in these cash flows. CPI was used as the basis for escalation within the valuation methodology as this aligns with the current Reserve Bank of Australia mid-point range guideline.
- The weighted average cost of capital (WACC) nominal, post-tax rate of 6.7% (2017: 6.3%) was adopted when discounting back to a present day estimated value. Management determined this rate in consultation with independent experts.
- Given the nature of GPC's infrastructure assets and the industries in which it operates, the WACC rate applied has been calculated as if it were operating in a regulated environment.
- Mid-period discounting has been applied to discount future cash flows to their net present value which imply that cash flows are earned, on average, midway through a financial year.

12. Property, plant and equipment (continued)

(c) Valuations (continued)

Excluding capital work-in-progress assets which are measured at cost, the resulting valuation increment or decrement calculated under the DCF model is then allocated across remaining unimpaired assets based upon their respective gross replacement cost.

The reconciliation of revaluations across each Consolidated Statement of Financial Position item is shown below:

	Note	2018	2017
Valuation adjustment to Consolidated Statement of Financial Position		**$'000**	**$'000**
Property, plant and equipment revaluations	12(a)	275,059	127,630
Assets held for sale revaluations		0	(136)
Investment property (revaluation decreases)	14	(16,223)	(7,868)
		258,836	**119,626**
Valuation adjustments to Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Reversal of impairment – Statement of Profit or Loss		1,120	1,466
Reversal of prior revaluation decreases of non-current assets – Statement of Profit or Loss		17,323	10,065
Revaluation decrease of investment properties – Statement of Profit or Loss		(15,417)	(5,245)
Revaluation of non-current assets – asset revaluation reserve		255,810	113,340
		258,836	**119,626**

13. Intangible assets

Intangible assets of the Group comprise purchased software and internally developed software. Intangible assets with a historical cost or other value equal to or greater than $100,000 are recognised in the Consolidated Statement of Financial Position. Items with a lesser value are expensed. All intangible assets of the Group are amortised on a straight line basis over the intangible's useful life of between 3 and 15 years.

Reconciliation of the carrying amount for intangible assets at 30 June 2018:

	Carrying amount at 1 July	WIP additions	Addition	Amortisation	Disposals	Carrying amount at 30 June
	$'000	$'000	$'000	$'000	$'000	$'000
Intangible assets	25,337	-	14,441	(4,742)	-	**35,036**
Capital WIP	443	14,094	(14,441)	-	-	**96**
	27,780	**14,094**	**-**	**(4,742)**	**-**	**35,132**

Reconciliation of the carrying amount for intangible assets at 30 June 2017:

	Carrying amount at 1 July	WIP additions	Addition	Amortisation	Disposals	Carrying amount at 30 June
	$'000	$'000	$'000	$'000	$'000	$'000
Intangible assets	16,263	-	14,310	(5,055)	(181)	**25,337**
Capital WIP	2,869	11,884	(14,310)	-	-	**443**
	19,132	**11,884**	**-**	**(5,055)**	**(181)**	**25,780**

14. Investment properties

	Note	2018 $'000	2017 $'000
Opening balance		90,899	108,250
Additions		6	-
Transfers (to)/from property, plant and equipment	12(a)	10,282	(9,275)
Transfers (to)/from assets held for sale		(710)	(227)
Net (loss) from fair value adjustment	12(c)	(16,223)	(7,868)
Disposals		(112)	-
Depreciation	7(b)	-	19
Closing balance		**84,142**	**90,899**

Investment properties are recognised initially at cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Investment properties include land and buildings. Professional expert external valuers are used for the valuation of investment properties. For the 2018 year, the fair value has been determined based on independent valuations by AON Valuation Services as at 30 April 2018, in accordance with AASB 140 – Investment Properties, which requires an annual review of fair value. GPC is satisfied that these are materially correct as at 30 June 2018. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Gains or losses arising from changes in the fair values of investment properties are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year they arise.

All of the Group's investment properties are commercial properties located in Australia and are level 2 on the fair value hierarchy. There were no transfers between the levels during the year.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year of retirement or disposal.

