

CONFIDENTIAL

**STATEMENT OF CORPORATE INTENT
FINANCIAL YEAR 2021**

Gladstone Airport Corporation

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PART A

Corporate Objectives

The Gladstone Airport Corporation (GAC) was established by the Gladstone Regional Council (GRC) in July 2012 and is responsible for the ownership and operation of the Gladstone Airport.

Vision

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

Mission

GAC will operate and develop Gladstone Airport to enable safe and secure travel connections that facilitate the economic and social growth of the region.

It is committed to both quality and innovation in the services and facilities it provides.

It is also committed to improving its efficiency and developing its people, systems and technology, while maintaining a strong environment, a health and safety culture and making a sustainable contribution to the betterment of the community it serves.

Values

GAC is committed to:

- being the best at all it does
- providing high quality services to its customers and stakeholders every day
- fostering a culture among GAC team members of working collaboratively, effectively and efficiently
- being honest in all its dealings and accountable for its actions

Corporate and Operational Strategies

GAC undertakes its business with the objective of increasing Shareholder value and to that end, seeks to earn market-based commercial revenues from its activities unless specifically directed otherwise by its Shareholder (Community Service activities).

While adhering to its commercial strategy, it will provide airport services and facilities to meet the demands of aircraft operators, commerce and industry and the travelling public.

It will actively pursue business development opportunities that are consistent with its commercial strategy.

GAC will continue to implement business improvement actions to increase the productivity of the capital deployed in the business as well as those employed in the operation of the Airport.

GAC will continue to implement and refine initiatives to strengthen its safety culture.

It will continue to develop its risk management processes to support the ongoing identification and mitigation of business risks, including operational safety.

GAC will at least annually provide the Shareholder with a copy of the strategic risk register.

GAC will comply with all relevant legislative and regulatory requirements of local, state and national governments.

GAC will continue to be a responsible corporate citizen and will seek to maintain its good standing in the community.

Regional Planning and Development

GAC will work collaboratively with GRC and State Planning authorities on relevant planning and development issues in the region.

GAC will be a third party referral agency for GRC. As such, GAC will advise Council in respect of any development proposals in terms of their potential impact on the Airport and its operations.

GRC shall advise GAC of any matter, scheme, legislation or regulation that has implications for the Airport, its land, facilities or operations that comes to the knowledge of the Council.

Appropriate communication forums will be maintained between the organisations to ensure that regional planning and development issues are managed professionally by both organisations to the benefit of the community.

Environment

GAC strives to minimise its environmental impact and implement sustainable business practices.

Accordingly it will:

- Seek to improve its management of environmental risks;
- Comply with environmental legislation, regulation and licence standards in all its operations and environmentally relevant activities;
- Encourage and integrate sound environmental practices into its operations and businesses; and
- Promote waste minimisation, water conservation and energy management within its day to day operations.

Subsidiary Activities

Gladstone Airport Corporation will not establish any subsidiary corporate entities without the specific approval of Gladstone Regional Council and Queensland Treasury.

Community Service Obligations

GAC's community service obligations include any activity new or continuing which is directed by the GRC to be conducted on a basis other than commercial market terms.

The cost of delivering these community service obligations shall be determined by recording the sum which would have been paid by these airport users or commercial operators had they paid on commercial market terms and/or the relevant fee/s and subtracting the sum that was actually paid by those users.

The difference between commercial market terms and/or the relevant fee/s and the sum that was actually paid by these airport users or commercial operators is a cost that must be met by GRC and shall be paid to the account of the GAC upon the presentation by the GAC of the substantiating data.

The protocol for CSOs agreed between GAC and GRC is included within Appendix 3 "Corporate Governance and Operations Protocols and Principles" of this Statement of Corporate Intent.

PART B

Capital Structure and Financial Performance

Dividend Policy

The GAC Board will recommend the payment of dividends within the overall objective of maximising Shareholder value that sees 50% of Net Profit after Tax returned to the Shareholder in accordance with Appendix 3, Section 3.2 (i).

