ANNUAL REPORT 2021

BRISBANE AIRPORT CORPORATION

BAC HOLDINGS LIMITED ACN 108 568 038

COVID-19 continues to raise financial, logistical, and operational challenges to our business and industry. Despite this, our vision to Connect the World and Create the Future remains stronger than ever, and we continue to adapt our processes to ensure we safely serve the people, businesses, and communities of Brisbane and Queensland.

Contents

Front cover: Brisbane's new runway

FY21 - CHALLENGES AND OPPORTUNITIES

Throughout the year, Brisbane Airport Corporation faced the challenges presented by the COVID-19 pandemic with a surety and strength synonymous with infrastructure, while also adapting and making the most of the opportunities this unprecedented time has presented.

JULY

Launched the B2BNE Business Partner Portal

100+ retail lease negotiations completed

Return to office strategy implemented

Completed 5-year BIM and GIS Implementation strategy

2020-2023 WHS Strategy approved

Brisbane's new runway officially opened

New Sustainability Strategy approved

Bevie warehouse development at Export Park approved

AUGUST

Facilities Asset Criticality assessment completed

CASA audit completed with no safety findings

SEPTEMBER

Flexible work program launched

Digital and Technology Strategy launched

OCTOBER

New parking booking system implemented

NOVEMBER

Cyber Security Strategy completed

BAC's first Modern Slavery Statement in place

Proactive industrial development approved

Health & Beauty opens at Domestic Terminal (DTB)

DECEMBER

BNE Marketplace sales top $1 million.

DTB Skylight Replacement completed

Construction of the new Qantas Flight Training Facility approved by the Board

The Aviary opens at DTB

Sushi Sushi opens at DTB

Lego Store opens at DTB

JANUARY

International Terminal (ITB) Escalator upgrade completed

Cash flow positive for first time during the COVID-19 pandemic

FEBRUARY

ACI Health Accreditation achieved

Raise Your Glasses held online

MARCH

Strategy Refresh launched

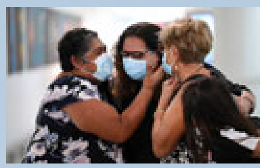
MARCH

Leadership Essentials Program launched

New Incident Management System launched

APRIL

Trans-Tasman Green Lane begun



Net Zero carbon target approved

$1.2 billion bank facility refinancing secured

Park Essential launched

PARKESSENTIAL

ITB Red Lane segregation completed

Optique opens at DTB

Construction of the Geodis Warehouse approved

FY22 Business Plan approved by the Board

MAY

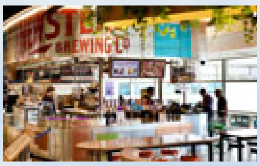
Per- and Polyfluoroalkyl Substances (PFAS) Management Framework submitted to regulators

DHL expansion development approved

JUNE

Energy Efficiency projects save 1.2GWh

Newstead Brewery opens at DTB



ABOUT US

Brisbane Airport Corporation Pty Limited (BAC), the operator of Brisbane Airport (BNE), is a private, unlisted Queensland company that proudly takes on the challenge of connecting Australia to the rest of the world every day. Our passion and perseverance has cemented BNE as Queensland's most important transport hub and Australia's third busiest airport, well on its way to becoming Australia's best gateway.

At BAC, we believe our role extends beyond simply providing effective and efficient aviation services and facilities. It is also about connecting people and building a place where our community can work and play – a precinct that fosters cultural growth, and a hub that builds opportunities for our great city and state.

We shape Queensland's future, helping employ thousands of people and creating economic benefit equating to more than $4 billion annually, thriving on the knowledge that we are guiding BNE towards a bright future.

In connecting the world and creating the future, our customers, community, employees and shareholders take centre stage.

Community: What we do impacts our region – and vice versa. By focusing on balancing the benefits of our airport (connecting people and boosting our economy) with the challenges (the impact of growth on our neighbours), we earn our licence to grow. An open and honest relationship with our community is key.

Customers: Without our customers we wouldn't be where we are today. By creating and innovating with them in mind, our services can be better, safer, more sustainable and future focused.

Employees: Their passion for building the future of BAC is the fuel in our engine.

Shareholders: Our shareholders believe in us and want us to succeed. By creating value for our employees, customers, and community, we create sustainable value for our shareholders as well.

Ownership structure*

First Sentier Investors	26.6%
QIC	25.0%
ifm investors	20.0%
Schiphol Group	19.6%
Whitehelm Capital	8.8%

Number of direct or indirect BACH shareholdings managed.

* Logos above reflect the investment managers representing the direct or indirect BACH shareholdings in their respective portfolios.

Awards

Airports Council International (ACI) Green Airports Recognition

BNE awarded Platinum Recognition in ACI Asia-Pacific's Green Airports Recognition 2021 in recognition of its electric bus fleet.

ACI Awards

David Oatley, Airport Planning Manager at Brisbane Airport Corporation was named ACI Asia-Pacific Young Executive of the Year for 2021.

National Asia Pacific Spatial Excellence Awards (APSEA)

BAC and Land Solution Australia won the National Award for Spatial Enablement for the Brisbane Airport Digital Twin project.