Transfers are made to/from investment property when, and only when:

- there is a change in use
- commencement of an operating lease to another party
- ending construction or development
- commencement of owner occupation
- commencement of development with a view to sale.

15. Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. Due to the short-term nature of trade and other payables, their carrying value is assumed to approximate to their fair value. The revenue received in advance relates to operating lease revenue on investment properties and revenue received in advance on recoverable works contracts. For more information on the Group's liquidity risk management process, refer to Note 19(c).

	2018	2017
Current	**$'000**	**$'000**
Trade creditors	31,947	41,550
Revenue received in advance	16,167	13,106
GST payable	4,773	2,389
Other	3,021	2,502
	55,908	**59,547**
Non-current		
Revenue received in advance	**18,199**	**20,164**

16. Borrowings

	Note	2018	2017
		$'000	$'000
Non-current			
Queensland Treasury Corporation loans	19(c)	776,855	778,834

The Queensland Treasury Corporation loans comprise advances made under one client specific pool arrangement (CSP). The CSP will comprise a combination of bonds and floating rate debt so that the weighted average term of the underlying cash flows of these instruments matches the weighted average term of the underlying cash flows of the Group's loans. The CSP with a book value of $776,855,410 is used for the Group's normal operations. This is unsecured. This loan is interest bearing with interest paid quarterly in arrears. The average interest rate for 2017/18 was 3.7%.

Fair values

Unless disclosed below the carrying amount (book value) of the Group's current and non-current borrowings approximate to their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

	2018		2017	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Queensland Treasury Corporation loans	776,855	806,236	778,834	812,106

The fair value represents the value of the debt if the Group repaid at that date. As it is the intention of the Group to hold the debt for its term, no provision is required to be made in these accounts. The Group's loan with Queensland Treasury Corporation is level 2 on the fair value hierarchy. There were no transfers between the levels during the year.

16. Borrowings (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Opening balance 1 July 2017 $'000	Repayment of borrowings $'000	Loan drawdowns $'000	Other changes $'000	Closing balance 30 June 2018 $'000
778,834	(1,979)	-	-	776,855

17. Provisions

Provisions are recognised when there is a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

	2018	2017
	$'000	**$'000**
Current		
Employee benefits	34,540	34,430
Dividends	61,945	61,037
Rehabilitation	10,511	3,108
Other	1,746	1,220
Total	**108,742**	**99,795**
Non-current		
Employee benefits	13,670	12,848
Rehabilitation	22,390	12,459
Total	**36,060**	**25,307**

Employee benefits

Employee benefits comprise of long service leave, annual leave, sick leave and rostered day off provisions. These provisions are categorised as either current or non-current. Non-current benefit provisions are those that are not expected to be consumed within the next twelve (12) month period. The benefit provision is calculated through application of a discount calculation to derive the present value of the future payment. GPC utilises the Milliman Group of 100 Discount Rate for this purpose.

(i) Wages, and salaries, annual leave, and non-monetary benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and non-monetary benefits when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities for wages, salaries, annual leave, and accumulated time off are recognised and are measured as the amount unpaid at the reporting date at pay rates anticipated on settlement in respect of employees' services, including related on-costs.

17. Provisions (continued)

(ii) Long service leave and personal leave

The Group does not expect its long service leave or personal leave provisions to be settled wholly within the twelve months of the reporting date. The provisions have been calculated using anticipated wage and salary rates including related on-costs and expected settlement dates based on usage patterns and is discounted using rates attaching to corporate bond rates at balance date which most closely match the terms of the maturity of the related liabilities. The obligations are presented as current liabilities in the consolidated statement of financial position if the group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

Superannuation is provided for on an incurred basis through the Statement of Profit or Loss and Other Comprehensive Income. No liability is recognised for accruing superannuation benefits in relation to defined benefits schemes as this liability is held on a whole of Government basis and reported in the whole of Government financial statements prepared in accordance with the terms of *AASB1049 Whole of Government and General Government Sector Financial Reporting.*

Dividends

A provision for dividends is recognised at the reporting date where the dividends have been declared, determined or recommended by the Directors prior to the reporting date. A corresponding amount is recognised directly in equity.