Capital Structure	30 June 2019	* 30 June 2020 Revised Budget	** 30 June 2021 Budget	*** 30 June 2021 Covid Budget
Total Borrowings (\$M)	33.72	33.72	33.72	33.72
Total Equity (\$M)	68.98	67.47	67.86	65.46
Total Capital (\$M)	102.70	101.20	101.60	99.20
Gearing Ratio (%)	48.88%	49.97%	49.68%	51.51%

* 30 June 2020 figures are provisional

** 30 June 2021 figures from the draft budget

*** 30 June 2021 figures from the Covid draft budget

Borrowings

As GAC is subject to the provisions of the *Statutory Bodies Financial Arrangements Act 1982*, it is required to borrow from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

GAC will look to undertake borrowings in line with the DoLG borrowings policy as outlined in the annual borrowings bulletin unless another financial institution can offer a more beneficial rate, taking into account risk.

Acquisition, Disposal and Maintenance of Major Assets

Capital investment at Gladstone Airport is determined by the Board of GAC and informed by its assessment of demand for airport services and economic life of airport assets. The GAC Board is committed to establishing a sustainable capital structure for the enterprise.

No assets other than normal operating plant and equipment will be disposed of without the approval of GRC.

The following table provides details of proposed capital investment in Financial Year 2021.

FY2021 Capital Expenditure	\$,000
Commercial	0
Regulatory	0
Safety, Security and IT Infrastructure	100
Aircraft Movement Area	254
Buildings	30
Roads and Car Parks	500
Vehicles, Plant and Equipment	0
Total	\$884

10 Year Capital Expenditure

GAC has also developed, a 10 Year Capital Investment Program (see Appendix 2) which it monitors and reviews to adequately address regulatory requirements, future demand for air services, safety and security requirements, and terminal and airport development.

The 10 Year Program will include significant expenditure on the runway and taxiways as well as on initiatives to enhance airport safety, security and access. GAC will provide this program to GRC in conjunction with each annual Statement of Corporate Intent.

The nature of Airport maintenance necessitates accumulation of cash balances over multiple years towards large periodic expenditure, which are unable to be met from annual operating revenues.

Taxation

GAC's activities are exempt from all forms of Commonwealth taxation, except for Fringe Benefits Tax and Goods and Services Tax (GST).

GAC is liable to pay payroll tax to the Queensland Government on all of its activities.

GAC is required to comply with the Local Government Tax Equivalent Regime in relation to income tax, stamp duty and land tax.

Tax equivalents are paid, or a debt is recognised in favour of Gladstone Regional Council.

Competitive Neutrality Adjustments

In order to remove any competitive advantage, or disadvantage, resulting from public ownership, GAC is required to apply the competitive neutrality principle in accordance with the Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 (repealed).

The Competitive Neutrality Fee is payable to GRC quarterly on the QTC loan which is fixed until 2030.

GAC's External Accountant will review the rate and application annually and make recommendation for the percentage rate to be adopted for the ensuing year.

Insurance

GAC will hold necessary insurances to manage its risk as determined by the GAC Board and currency certificates will be provided to GRC for all insurance policies held by GAC.

Budget

The GAC Board shall prepare and adopt annual budgets for GAC.

GAC will conduct its business in accordance with appropriate commercial principles and subject to any direction from GRC with respect to Community Service Obligations, price its services accordingly.

Alternative sources of Capital Funding

GAC will investigate alternative sources of capital funding. This includes, but is not limited to, grant funding and third party contributions.

Performance Drivers

The key drivers for GAC include:

- Aviation activity
- Non-aviation infrastructure and capital investment
- Forecast economic growth
- Operational performance and efficiency
- All stakeholders
- Safety
- Community engagement
- Environment