Regional APSEA

BAC and Land Solution Australia won the Queensland Regional Award for Spatial Enablement for the Brisbane Airport Digital Twin project.

Queensland Major Contractors Association (QMCA) Innovation and Excellence Awards

Brisbane's new runway project contractors BMD Group and CPB Contractors won the award for Project of the Year greater than $100 million.

ACI Airport Health Accreditation

BNE received international endorsement for its COVID-19 safe practices with ACI awarding it Airport Health Accreditation (AHA).

STRATEGY

As a business, BAC is driven by three strategic pillars that are owned by everyone across the business. Focusing on our core business activities allows us to create value for our four bosses, today and in the future.

VALUES

To deliver our vision, we have anchored our culture in four values:

Collaboration
Communication
Courage
Care

THE PILLARS OF OUR STRATEGY ARE:

AVIATION

- Make BNE a connection choice for airlines and passengers.
- Create a seamless experience.
- Identify new and expanding export opportunities.
- Provide demonstrated benefits to our airline customers.

AIRPORT CITY

- Make BNE a destination.
- Accelerate property development by targeting industry key to economic recovery.
- Improved connectivity to our precincts.

CONSUMERS

- Increase yields within current revenue streams.
- Identify new products or revenue streams.
- Grow e-commerce opportunities to 20% of revenue.
- Create vibrant retail in our terminals.

CHAIRMAN'S MESSAGE

The importance of Brisbane Airport to Queensland could not have been more obvious than in the past 18 months.

A few months ago, the BAC executive team prepared a timeline of some of the key milestones of the company in FY21. In PowerPoint video form, it ran for more than four minutes covering everything from opening the new runway to technology innovations, major maintenance programs, facility upgrades and tenancy openings, as well as energy efficiency projects and international accreditations.

As an exercise to remind staff of all they had achieved whilst managing the biggest crisis the airport had ever faced, it was inspired. As a record of what hard working, talented people can do when they have the trust and encouragement of their leaders, it was inspiring.

But there can be no doubt that FY21 was a difficult one for Brisbane Airport and for the tens of thousands of people whose jobs rely on it.

The year ended with 7.6 million domestic passengers, down 42.9 per cent on FY20. International passengers, limited almost entirely to returning Australians and essential worker arrivals, totalled just 248,171, down 94.7 per cent on FY20.

In all, passenger numbers declined a shocking 67.0 per cent compared to the last financial year before the COVID-19 pandemic, FY19.

The financial impact of these sorts of losses is stark.

Revenue dropped by 39.7 per cent year on year to $447.2 million, EBITDA was down 51.6 per cent to $219.0 million, and there was an operating loss position of $90.2 million.

Despite this financial result, the company continued to invest in key projects totalling $56.3 million.

The aviation industry worldwide has suffered a significant setback in the past 18 months and the ramifications of that are yet to be fully realised.

I commend the Australian Government for its efforts to buttress the Australian economy against the ravages of COVID-19 through measures such as JobKeeper. And I know our airline partners have been immensely grateful for Federal support through the likes of the RANS and DANS programs that kept aircraft in the air. But I urge both the Federal and State and Territory Governments to listen more closely to the very specific concerns of the airports sector not just because airports have suffered more extreme financial impacts than many others, but because they are critical infrastructure that must continue to operate and invest if the economy of our nation is to recover quickly.

The importance of Brisbane Airport to Queensland could not have been more obvious than in the past 18 months. Whilst interstate leisure and business travel ground to a halt across the nation, FIFO workers, health workers, boarding school kids, government officials, freight and logistics companies, exporters and importers relied on us to keep the doors open at Brisbane Airport even as doing so led to financial losses each and every day.

Whilst a company with the size and resilience of BAC can withstand the losses of an 18-month pandemic, many in our industry cannot. And many in industries like tourism and higher education, for whom aviation is a lifeblood, will be placed under even more threat if our aviation networks are broken.

Ensuring that a true Team Australia approach, in which industry and government work together, is taken to rebuilding aviation across the country over the next few years must be a priority. We stand ready to join this effort.

In my message in last year's Annual Report, I said that BAC's prudent approach to its financial fundamentals saw the company undertake an in-depth analysis to ensure there were no concerns around impairment or its ability to continue as a going concern. I was confident that the company's strengths remained rock solid, and that the long-term potential of the airport business was "extremely positive, if somewhat deferred".

That view holds today.

I thank our shareholders, the Board, our CEO and Executive team, and all the people of BAC and BNE for their efforts during what has been another remarkable year.

David Peever
Chairman of the Board

CEO'S MESSAGE

I'm immensely proud that BAC has approached every challenge of FY21 with courage, commitment, communication and, most importantly of all, care. We have lived our values.

This time last year, as we closed out our Annual Report for FY20, we did so with some confidence that FY21 would bring at least the beginning of stabilisation, and ultimately, repair and recovery.

We were right, in some respects. The last few months of the year saw passengers return to our Domestic Terminal in sufficient numbers to feel relatively normal. But the pandemic has continued to deliver surprises and disappointments, as well as opportunities to re-examine our business and sharpen our focus.