Dividend calculations are based on 100% of net profit after an adjustment for revaluation increments/decrements and shareholding Minister approval to retain the proceeds from a specified land sale arrangement. The effective comparable percentages are 2018 at 100% and 2017 at 100%. All dividends are unfranked. Dividends are declared after reporting date but before the financial statements are authorised for issue.

Rehabilitation

A provision for rehabilitation is recognised in relation to the obligations or undertakings for the Group associated with contractual agreements executed under the Western Basin Environmental Management Funding Agreement and LNG Commercial Offsets and relate to extinguishing the obligations of the agreements.

Provision movements

	Rehabilitation 2018	Rehabilitation 2017	Dividend 2018	Dividend 2017	Employee Benefits 2018	Employee Benefits 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current provision	10,511	3,108	61,945	61,037	34,540	34,430
Non-current provision	22,390	12,459	-	-	13,670	12,848
Closing balance of provision at 30 June	**32,901**	**15,567**	**61,945**	**61,037**	**48,210**	**47,278**
Opening balance of provision at 1 July	15,567	5,716	61,037	405,827	47,278	46,554
Payment of provisions	(1,483)	(5,036)	(61,037)	(405,827)	(21,199)	(18,271)
Movement in provision calculation	18,817	14,887	61,945	61,037	22,131	18,995
Closing balance of provision at 30 June	**32,901**	**15,567**	**61,945**	**61,037**	**48,210**	**47,278**

18. Equity

Issued Capital

	2018	2017
	No.	No.
Issued capital		
Authorised to issue – ordinary shares	1,000,000,000	1,000,000,000
Issued – ordinary shares fully paid	402,066,818	402,066,818

	2018	2017
	$'000	$'000
Issued capital	675,496	675,496

The shares have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Group.

Asset Revaluation Surplus

		2018	2017
		$'000	$'000
Opening balances at 1 July		381,411	302,110
Revaluation – gross	12 (c)	255,810	113,340
Deferred tax		(76,744)	(34,002)
Disposal of revalued assets		(12)	(37)
Balance as at 30 June		**560,465**	**381,411**

19. Financial risk management

GPC has exposure to credit risk, foreign currency risk, liquidity risk, interest rate risk and capital management risk from its use of financial instruments. The Group's financial instruments comprise receivables, payables, borrowings, cash and cash equivalents and derivatives. The Directors have reviewed the Group's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Group manages its exposure to key financial risks, including credit risk, liquidity risk, interest rate and currency risk, in accordance with its financial policies. The objectives of the policies are to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of the risks summarised below:

(a) Credit risk exposure

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents and trade and other receivables. The Group is exposed to credit risk from the possibility of counter parties to trade and other receivables failing to perform their obligations.

The Group does not hold any credit derivatives to offset its credit exposure. The level of exposure is disclosed in the Consolidated Statement of Financial Position and in Note 11 with the carrying amount stated net of any provision for impairment.

19. Financial risk management (continued)

(b) Market risk

(i) Foreign currency risk

The Group occasionally makes capital purchases in US dollars. To manage the currency risks arising from these transactions, the Group may enter into derivative transactions, namely forward currency contracts.

The Board approved policy requires management to examine entering into a derivative transaction to eliminate currency exposure on any individual transactions in excess of $500,000. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The terms of the hedge derivatives are required to exactly match the terms of the hedged item to maximise hedge effectiveness.

As at 30 June 2018 the Group did not have any exposure to foreign currency. As at 30 June 2017 the Group had entered into one forward contract to purchase US dollars for a dozer purchased in December 2017.

These derivatives provide economic hedges, but do not qualify for hedge accounting. The market value is presented, whereas for the other obligations the respective undiscounted cash flows are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based upon the conditions existing at 30 June 2018.

(ii) Price risk

During 2017/18, the group had no significant exposure to price risk.

(iii) Interest rate risk exposure

The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in Note 16.

At 30 June 2018 the Group's financial assets and liabilities exposed to variable interest rate risk consisted of cash and cash equivalents and interest bearing loans and liabilities only. The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group constantly analyses its interest rate exposure where consideration is given to the mix of fixed and variable interest rates.