Statement of Corporate Intent : Financial Indicators

Financial Indicators (Annual)	30 June 2019	30 June 2020 ^a	30 June 2021 ^b	30 June 2021 ^c
Net Profit (before tax) (\$m)	-0.198	-1.515	0.610	-2.008
Net Profit (% of revenue)	-1.97%	-19.70%	6.03%	-28.81%
Net Profit (after tax) \$m	-0.601	-1.515	0.395	-2.008
Return on Equity (%)	-0.87%	-2.22%	0.58%	-3.02%
Gearing (%)	48.88%	49.97%	49.68%	51.51%
Debt Service Coverage Ratio	1.88	1.28	2.29	1.16
Liquidity ratio (Current Ratio)	23.29	27.44	25.38	20.82
Interest cover ratio (EBIT)	0.92	0.39	1.27	0.08
Interest cover ratio (EBITDA)	1.87	1.40	2.40	1.27
Shareholder Loan Interest Payments*	2.043	2.043	2.043	2.043
Competitive Neutrality Adjustments (current)	0.506	0.379	0.196	0.098
Loan Administration Fee (\$m)	0.039	0.039	0.039	0.039
Income Tax Equivalent Current	0.074	0.132	0.084	0.000
Dividend Distribution to GRC** (\$m)	0.325	0.000	0.000	0.000
Dividend ratio**	50% of net profit after tax	50% of net profit after tax	50% of net profit after tax	50% of net profit after tax
Total payments to & contributions to GRC	2.987	2.593	2.362	2.180

* Interest on QTC Loan excluding additional costs

** Dividend of 50% of net profit after tax to be returned to Shareholder in accordance with Appendix 3, Section 3.2(i)

a 30 June 2020 figures are provisional

b 30 June 2021 figures from the draft budget

c 30 June 2021 figures from the Covid draft budget

PART C

Non-financial Performance Measures

GAC will provide quarterly and annual reports on the following non-financial indicators in FY2021:

A. Operations

	FY2019	FY2020*	FY2021**	FY2021***
RPT Passenger Movements	247,017	250,165	250,664	161,453
RPT Aircraft Movements	4,822	4,952	4,660	3,148
RPT Aircraft Landed Tonnes	78,662	78,192	74,066	51,073
General Aviation Aircraft Movements	10,057			

B. Staffing

	FY2019	FY2020*	FY2021**	FY2021***
GAC Full Time Employees (EOFY)	12	13	13	13
Full Time Equivalent	30.08	27.95	30	28
Passenger Movements per FTE	8,212	8,950	8,355	5,766
RPT Aircraft Movements per FTE	160	177	155	112

* 30 June 2020 figures are provisional

** 30 June 2021 figures from the draft budget

*** 30 June 2021 figures from the Covid draft budget

C. Airport-wide Health, Safety, Security & Environmental Performance

	FY2019
Aviation Safety Incidents and Official Notifications	15
Aviation Security Breaches and Notifications	5
Workplace Health and Safety Incidents and Hazard Reporting	0
Environmental Breaches and Notifications	0

D. Airport Services Performance (ASP) Rating

GAC will conduct annual Airport Service Performance surveys of passengers and airport visitors to Gladstone Airport.

Results of the annual Airport Services Performance survey will be presented to GRC at the following quarterly Shareholder Presentation.

PART D

Other Matters

Risk Management and Legislative Compliance

GAC's approach to the identification, assessment and management of risk is based on the international and Australian standard AS/NZS ISO 31000:2018 *Risk management – Principles and guidelines*, so far as this standard relates to the nature, scale and complexity of GAC and the operations of Gladstone Airport.

GAC's risk identification and management process is monitored by the Finance and Audit Committee and Risk and Compliance Committee, which are subcommittees of the Board and which report to the Board on a regular basis. The risk management framework is in place to mitigate potential financial and operational risks and regularly assess, monitor and report in accordance with risk management plans.

The risk management framework is designed to ensure that material financial, operational and other risks are regularly identified, assessed, monitored and reported to the Risk and Compliance Committee or the Finance and Audit Committee and the Board, as appropriate, along with appropriate risk mitigation and management plans.

GAC management will also provide the Risk and Compliance Committee and the Board with details of potential security risks and breaches; safety hazards and workplace health and safety incidents and near misses; and environmental incidents.

GAC is committed to the development and implementation of a 'fit for purpose' legal compliance system tailored from the principles in the relevant Australian and international standards.

Corporate Governance and Operational Protocols and Principles

Corporate Governance

The Board takes responsibility to ensure that prudent financial practices will be applied within GAC. This includes a commitment to:

- Comply with the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice) as issued by the Queensland Government; and
- Establish, maintain and implement appropriate financial risk management practices and policies required and as specified in the Code of Practice.