Whilst the financial performance of BAC through FY21 has been greatly damaged by ongoing international border closures, and the stop-start of interstate border openings and localised lockdowns, the foundations are still strong.

We kept the lights on for our regional network, long the largest in Australia, even as interstate borders closed and leisure travel slowed to a trickle. BNE is a vital connection for millions of Queenslanders who need to travel for school, for healthcare and to keep the state working.

FIFO workers, in their hi-vis, had always stood out in the terminal but they became almost the sole category of traveller at BNE for many, many months. I know that those few terminal retailers who were able to remain open during various lockdowns will be as grateful for the FIFO presence as we were.

So too has the pandemic shone a light on the importance of freight to keeping BNE connected to the world.

Without the payload of freight to pay the bills, there is no doubt many more international carriers would have pulled out of Brisbane over the last year.

Passenger caps, introduced to manage hotel quarantine numbers, presented an insurmountable challenge for most airlines. Faced with massive losses they necessarily retreated from our shores. Those able to bring freight in have been able to hold on. We are deeply grateful to them and know that soon enough we will again be profitable, and our longstanding relationships will continue.

What we have faced have been considerable challenges. But we recognised that with good management, these would not represent an existential threat to the business. We are fortunate in that regard, and we know that there are many for whom the pandemic has indeed brought with it a very genuine threat to their ability to continue to operate their businesses.

With this very firmly in mind, we have worked closely with our tenants, many of whom are small businesses, and with our business partners who were not able to enjoy the lifeline that JobKeeper presented, to do what we could to assist them.

But we also had to manage our own costs very closely and that meant making some difficult decisions while avoiding the pitfalls that can very easily appear if you forget your long-term goals and your responsibilities and become consumed by the crisis.

No matter what happens, BAC is running an airport that is an essential service and critical infrastructure for our city, state, and nation.

When passenger numbers were down 95 per cent, we still had to keep the airport open and safe because tens of thousands of people needed us. And we still needed to look after our people, our partners and the community.

I'm immensely proud that BAC has approached every challenge of FY21 with courage, commitment, communication and, most importantly of all, care. We have lived our values.

I thank our shareholders for their trust and reliability. I thank our Board for supporting us in every possible way. I thank my Executive team for leading their people with empathy and encouragement. And I thank all the staff of BAC for never failing to put our customers and community first. You have done your colleagues, the company, the airport, and yourselves proud.

I can confidently say we are a stronger company than we were.

It is now clear that COVID-19 will be mentioned again when I write this message at the end of FY22. It is not over. But we have reason for great optimism, not only that the near future will be better than the near past, but that the next decade or so will be the most remarkable and exciting in this airport's history.

Gert-Jan de Graaff
Chief Executive Officer

BRISBANE'S NEW RUNWAY

Our new runway has future-proofed operations at Brisbane Airport and is a key enabler for tourism, investment and trade opportunities for the city and state, supporting more than $15 billion of major projects being developed in South East Queensland over the next decade.

After eight years of construction and five decades of planning, Brisbane's new runway officially opened for business on Sunday, 12 July 2020.

The $1.1 billion privately funded project was the largest in the history of Brisbane Airport since it opened in 1988, worth nearly as much as the initial cost of the airport when BAC purchased it under a lease (50-year lease with an option to renew a further 49 years) in 1997 for $1.38 billion.

The new runway landed under budget at $1.1 billion, a saving of $200 million on initial estimates.

Throughout the life of the project, more than 3,740 people were inducted to work on site, with a peak of 650 people in mid-2019. Three hundred and twenty-four subcontractors were engaged during the project – 90 per cent of which were based in South-East Queensland – putting in approximately 3.3 million manhours.

The runway is 3,300m long, 60m wide and 3.2m deep, with more than 12km of taxiways, and it is so much more than the materials used to make it. The new runway is an enabler for growth across all facets, with an estimated 7,800 new jobs created by 2035 and an additional $5 billion in annual economic benefit to the region.

It has also given Brisbane Airport the most efficient runway system and the greatest aviation capacity of any capital city airport in Australia, with the potential to handle up to 110 aircraft movements an hour.

It was always a runway for the future, designed to allow Brisbane Airport to handle the forecasted 50 million passengers by the early 2040s. But with the challenges the past 18 months have presented, Brisbane's new runway has cemented the fact that we have the infrastructure and mechanisms in place to allow our great city and state to recover from the COVID-19 global pandemic.