Sensitivity analysis based upon the interest risk exposures in existence at the Statement of Financial Position date illustrates that a +/- 1% movement in interest rates with all other variables held constant, the post-tax profit and equity affect is as follows:

	Post-tax profit		Equity	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
+1% (100 basis points)	(625)	(778)	(625)	(778)
-1% (100 basis points)	674	778	674	778

(c) Liquidity risk

GPC is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation for capital works. GPC manages liquidity risk through the use of a liquidity management strategy which aims to reduce the exposure to risk by ensuring GPC has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring maximum levels of cash are at hand to match the expected duration of various employee and supplier liabilities. Funding arrangements are in place with Queensland Treasury Corporation which will allow sufficient funding to cover planned requirements within GPC's corporate planning period.

The Group has available a business card facility with a limit of $250,000 (2017: $250,000). Loan facilities shown in Note 16 are provided by Queensland Treasury Corporation. New borrowings are subject to an approved loan program with the sanction of the Treasurer of Queensland. The Group has access to a $30,000,000 (2017: $30,000,000) working capital facility provided through Queensland Treasury Corporation. This facility was not drawn upon during the financial year.

19. Financial risk management (continued)

(c) Liquidity risk (continued)

Maturity analysis of financial liabilities based upon management's expectations

Year ended 30 June 2018	Note	< 1 year	1 – 5 Years	> 5 years	Total
		$'000	$'000	$'000	$'000
Financial liabilities					
Trade and other payables	15	55,908	7,860	10,339	**74,107**
Interest bearing loans and borrowings	16	-	-	776,855	**776,855**
Dividend provision	17	61,945	-	-	**61,945**
		117,853	**7,860**	**787,194**	**912,907**

Year ended 30 June 2017	Note	< 1 year	1 – 5 Years	> 5 years	Total
		$'000	$'000	$'000	$'000
Financial liabilities					
Trade and other payables	15	59,547	7,860	12,304	**79,711**
Interest bearing loans and borrowings	16	-	-	778,834	**778,834**
Dividend provision	17	61,037	-	-	**61,037**
		120,584	**7,860**	**791,138**	**919,582**

The risks implied in the table above reflect a balanced view of cash inflows and outflows.

Interest bearing loans and borrowings relate to Queensland Treasury Corporation borrowings which are interest only with no fixed repayment date for the principal component. For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five-year time band with no interest payment assumed in this time band.

All trade and other payables due in greater than one year are revenue received in advance for recoverable works. All other trade payables and other financial liabilities originate from the ongoing operations of the Group.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of settlement of financial assets and liabilities.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date the Group had $30,000,000 (2017: $30,000,000) of unused credit facilities available for use.

20. Capital management

Risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group will return a dividend for the 2018 financial year equal to $61.945M being 100% of adjusted profits after tax.

The Group will manage its capital structure to maintain a minimum investment grade credit rating of BBB range, consistent with its loan documentation with QTC. The capital structure of the Group consists of borrowings disclosed in Note 16 and equity comprising issued capital, reserves and retained earnings.

21. Commitments and contingencies

Operating lease commitments – Group as lessor

	2018	2017
Operating lease revenue	**$'000**	**$'000**
Due not later than one year	9,200	10,674
Due later than one year and not later than five years	23,171	27,035
Due later than five years	63,836	73,479
Total	**96,207**	**111,188**

These leases relate to the Group's business of providing facilities for stevedoring operators as well as investment properties (land and buildings) for industrial use for other business purposes.

Operating lease commitments - Group as lessee

These leases relate to office equipment and light vehicles:

	2018	2017
	$'000	**$'000**
Due not later than one year	1,185	1,373
Due later than one year and not later than five years	525	707
Total	**1,710**	**2,080**

Capital expenditure commitments contracted but not provided for:

These commitments relate to expenditure on capital projects in progress

	2018	2017
	$'000	**$'000**
Due not later than one year	13,997	15,680

Contingent assets and liabilities

As at the date of these financial statements, the Board is not aware of any material contingent assets or liabilities.