The Board acknowledges and has put in place governance mechanisms to ensure compliance with GOC policies.

GAC and GRC have agreed various protocols and principles for GAC's corporate governance and operations. These protocols and principles are set out at Appendix 3 to this Statement of Corporate Intent.

GAC and GRC must comply with the corporate governance and operational protocols and principles.

Employment and HR Policies

GAC has developed a suite of human resource policies and enters into individual employment contracts with its employees. These employment contracts are underpinned by the *Airport Employees Award 2010*.

Health and Safety

GAC remains committed to ensuring the health and safety of its people, community and environment. Key programs include:

- Continuation of Health Safety and Environment initiatives;
- A review of objectives and key performance indicators;
- Health and safety initiatives such as Drug and Alcohol Programs, CASA reporting and monitoring systems;
- Using proactive approaches through the ongoing promotion of health and wellbeing programs, employee assistance programs for both work related and non-work related injuries where relevant.

Accounting Systems

GAC is responsible for the presentation of a financial report that gives a true and fair view of the position of the Corporation.

Audit

GAC will be audited annually by Queensland Audit Office or its delegate.

The GAC Board through its Finance and Audit Committee will meet with the external auditor to agree an engagement letter and audit plan and consider the findings of the audit.

The Board will consider its internal audit responsibilities on an annual basis and identify when and/or if an internal audit needs to be undertaken in order to:

- (a) ensure it has in place appropriate internal control systems to minimise fraud and theft;
- and
- (b) to ensure it has in place a systematic and disciplined approach to evaluating and improving the effectiveness of risk management.

Purchasing

GAC will seek to minimise its purchasing costs. As far as is practicable and economic, it will provide opportunities for local businesses to supply goods and services to the company.

The Gladstone Airport Corporation may enter into agreements with third parties, including the Gladstone Regional Council for the provision of services as appropriate.

Quality

GAC will embed quality assurance in its systems and processes and this may be subject to internal audit.

Annual Reports

The GAC Board shall prepare an Annual Report which will present:

- (a) Key challenges and achievements;
- (b) Reporting on full year operations with comparative reporting against annual SCI targets;
- (c) Statement of Financial Position with accompanying notes and schedules and Cash Flow Statement including comparative last year figures;
- (d) Analysis of Actual versus SCI Target and comparative Previous Year Financial and Non-Financial Performance Indicators;
- (e) Annual Capex and Major Maintenance reports;
- (f) Details of any changes made to the SCI during the reporting year;
- (g) Particulars of any directions the Shareholder gave to the Board during the financial year and the impact that these directions had on the Corporation's profit and loss, statement of financial position and prospects of the Corporation;
- (h) Statement of opinion by the Board as to whether the Corporation will be able to pay its debts when they become due;
- (i) Presentation of financial information to the Shareholder which will allow the appropriate consolidation into the Shareholders annual financial returns; and
- (j) Completion of all statutory annual returns to Aviation authorities.

Reporting

A consolidated quarterly report is to be delivered both in written and verbal form by GAC to GRC, within one week after the GAC Board Meeting or by a date agreed with either the Chief Executive Officer GRC or General Manager Finance Governance and Risk GRC.

A single consolidated report is to include at a minimum:

- I. All financial information;
- II. Key operational data and KPIs; and
- III. A summary of outstanding stakeholder issues/complaints.