7,800

New jobs created by 2035

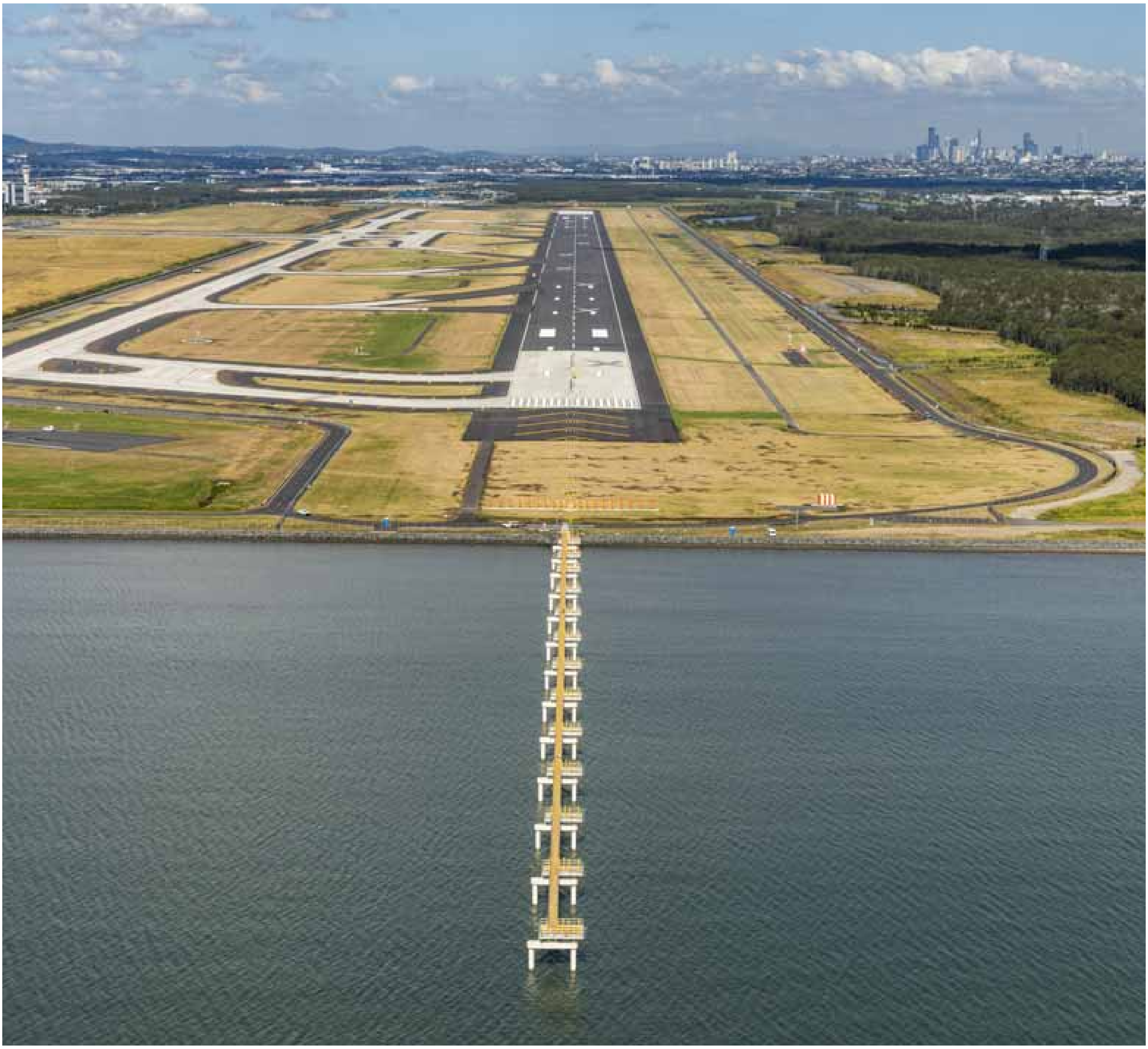
$5b

Additional economic benefit to the region

x2

BNE's aviation capacity doubled to 110 aircraft movements an hour





HOW WE PERFORMED

It has been more than 25 years since BNE last facilitated fewer than 8 million passengers, highlighting the devastating impact of COVID-19 on the business and sector as a whole. Only 7.8 million passengers flew through the airport in FY21.

Financial performance

The financial impacts of COVID-19 were felt across every area of the Group's operations with total revenue down 40 per cent to $447 million, EBITDA down 52 per cent to $219 million and an operating loss of $90 million.

Passenger linked divisions were decimated. Aeronautical revenue fell more than 61 per cent to $114 million, in line with passenger volumes. Similar impacts were felt within our landside transport division which saw revenue fall by 37 per cent to $78 million.

Our retail operations were heavily impacted as we moved swiftly in the early days of the pandemic to provide our tenants with relief from their contracted base rent obligations. As a result, revenue in this division fell by more than 42 per cent in FY21 to $55 million however we saw the provision of this support as a critical step in supporting our tenants through this crisis.

Our investment property division was the good news story of FY21 with a relatively lower impact resulting from COVID-19 as many of our tenants benefited in a strong uptick in activity in non-aviation linked areas of the economy. Revenue was flat year-on-year at $108 million.

We reacted swiftly to the emerging crisis in early FY21 to implement cost saving measures across all areas of the business, however we sought at all times to adopt such measures with a focus on empathy and care for those affected by these decisions.

As a result of these measures, total operating expenditure for the year was reduced by 21 per cent to $228 million. This was not simply a 'cost cutting' exercise but rather we targeted opportunities to work with our partners and suppliers to simplify processes and find new efficiencies across our various contract arrangements.