22. Auditor's remuneration

These are amounts (excluding GST) paid to the Auditor-General of Queensland for audit of the financial statements. No other benefits were received by the auditors:

	2018	2017
	$	**$**
Remuneration	187,250	200,801

The estimated fee for 2018 is $174,250 (2017: $170,000).

23. Key management personnel disclosures

Directors (short-term and post-employment benefits)

Directors' emoluments are set by the State Government with other fees and allowances determined on the basis of meetings attended and expenditure incurred in performing their roles. Directors do not receive performance related remuneration.

Specified executives

The Human Resources Committee recommend executive remuneration to the Board. The committee uses market and industry surveys to ascertain an appropriate level of remuneration to attract appropriately skilled staff. The remuneration policy is subject to State Government guidelines and changes to executive remuneration are approved by the Board and advised to shareholding Ministers.

The Group's remuneration policy is based on a total employment cost (TEC) concept. The TEC concept ensures all benefits including salary, superannuation, motor vehicle etc. are included in the remuneration package cost. Short-term benefits are disclosed as the gross salary package (excluding bonuses) and may be taken either as salary or salary sacrificed by the Director or employee. Amounts paid on separation are included as a short-term benefit. Other benefits are listed as taxable fringe benefits amounts. These may include benefits that are available to all employees of the Group and are not specific to the listed roles. All disclosed items relate to amounts received by each senior executive for the full financial year irrespective of when they commenced their role listed below.

All senior executives' remuneration levels increase in line with the market assessments up to a maximum of 10% per annum where remuneration remains below the market median. Where remuneration is above market median annual increases are restricted to CPI increases. There are no at risk benefits to senior executives. Separation benefits, in the event of termination by the Group, other than for misconduct, are allowed for in the agreements. The Chief Executive Officer is entitled to three months' notice, or payment in lieu of notice as well as a separation payment of the lesser of 12 months' pay and the amount which would otherwise be paid between the determination date and the end of the contract term. Senior executives are entitled to four weeks' notice or payment in lieu. In the event of a position being made redundant the executive is entitled to eight weeks pay plus three weeks' pay for each year of service, up to a maximum of 52 weeks.

Short term employee expenses

- Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position
- Non-monetary benefits consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

Long term employee expenses

This includes amounts expensed in respect of long service leave entitlements earned.

Post-employment expenses

This includes amounts expensed in respect of employer superannuation obligations.

Termination benefits

This includes payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

In accordance with Ministerial guidelines details of Directors and the senior executives of the entity with the greatest authority in office at 30 June 2018 are as follows:

23. Key management personnel disclosures (continued)

Directors	Last date of appointment	Date of termination/ resignation	Short-term benefits $'000 Directors' fees	Post-employment benefits $'000 Superannuation	Total $'000
Zussino, Leo (Chairman)	1 October 2015	30 September 2018			
2018			68	25	93
2017			53	35	88
Corones, P	1 October 2015	30 September 2018			
2018			49	5	54
2017			49	5	54
Davidson, G	12 October 2017	30 September 2020			
2018			31	21	52
2017			41	13	54
Cassidy, G	1 October 2015	30 September 2018			
2018			54	5	59
2017			49	5	54
Jamieson, P	1 October 2015	30 September 2018			
2018			54	5	59
2017			49	5	54
Corbett, M	15 December 2016	30 September 2019			
2018			56	5	61
2017			22	2	24
Butel, S	12 October 2017	30 September 2020			
2018			33	3	36
2017			-	-	-
Reynolds, J	2 October 2014	30 September 2017			
2018			17	2	19
2017			51	5	56
Skippen, H	12 December 2013	30 September 2016			
2018			-	-	-
2017			16	2	18
TOTAL 2018			362	71	433
TOTAL 2017			330	72	402