Appendices

Appendix 1: Financial Statements

Appendix 2: 10 Year Capital Expenditure

Appendix 3: Corporate Governance and Operational Protocols and Principles

Appendix 4: Social Licence to Operate

Appendix 1 - Financial Statements

GLADSTONE AIRPORT CORPORATION PROFIT & LOSS

\$'000s	FY2019	FY2020* Revised	FY2021** Budget	FY2021*** Covid
	\$	\$	\$	\$
Operating Income				
Aeronautical	8,249	6,140	8,393	5,506
Commercial	1,830	1,552	1,732	1,463
Total Gross Income	10,080	7,692	10,125	6,969
Operating Expenses				
Employee and Other Benefits	1,999	1,970	2,055	2,054
Services & Utilities	916	735	758	715
Administration	1,732	1,268	1,696	1,314
Repairs and Maintenance	477	523	361	332
Auditors Remuneration	28	31	29	29
Total Operating Expenses	5,151	4,526	4,899	4,444
Operating Profit	4,929	3,166	5,226	2,525
Non-operating Income				
Non-operating Income	26	40	49	49
Interest Income	325	264	260	245
Other Comprehensive Income	115	0	0	0
Total Non-operating Income	466	305	309	294
Non-operating Expenses				
Depreciation and Amortisation	2,477	2,515	2,589	2,589
Capital Loss and Impairment	501	0	52	52
Interest Expense	2,615	2,471	2,283	2,186
Total Non-operating Expenses	5,593	4,986	4,924	4,826
Net Profit Before Tax	-198	-1,515	610	-2,008
Income Tax Equivalents	402	0	216	0
Net Profit after Tax	-601	-1,515	395	-2,008

* 30 June 2020 figures are provisional

** 30 June 2021 figures from the draft budget

*** 30 June 2021 figures from the Covid draft budget

GLADSTONE AIRPORT CORPORATION BALANCE SHEET

\$'000s	FY2019	FY2020* Revised	FY2021** Budget	FY2021*** Covid
	\$	\$	\$	\$
Assets				
Current Assets				
Cash and Cash Equivalents	13,331	14,322	13,576	11,407
Debtors and Prepayments	2,325	2,100	6,462	6,177
Total Current Assets	15,656	16,422	20,037	17,584
Non-current Assets				
Deferred Tax Asset	3,847	3,847	3,847	3,847
Property, Plant & Equipment	84,272	81,916	78,887	78,993
Total Non-current Assets	88,119	85,763	82,734	82,840
Total Assets	103,775	102,185	102,771	100,424
Liabilities				
Current Liabilities				
Trade and Other Payables	454	328	519	574
Provisions	192	244	244	244
Other Financial Liabilities	0	0	0	0
Deferred Income	26	26	26	26
Income Tax Equivalents	0	0	0	0
Total Current Liabilities	672	598	789	844
Non-current Liabilities				
Borrowings	33,176	33,716	33,716	33,716
Provisions	19	19	19	19
Deferred Income	385	385	385	385
Deferred Tax Liability	0	0	0	0
Total Non-current Liabilities	34,120	34,119	34,119	34,119
Total Liabilities	34,792	34,718	34,909	34,964
Net Assets	68,983	67,468	67,862	65,460
Equity				
Contributed Capital	69,793	69,793	69,793	69,793
Revaluation Surplus	4,523	4,523	4,523	4,523
Retained Earnings	-5,333	-6,848	-6,454	-8,856
Total Equity	68,983	67,468	67,862	65,460

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** 30 June 2021 figures from the draft budget

*** 30 June 2021 figures from the Covid draft budget

GLADSTONE AIRPORT CORPORATION STATEMENT OF CASHFLOW

\$'000s	FY2019	FY2020* Revised	FY2021** Budget	FY2021*** Covid
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	10,094	8,901	8,077	4,902
Interest Received	325	264	260	245
Payments to Suppliers and Employees	-6,492	-5,544	-5,401	-4,998
Net cash inflow/(outflow) from operating activities	3,927	3,622	2,936	149
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital Expenditure				
Purchase of Assets	-255	-170	-884	-884
Work in Progress	0	0	0	0
Proceeds from Sale of Assets	0	0	0	0
Net cash inflow/(outflow) from investing activities	-255	-170	-884	-884
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Borrowings	-1,214	-2,043	-2,043	-2,043
Loan Administration Fee	-39	-39	-39	-39
Competitive Neutrality	-1,335	-379	-196	-98
Repayment ITE	74	0	-216	0
Dividend	-325	0	-305	0
Net cash inflow/(outflow) from financing activities	-2,839	-2,461	-2,798	-2,180
Net increase in cash and cash equivalents held	833	991	-746	-2,915
Cash and cash equivalents at beginning of reporting period	12,498	13,331	14,322	14,322
Cash and cash equivalents at end of reporting period	13,331	14,322	13,576	11,407