Unfortunately, we also took the difficult decision to realign the size of the business to reflect the operating and economic environment and this resulted in a reduction of our workforce of approximately 15 per cent in the first half of FY21.

Our capital expenditure program was heavily revised throughout the course of the year as non-essential projects were deferred or cancelled pending a return to normal traffic levels. Total capital expenditure for FY21 came in at $56 million.

We have been proactively working to protect our balance sheet and liquidity position throughout FY21. A waiver of financial covenants was negotiated with our lenders. We refinanced all our $1.4 billion of bank facilities and downsized the facilities to $1.2 billion and de-risked the facilities with maturities over a two-to-five-year period.

The financial performance and position of the Company, along with the significant ongoing uncertainty around the impacts of COVID-19, meant that the Group was not in a position to pay any dividends in FY21. Our goal remains to recommence dividend payments once an appropriate level of sustainable recovery has occurred.

Total revenue
$447m
↓ **40%**

Aeronautical
$114m
↓ **62%** 25% of revenue

Landside transport
$78m
↓ **37%** 17% of revenue

Retail
$55m
↓ **42%** 12% of revenue

Investment property
$108m
0% 24% of revenue

Operating property
$34m
↑ **12%** 8% of revenue

Other revenue
$34m
↓ **19%** 8% of revenue

Government-mandated security charges
$26m
↓ **43%** 6% of revenue

EBITDA
$219m
↓ **52%**

Aeronautical

Aviation

Despite border closures BNE remained operational 24/7, ensuring essential services including freight flights, emergency services, fly-in fly-out (FIFO) operations, and repatriation services continued safely and securely.

The lack of passengers meant that most of our international airlines were unable to operate in FY21, but there were a number of airlines that found a way to continue flying to BNE, including Qatar Airways, Emirates, Singapore Airlines, Air Niugini, Air New Zealand, Qantas, China Airlines, and EVA Air.

These airlines have been a vital cargo lifeline for Queensland producers and exporters to send our State's high-value products to markets around the globe including fresh meat, fruit, vegetables, and high-end seafood. They have also enabled the exportation of lifesaving medicines and supplies throughout the Pacific by the UN World Food Program, AusAID, and other donor countries.

COVID-19 vaccines have also been delivered via BNE to locations across the Pacific, including Papua New Guinea, the Solomon Islands, Vanuatu, and Fiji.

BNE has seen a significant increase in the importation of industrial machinery and specialist equipment as well as thousands of tonnes of essential supplies and medical equipment.

International passengers plummeted a staggering 95 per cent year-on-year (-4.4 million passengers) to just over 248,000, with international borders remaining closed except for the trans-Tasman travel bubble with New Zealand that commenced in late April.

The much-anticipated quarantine-free bubble with New Zealand commenced with two-and-a-half months of the financial year remaining and ended the financial year in a 'pause' by the New Zealand Government.

Just shy of 100,000 passengers made use of the two-way travel bubble, with an average of around 1,400 international passengers a day. In the days immediately prior to the suspension, passenger numbers reached more than 2,000 per day – the highest volume since the bubble opened.

On the domestic front, repeated lockdowns and domestic border restrictions across the States and Territories resulted in a 43 per cent decrease in passengers year-on-year (-5.7 million passengers), with just under 7.6 million passengers arriving and departing through the Domestic Terminal.

We have worked with our airline partners to rebuild the domestic network throughout the year.

In February, Virgin Australia announced additional services across Cairns, Hamilton Island, Whitsunday Coast (Proserpine), Launceston, and Hobart.

Qantas announced services to Port Macquarie in September, Hobart services in October, Coffs Harbour services in February, and services to Albury and Cooma in March. Jetstar also announced new services to Canberra and Perth in June.

Passengers flying within Queensland via BNE also fell 11 per cent year-on-year (-430,000 passengers), with 3.6 million travellers in FY21. The intrastate market remains 30 per cent below the pre-pandemic levels of FY19.

International passengers

248,171

↓95%

Domestic passengers

7,590,665

↓43%

Total passengers

7,838,836

↓56%

Domestic connections

46

↓9.8%

Total FY21 aircraft movements

116,120

↓33%

Transits/transfers

18,964

↓88%

Queensland's resources industry is an essential industry and has maintained operations throughout COVID-19, with FIFO workers making up a large part of BNE's daily passenger mix. In FY21, almost 3,200 FIFO workers travelled between BNE and remote destinations each week on dedicated resource sector services. Hundreds more used regular scheduled flights to mining industry centres across Queensland and interstate.

BAC partnered with the Queensland Resources Council to establish a facility within our Domestic Terminal car park where companies could conduct health checks of workers prior to them flying to regional areas and entering worksites.

Operations

Our priority remains the health and safety of our team, our passengers and our partners while maintaining critical airport functions and processes to serve the community.

With a well-versed, internationally endorsed COVID-Safe Plan in place, our focus shifted to managing the return of passengers to our terminals in a sustainable way, ensuring their experience is safe and comfortable.

Our operational teams maintained a fast pace and continued to be agile, implementing evolving health and government requirements, often at extreme short notice.

These actions allowed us to keep the airport open and operational, facilitating the movement of essential workers, freight, and Australians coming home.