23. Key management personnel disclosures (continued)

Specified Executives	Short-term benefits					
	Monetary Expenses	Non-Monetary Expenses	Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
Chief Executive Officer						
2018	533	-	10	96	-	639
2017	498	-	7	86	-	591
Commercial General Manager						
2018	405	22	(70)	68	-	425
2017	376	22	9	66	-	473
Asset Management and Project Services General Manager						
2018	306	21	9	62	-	398
2017	370	23	8	62	-	463
People, Community and Sustainability General Manager						
2018	244	28	5	33	-	310
2017	223	16	5	29	-	273
Port Strategy and Development General Manager [1]						
2018	254	-	5	22	-	281
2017	-	-	-	-	-	-
Operations General Manager [2]						
2018	75	-	2	15	-	92
2017	-	-	-	-	-	-
Safety, Environment and Risk General Manager [3]						
2018	158	7	-	15	154	334
2017	291	14	6	42	-	353
Port Planning and Development General Manager [4]						
2018	567	15	-	25	166	773
2017	287	25	7	54	-	373
Marine Operations General Manager [5]						
2018	-	-	-	-	-	-
2017	193	9	-	14	27	243
TOTAL 2018	**2,542**	**93**	**(39)**	**336**	**320**	**3,252**
TOTAL 2017	**2,238**	**109**	**42**	**353**	**27**	**2,769**

[1] Appointed 2 October 2017
[2] Appointed 5 March 2018
[3] Resigned 30 September 2017
[4] Resigned 3 November 2017
[5] Terminated 13 January 2017

Transactions of a similar nature are disclosed in aggregate except when separate disclosure is necessary and material.

24. Related party transactions

(a) Parent entities

The parent entity within the Group is Gladstone Ports Corporation Limited. The ultimate Australian controlling entity is the State of Queensland which at 30 June 2018 owned 100% (2017: 100%) of the issued ordinary shares of Gladstone Ports Corporation Limited.

(b) Key management personnel

(i) Shareholding Ministers – GPC's shareholding Ministers are identified as part of GPC's key management personnel. For the 2017/18 reporting period, these Ministers are, or were:

- the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships;
- the Honourable Mark Bailey MP, Minister for Transport and Main Roads;
- the Honourable Curtis Pitt MP, Treasurer and Minister for Trade and Investment (up to 11 December 2017); and
- the Honourable Dr Steven Miles MP, Acting Minister for Main Roads, Road Safety and Ports (from 10 August 2017 to 27 September 2017).

(ii) Compensation – Shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The Group does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP (Key Management Personnel) of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016/17, which are published as part of Queensland Treasury's Report on State Finances.

(c) Transactions with related parties

From time to time Senior Executives, Directors and related entities may have commercial dealings with GPC. These transactions are conducted on arm's length terms and conditions. Senior Executives and Directors declare their interest on commercial dealings at Board meetings.

All transactions between GPC and other Government Owned Corporations are on an arm's length commercial basis. GPC, as a Government Owned Corporation, has had arm's length transactions with other government agencies.

Payments and commitments have been made to Sun-Coast Business Consultants, a trading entity of the Trustee for the Zussino Family Trust, which is related to the Chairman of GPC, Leo Zussino. Payments and commitments were in consideration for the provision of interim CEO services to Gladstone Development Board (GDB), undertaken during the 2016/17 and 2017/18 years. GPC contributed $300,000 towards GDB in a joint funding arrangement with Gladstone Regional Council. These payments and commitments totalled $204,840 (incurred 2016/17 $4,800 – incurred 2017/18 $200,040) which has been included in the total of sundry items in the table on the following page.

(d) Intercompany transactions

Balances between GPC and its subsidiaries, which are related parties of GPC, have been eliminated on consolidation and are not disclosed in this note.