* 30 June 2020 figures are provisional

** 30 June 2021 figures from the draft budget

*** 30 June 2021 figures from the Covid draft budget

Appendix 2 - 10 Year Capital Expenditure

GLADSTONE AIRPORT CORPORATION 10 YEAR CAPITAL EXPENDITURE PLAN (\$,000)

\$,000	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Commercial and Corporate	0	570	0	30	0	0	0	0	0	0
Safety, Security & IT Infrastructure	100	50	0	10	0	0	10	0	0	910
Aircraft Movement Area	250	530	4,500	0	800	0	0	0	0	12,000
Buildings	30	1,020	20	900	900	0	20	0	0	0
Roads, Car Parks and Infrastructure	500	1,850	2,250	330	360	3,500	0	2,530	2,500	0
Vehicles, Plant & Equipment	0	210	10	10	100	10	10	100	10	10
Total	880	4,230	6,780	1,280	2,160	3,510	40	2,630	2,510	12,920

Appendix 3 - Corporate Governance and Operational Protocols and Principles

1. Social Licence to Operate

GAC and GRC have agreed upon a Social Licence to Operate (**SLTO**) which is a document which sets out GRC's expectations of GAC as to what constitutes behaviour of a good corporate citizen in relation to GAC's activities and governance. The SLTO is attached as Appendix 4 to the Statement of Corporate Intent.

Company and Shareholder Roles and Responsibilities

GAC and GRC acknowledge that:

- (a) the responsibilities of the Board are to ensure that GAC performs its responsibilities in an economical, effective, efficient, socially responsible and prudent way; and uses its best endeavours to ensure GAC acts in accordance with, and achieves, its Statement of Corporate Intent and accounts to GRC for GAC's performance;
- (b) the directors are responsible for the solvency and long term viability and sustainability of GAC. In addition, the directors have standards of ethical behaviour and duties at law including a duty to act in the best interests of the Corporation. The Board and its Directors have a fiduciary duty to ensure the ongoing viability and success of GAC. However, this must be in the context that GAC is wholly owned by GRC as the sole Shareholder, which requires all Board decisions and actions to consider the overall best interests of GRC;
- (c) GRC is accountable for the performance of GAC to its ratepayers and achieving an appropriate commercial return on its investment. In order to fulfil its obligations, GRC requires timely, balanced and clear information about GAC and its performance; and
- (d) GRC is committed to supporting GAC to operate as a separate corporate entity and its directors to fulfil their legal and other responsibilities and GAC is committed to keeping GRC as sole Shareholder appropriately informed about the operations, performance and financial position of GAC.

Protocols for Community Service Obligations

GAC and GRC agree that:

- (e) by the by the end of January each year, GAC will present to GRC any case it may have for additional or substantially altered CSOs for the following financial year;
- (f) between the presentation of the Proposed CSOs and the end of May, GAC and GRC will negotiate the applicability and cost of the Proposed CSOs for inclusion in the subsequent financial year;
- (g) the CSO Case must include the following:
 - (i) Rationale for the treatment of a matter as a CSO;
 - (ii) Methodology for the costing of the CSO; and
 - (iii) Proposed CSO payment to GAC by GRC for the subsequent financial year;

- (h) the Methodology for costing the CSO must include a comparison of practices in CSO-Benchmark Airports (CSOBA). A CSO will only arise if a majority of CSOBA's apply more commercially oriented practices on the matter than that required by the Council. The CSOBA's should include all Australian and New Zealand Airports which have annual passenger volumes between current Company volumes and those forecast in the Airport Master Plan. Other relevant airports may also be included where justified;
- (i) the value of the CSO is the financial difference between GRC's requirements and that which would occur if the CSOBA benchmark practices were applied (including annual operating revenue, operating expenditure, and/or capital cost differences);
- (j) if GAC provides evidence that GRC requires less commercial practices or charges than the majority of CSOBA's, GRC must negotiate a CSO and include the payment in its subsequent budget; and
- (k) CSOs are most likely to arise in relation to fees and charges or operating practices imposed directly on community members by GAC where GRC requires that GAC applies a less commercial approach than CSOBA. On approval of a CSO by GRC, the parties must incorporate the CSO into the Statement of Corporate Intent. The Board must revise its planned dividend payment in accordance with the dividend policy, based on the net financial impact of the CSO.