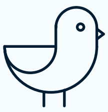
We continued to strengthen our relationships with stakeholders, airlines, and government agencies. We worked closely with Australian Border Force, the Australian Federal Police, Department of Agriculture, Water and Environment, Queensland Health, and the Queensland Police Service (QPS) to agree on protocols for the safe passage of arriving, transiting, and departing passengers.

Changes were made to airport operations to minimise the risk of community transmission of COVID-19.

Within our Domestic Terminal, aircraft coming from hotspots were allocated to the central satellite with the health screening of passengers facilitated by QPS and Queensland Health. This process minimised the risk for passengers from other locations by effectively separating passengers from hotspot locations.

Within our International Terminal, all levels were separated into 'red' and 'green' zones to allow for one-way quarantine-free travel between New Zealand and Brisbane in January. By April, it became a two-way quarantine-free travel bubble, with tens of thousands of Queenslanders and New Zealanders jumping at the opportunity to reunite with loved ones.

Our Airside Operations Team continued to ensure the standards and safety of our airfield were always maintained, conducting critical activities such as runway & apron inspections, vehicle & aircraft escorts, and wildlife deterrence despite the significant drop in aircraft movements.

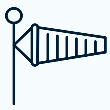


108

Total confirmed wildlife strikes

9.3/10,000

Confirmed wildlife strike rate/ 10,000 aircraft movements



- **5,465** Wildlife patrols
- **4,012** Routine inspections
- **4,495** Runway inspections
- **105** Spill & treatments
- **410** Vehicle & aircraft escorts
- **453** Foreign object debris

Commercial

Property

As part of BAC's strategy refresh, prioritising business diversification and building our business beyond its aviation capabilities to ensure sustainability and longevity was identified as an immediate focus for FY21 and part of our five-year strategy.

If we want to Connect the world, Create the future, we need to be more than an airport. We need to be a place where business grows. A place where people come even when they are not flying anywhere. We need to be an 'airport city' – a place that creates jobs for generations to come.

The Airport City Development Committee was established to realise this potential and take meaningful steps towards growing BNE into an Airport City. It comprises a coalition of teams across the business to help us:

- Be proactive and ensure BNE is front of mind with as many property and development partners as possible.
- Prepare precinct development plans that provide certainty with regulators that PFAS and other contaminants are meeting compliance requirements.
- Use alternate funding models and transaction structures to increase property transactions.
- Engage and excite BAC's four bosses in the vision of our airport city.

The past 12 months have seen significant growth from a property development perspective, with six Board approvals and eight commitments from tenants worth more than $128 million. The new investments range from aeromedical facilities to freight and logistics for aeronautical and non-aeronautical businesses.

From a freight and logistics perspective, BAC has been able to capitalise on the exponential growth in e-commerce, delivering an additional 6,449m^2 of warehousing and commercial office space at DHL's existing facility on Boronia Drive in September 2020.

We welcomed leading freight forwarder Stockwell International to the BNE family in April 2021 with the official opening of its 1,500m^2 state-of-the-art facility in Export Park.

One of our existing freight forwarding tenants committed to an additional custom-built premises in Export Park that is due for completion in July 2022, and Geodis signed a Heads of Agreement for a building due to be completed in June 2022.

There was continued investment in education, with an announcement in February that a new flight training centre for Qantas Group will be built at Brisbane Airport.

The team is proactively developing industrial facilities for future tenants off the back of a surge in demand for logistics and industrial facilities.

In May 2021, work began on a new Warehousing Industrial Duplex Facility in Export Park that is scheduled for completion in December. Bevie has signed an agreement to lease a 2,600m^2 unit within the duplex, with the remaining 1,900m^2 unit recently leased to a new airport tenant.

Retail

FY21 was a difficult year for many of our retail partners, particularly those located within the terminal environments. From the outset of the COVID-19 pandemic, the team has worked hard to ensure our business is protected while supporting our many partners at the same time.

BAC's response has been in a manner consistent with the company values – Collaboration, Communication, Courage, and Care. We worked closely with all our retail tenants individually to create tailored, fair, and equitable concessions that reflect the specific impact of COVID-19 on their business.

The focus was on balancing responsive short and long-term strategies to best respond to the ongoing challenging environment. In practical terms, this resulted in:

- Guaranteed rents being waived and turnover rent being charged for a significant period.
- Allowing tenants to make decisions on opening and closing to meet their safety needs.
- Negotiating new agreements on a COVID-19 impact and capability basis.

Some $55 million of rent relief was provided to our partners across the Domestic and International Terminals and Skygate. In additional to this, deferred rental arrangements were also agreed to the value of $4 million.

While the impacts of COVID-19 meant all non-maintenance related developments were paused, Brisbane Airport continued to deliver high-quality retail and food and beverage offerings across the Domestic Terminal in FY21 as part of the $40 million retail redevelopment project that commenced in mid-2018.

In December a new LEGO store opened on Level 2 as well as The Aviary, an exquisite café and bar offering table service with an exceptional view of the apron.