24. Related party transaction (continued)

Revenue

Gladstone Ports Corporation Limited	2018	2017
	$'000	$'000
Pilot services	24,218	23,987
Other Revenue	1,002	2,235

Gladstone Marine Pilot Services Pty Ltd	2018	2017
	$'000	$'000
Provision of operating services	20,644	20,739

Expenses

Gladstone Ports Corporation Limited	2018	2017
	$'000	$'000
Provision of operating services	20,644	20,739
Dividend, income tax equivalent payments, payroll tax, land tax, competitive neutrality fees, QLeave, advances and rates	287,260	449,931
Interest	29,391	31,156
Superannuation	16,065	15,954
Audit and legal fees, permits, utilities, vehicle registrations, WorkCover and sundry items	19,415	7,603

Gladstone Marine Pilot Services Pty Ltd	2018	2017
	$'000	$'000
Superannuation	1,752	1,704
Payroll tax, permits, registrations, WorkCover and sundry items	1,344	759

Debtors

Gladstone Ports Corporation Limited	2018	2017
Agency	$'000	$'000
Maritime Safety Queensland	1,796	853
Other	(38)	(28)

Creditors

Gladstone Ports Corporation Limited	2018	2017
Agency	$'000	$'000
Queensland Treasury Corporation	776,855	778,834

The amounts outstanding are unsecured and will be settled in cash.

Guarantees

No guarantees have been given or received.

25. Number of employees

	2018	2017
	No.	No.
Number of employees at year end (Full Time Equivalent)	728	725

The number of employees represents the total number of people employed (Full Time Equivalent) by the Group as at 30 June.

	2018	2017
	$'000	$'000
Total salaries and wages paid or payable to all employees	**109,581**	**103,567**
Superannuation paid or payable for all employees		
Defined benefit schemes	3,010	4,011
Accumulation schemes	9,206	7,611
	12,216	**11,622**

26. Events occurring after reporting period

To date, except as detailed elsewhere in the financial statements no other events have occurred subsequent to balance date that materially impact on these financial statements.

Gladstone Ports Corporation

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 64 to 99 are in accordance with the Corporations Regulations 2001, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors

original signed

G Cassidy
Acting Chairman

Dated: 30 August 2018

original signed

M Corbett
Director

Dated: 30 August 2018

Queensland Audit Office

Better public services

Independent Auditor's Report

To the Members of Gladstone Ports Corporation Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Gladstone Ports Corporation Limited (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2018, and their financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's 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 am also independent of the parent and group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements. I addressed these matters in the context of the audit of the financial report as a whole and in forming our opinion. I do not provide a separate opinion on these matters.

Valuation of property, plant and equipment

Refer to note 12 of the financial statements

Key audit matter	How my audit addressed the key audit matter
Property, plant and equipment is reported at fair value and where applicable at cost. Approximately 98% of the property plant and equipment was valued at fair value which was determined using the income-based valuation model. The key assumptions used in the valuation model included: • Forecasting operating revenue • Estimating future capital and operating costs • Determining of terminal values • The discount rate applied to future cashflows.	My procedures included, but were not limited to: • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices • Checking, on a sample basis, the accuracy and relevance of the input data used, including reconciling input data to supporting evidence such as approved budgets • Performing a sensitivity analysis to establish that management's assumptions for fair value including cash flows, terminal values and discount rates are within a reasonable range of audit expectations for fair value • Assessing the reasonableness of cash flow forecasts and terminal value estimates relative to board approved budgets, historical growth trends and other relevant internal and external evidence. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process • Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research • Challenging the reasonableness of key assumptions based on my knowledge of the entity and industry • Verifying the mathematical accuracy of net present value calculations.

Useful lives estimated for depreciation expense

Refer to note 12 of the financial statements

Key audit matter	How my audit addressed the key audit matter
The straight-line depreciation method used requires significant judgements for: • Identifying the significant parts of the supply system that have different useful lives • Estimating the remaining useful lives of those significant parts.	My procedures included, but were not limited to: • Evaluating management's approach for identifying the parts of property, plant and equipment with different useful lives for reasonableness, having regard to recent replacement projects and long-term asset management plans • Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Other information

Other information comprises the information included in the group's annual report for the year ended 30 June 2018 but does not include the financial report and my auditor's report thereon.

Those charged with governance 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 company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the parent or group or to cease operations, or has 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 parent's and group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.

- Conclude on the appropriateness of the parent's and group'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 parent's or group'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 parent or group to cease to continue as a going concern.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company'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.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vaughan Stemmett
as delegate of the Auditor-General

31 August 2018
Queensland Audit Office
Brisbane