2. Reporting Protocols

GAC and GRC acknowledge that:

- (a) in accordance with the LGBEBA, the Board will provide GRC with:
 - (i) a consolidated quarterly report within one week of the GAC Board Meeting that follows the end of each of the first three financial quarters or by a date agreed with either the CEO or CFO of GRC; and
 - (ii) an annual report within four months after the end of each financial year and in accordance with Appendix 3, Section 3.1 (c);
- (b) quarterly reports to GRC will contain information to allow GRC to make an informed assessment of the Corporation's operations;
- (c) the annual report to GRC will contain information to allow the Shareholder to make an informed assessment of the Corporation's operations for the entire reporting period; reflect comparative performance against the financial and non-financial targets agreed in the Statement of Corporate Intent; particulars of any changes made to the Statement of Corporate Intent during the year and the respective impacts of the changes; dividend policy; and a statement by the Board with regards its ability to pay its debts when they become due;
- (d) the Board will:
 - (i) advise GRC in a timely manner of any issues likely to have a material regulatory, financial, operating, social and environmental impact on GAC; and
 - (ii) provide GRC with any reasonable information it requires to make reports required under the Act or any other Act and as a controlled entity of GRC provide all information required for consolidation of GRC's financial statements;

- (e) GAC will:
 - (i) endeavour to provide GRC annually with details of performance benchmarking against other regional airports within Australia who have conducted similar performance benchmarking;
 - (ii) immediately inform GRC of any matter the board considers may prevent, or significantly affect, GAC from achieving the objectives or targets stated in its Statement of Corporate Intent; and
 - (iii) immediately advise GRC and the Auditor-General if it suspects that GAC may, or will, become insolvent due to any cause and including any cause related to a particular direction from GRC;
- (f) in requesting and reviewing any reports from GAC, GRC will be respectful of:
 - (i) the corporate nature of GAC;
 - (ii) the independence of the Board;
 - (iii) the roles and duties of the individual directors; and
 - (iv) the administrative and other impacts that any request might have on GAC; and
- (g) GRC will provide relative and timely feedback on information it has to GAC that might be of mutual benefit.

3. Dividends Protocol

1. Both GAC and GRC recognise that:
 - (a) GRC's preference is for consistency and certainty of returns through the provision of timely and accurate forecasts of dividends;
 - (b) dividends can only be paid out of current year net profits of GAC; and
 - (c) the dividend will be determined at the Board Meeting at which the Certified Financial Statements are tabled for approval by the Board. The Board will declare and approve the dividend and payment will be made by 31 December of that year.
2. GRC acknowledges and accepts that the Board must take into account a range of factors in determining a dividend including:
 - (a) current and forecast profit of GAC;
 - (b) the long term nature of the business of GAC, in particular the sensitivities of passenger growth which is highly dependent on the industrial development of the Gladstone region;
 - (c) the need to minimise risks to human health through prudent investment in capital and operations;
 - (d) appropriate investment to ensure compliance with regulatory requirements and in accordance with the 2011 Gladstone Airport Master Plan;
 - (e) forecast capital requirements of the business and the need to maintain a commercial capital structure;
 - (f) forecast cash requirements of the business of GAC including requirements for working capital and contingency for financial flexibility;
 - (g) the current and forecast financial requirements of the business of GAC;
 - (h) GAC has agreed to pay GRC a dividend of 50% of net profit after tax: and

- (i) Net Profit after Tax in accordance with the LG(BEBA) is defined as follows:
 - The corporate entity's **net profits** are the corporate entity's profits less –
 - a) the income tax, or tax equivalents, on the profits; and
 - b) the unrealised capital gains from any upwards revaluation of non-current assets; and
 - c) capital grants, subsidies and other contributions of a similar nature.