More recently, Newstead Brewing Co opened an iconic taphouse capable of welcoming 120 diners. The 300m^2 premises features 12 taps of locally crafted beers alongside an elevated offering of pub-style classics.

Parking and Ground Transport

The Parking and Ground Transport business has been impacted substantially by COVID-19 and the subsequent decline in passenger numbers. Despite this impact, BAC has taken this as an opportunity to reimagine aspects of this business segment, in particular the public parking business. A completely new pricing strategy has been implemented to address the change in passenger dynamic and this has also led to a simplification of our product structure which will be implemented in FY22.

As a result of the pricing strategy implementation combined with an increased propensity for our customers to utilise their own vehicles rather than commercial transport, we have seen an increase in mode share for parking. The core FIFO market has been a keen focus as they have continued to travel despite various lockdowns, and they are a cornerstone customer of our Airpark product.

Staff parking has been relocated to the northern area of the Domestic Terminal precinct from the remote Central Parking Area. This has significantly improved the airport staff experience as well as resulting in a significant cost saving, as this is a self-park and walk option with busing no longer required. This change will remain in place for at least the next five years, resulting in significant ongoing cost savings.

Mode share for taxi and rideshare remains below pre-COVID levels. During the recovery period taxi growth rates have been outperforming Rideshare which is the opposite to the pre-COVID trend.

Car rentals have been significantly impacted by COVID-19, with rental volumes fluctuating in line with passenger numbers. BAC has been working closely with our on-airport car rental tenants to support them during this time.

In addition to declining passenger numbers, car rental operators have also faced a disruption to their new vehicle supply. All operators have been unable to replace fleet sold in 2020 to cover the financial impact of COVID-19.

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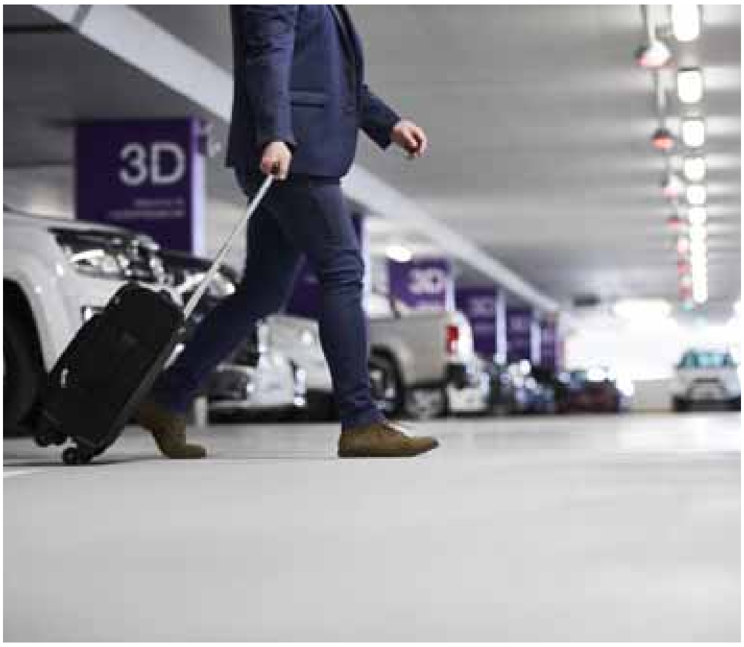
As domestic borders open and travel resumes, we are seeing high demand for car rentals as the transport mode of choice for passengers, however, demand is being met with very high rental costs due to low availability of supply. Fortunately, BAC has benefited from this with the turnover rent arrangements that remain in place.



Our people

A company's success is deeply reliant on its people and their ability to do their job efficiently and effectively. At BAC we know our greatest asset is our people because it is our people who shape our unique culture and reputation.

BAC understands the value and importance of having a diverse workforce, as it cultivates an environment enriched with new ideas, different perspectives, and varied experiences.

Early in the pandemic, BAC made a range of organisational changes to better align the company structure, unlock opportunities for growth, and place more focus on our customers. These changes best positioned BAC for the recovery of the global aviation environment and will enable it to take advantage of the immense potential BNE has for further growth.

The Aviation team brought together our aviation business development, destination and aviation marketing, customer experience, terminal operations, and airside teams into one department to provide end-to-end accountability for everything we do with airlines, passengers, and freight.

The Commercial team brought together all retail (both in terminal and at our other commercial precincts), property development and management, and ground transport and parking operations into a cohesive commercial business division focused on delivering better development outcomes for our commercial, retail, and industry partners.

In August 2020, as a result of the ongoing impact of COVID-19 and a revised business plan, BAC announced a restructure with an impact on 76 roles. This reduced the number of BAC employees at the time by 15 per cent. In addition, 34 vacant roles, for which recruitment had not commenced, were also removed.

As we look to recovery, we are committed to attracting and nurturing talent, and providing a fulfilling working environment that empowers people to make decisions within their area of expertise.

333
Total number of BAC employees

328.69
Workforce FTE

34.9%
Gender balance (% female)

33.3%
Females in senior management positions

Our community

As an airport and precinct for the people, it is critical to our reputation and success that we, Brisbane Airport Corporation, maintain an open and honest relationship with those who live within our surrounding communities.