4. Systems and Operations

- (a) GAC and GRC acknowledge that:
 - (i) GRC expects GAC to demonstrate efficiency and effectiveness in its operations;
 - (ii) GAC should not duplicate systems or services which are available from GRC on competitive terms and meet GAC's business requirements;
 - (iii) where appropriate, GRC and GAC will negotiate, in good faith, Service Level Agreements (SLA's) for the provision of services between the parties; and
 - (iv) without limiting the terms of any SLA, all services provided under an SLA will be provided at an equivalent standard as that provided to their own organisation, unless specifically provided in the SLA.
- (b) GRC acknowledges that the Board may consider and approve a business case for alternative services or systems, provided such a change would be in the overall best interests of GAC. Where GAC proposes to transition from a Shareholder-provided service to another supplier, it should provide at least three (3) months' notice of any change in service or systems requirements.

5. Shareholder and Company Communications

GRC and GAC acknowledge that:

- (a) they will communicate in a manner consistent with mutual respect and ensuring "No Surprises";
- (b) without limiting the statutory reporting requirements and those outlined above, GAC and GRC will ensure that:
 - (i) as a minimum, the Chairman and Mayor and respective CEOs will meet on a quarterly basis;
 - (ii) GAC Chairman and CEO will present each quarterly report to the full Council in closed session and discuss matters raised in that report;
 - (iii) the Board and Shareholder councillors will meet annually in closed session following the handing down of GAC's annual report (through an Annual General Meeting) whereby the board will formally report to the Shareholder on the performance of GAC; and
 - (iv) GAC's CEO and/or his/her delegate and GRC's General Manager Finance Governance and Risk as the Shareholder's key representatives will hold regular briefings as required.
- (c) GAC's CEO will communicate regularly with the CEO and executive officers of GRC; and

- (d) verbal communication between GRC and GAC on any matters of substance should be confirmed in writing (including email) within 48 hours.

6. Information Sharing and Media

GRC acknowledges that in fulfilling any reporting and other requirements, GAC may share information with GRC as appropriate.

Where that information is confidential to GAC, GRC will respect that confidentiality.

GAC may communicate directly with the media, and will, to the extent practicable, make GRC aware of the issues being communicated.

GRC must be advised of any emergency or controversial situation promptly upon it coming to the attention of GAC.

Appendix 4 - Social Licence to Operate

1. Council recognises that GAC's business operations have a significant community presence, which creates a responsibility to manage the community impacts.

Community benefits include:

- the value of the business which is owned by the community (GRC),
 - the airport is essential to the continuing economic development of the region,
 - it facilitates regional economic and population growth, and
 - it provides major transportation and communication links for social, commercial and emergency needs
2. GAC's overall charter is to enhance Shareholder value. Since the Shareholder is the representative of the regional community, the operating impacts of the business on the community need to be carefully managed. This is in addition to specified community service obligations, which are addressed separately in the SCI and CP.
 3. GRC acknowledges that there will inevitably be negatives associated with operating a regional airport, especially in relation to noise and traffic impacts. These impacts are more problematic in the Gladstone Region, since the airport is located in an urban and industrial area. Therefore, some negative impacts are unavoidable.
 4. As the airport grows, the GAC Board must ensure that the positives significantly outweigh the negative impacts on the community. The Board should not make a decision which simply transfers direct and indirect costs to the community without significant offsetting community benefits. To ensure community impacts are appropriately managed, the Board must:
 - consider all potential community impacts in all of its decisions,
 - adopt contemporary airport mitigation approaches,
 - keep Council abreast of potential community impacts, including current and future decisions with a potential impact, and
 - monitor and report to Council on positive and negative community impacts in quarterly and annual reporting to GRC, including the level and nature of complaints.
 5. GAC should also manage its operations as a good corporate neighbour. GAC should maintain an ongoing neighbourhood relationship, including:
 - keep residents and businesses in affected neighbourhoods up to date on airport activities and developments,
 - provide ongoing communication with the adjoining and affected neighbourhoods where appropriate,
 - establish a complaints policy and procedures, which are communicated with the neighbourhood (including online), including a complaints register,
 - assign a budget for community-based events and liaison (in addition to CSO arrangements outlined in the SCI and/or CP), and
 - incorporate community impact information on its website, including complaints processes and complaint lodgement facilities.

6. GAC must be seen to uphold the following principles:
- ethical behaviour,
 - transparency,
 - provide value for money,
 - good corporate citizenship, and
 - quality and responsive customer services.