Despite the challenges of COVID-19, BAC continued its multi-faceted Community Engagement Program dedicated to generating informed, respectful, transparent, and on-going communication with residents within our surrounding communities to ensure they are across any airport operations that may impact their community.

BAC undertook 53 community engagement activities including taking the mobile information centre (Benny) out into the community to discuss the new flight paths and aircraft noise, community presentations and bus tours, and responded to more than 4,600 community enquiries.

Extending to the classroom, BAC's Community Engagement Program includes providing mentorship, industry case studies, activations, and student excursions to the Airport. BAC is a foundation partner of the Aviation State High School Pathways in Technology Early College High School (P-TECH) style pilot, and the industry mentor for the University of Queensland Issue and Stakeholder Engagement subject.

BAC is also proud to support, promote, and give back to the community we call home through our Philanthropic and Partnerships Program.

We actively support a number of cultural institutions, the not-for-profit arts sector, as well as local sporting organisations, with the shared goal of making Brisbane a world-class tourism destination.

Our partners include Brisbane Festival, Museum of Brisbane, Queensland Theatre, Brisbane Powerhouse, La Boite Theatre Company, Camerata, and the Brisbane Roar Football Club W League to name just a few, with the Partnership program sponsorship investment totalling $309,000 in FY21.

More than $456,000 in philanthropic donations was distributed among local charities, community groups and schools in FY21, with BAC continuing its support for The Royal Flying Doctor Service and Life Flight.

In November 2020, BAC donated the funds from BNE's dedicated Giving Globes to not-for-profit organisation Youngcare. Youngcare will use the $45,000 as part of its national grant program to help keep young people with high-care needs at home with their families.

BAC was also able to support 19 small to medium community groups through the Brisbane Airport Community Giving Fund. The recipients of the cash grants include:

- The Gap State School P&C which used the grant to design an indigenous mural and create a yarning circle using sandstone blocks and native plants.
- Pullenvale State School which used the grant to purchase approximately 50 graphic novels. Graphic novels provide an essential visual cue for children with dyslexia, ADS, and those who struggle with their reading for other reasons.
- Reef Check Australia used the grant to update its first aid kit and purchase a suitable emergency oxygen kit along with 12 months rental on the oxygen cylinder.

ENVIRONMENT AND SUSTAINABILITY

The common language for sustainability is defined in the 17 Sustainable Development Goals (SDGs) as adopted by the United Nations in 2015. By addressing the sustainability impacts of our operations, BAC creates environmental, social, and economic value for our four bosses over time.

BAC's new Sustainability Strategy, Flight Path for Tomorrow, was approved by BAC's Executive Leadership Team in July 2020. It builds upon our revised Environment and Sustainability policies and 2030 Sustainability Targets.

It acknowledges our progress to date, the immediacy of the sustainability challenges, and lays the foundation for our success into the next decade and beyond. Flight Path for Tomorrow focuses on the seven SDGs as shown below.

Economic value

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — **Responsible planning** for future growth through sustainable investment, and building sustainable supply chains and destinations

8 DECENT WORK AND ECONOMIC GROWTH — **Significant socio-economic impact**, facilitating 24,000 jobs and generating considerable value for Queensland families

Social value

11 SUSTAINABLE CITIES AND COMMUNITIES — **Engaging our community** on noise issues and being an empowering, inclusive and safe employer

Environmental value

7 AFFORDABLE AND CLEAN ENERGY — **Delivering** an efficient and reliable energy network with a mix of renewable energy

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **Progressing towards** a circular economy, reducing natural resource consumption and delivering environmental best practice outcomes

13 CLIMATE ACTION — **Aspiring to achieve** Net Zero Emissions by 2050 and adapting to a changing climate

17 PARTNERSHIPS FOR THE GOALS — **Building partnerships and collaborations** with the aviation industry and our supply chain to accelerate sustainable outcomes

Flight Path for Tomorrow addresses the three aspects of sustainability:

Environmental impacts **Social impacts** **Economic impacts**

Our four bosses identified the material issues to be addressed in the strategy. These are shown in the table below.

Economic Development Responsible Planning for Future Growth Sustainable Supply Chain Sustainable Destination	Ethics, Integrity & Human Rights Noise & Quality of Life of Local Communities Employee Experience & Employability	Energy Use & Climate Change Emissions Biodiversity Waste & Circular Economy Water

Some of the key achievements in FY21 include:

- BAC participated in ACI Airport Carbon Accreditation Program and continued to maintain Level 3 ‘Optimisation’ for the sixth year in a row in 2021.
- Publication and implementation of BAC’s first Modern Slavery Statement in November 2020.
- BAC implemented a reduction in voltage across the BAC distribution network enabling future energy efficiencies to be achieved.
- Completion of the Brisbane Airport PFAS Management Framework and submission to regulators in May 2021
- Achieved 1.2GWh in energy savings across airport (Energy Efficiency Projects for FY21).
- Continued to conserve more than 10 per cent of Brisbane Airport site as a protected biodiversity zone.
- Implemented a range of actions from the BAC Reconciliation Action Plan.

ENVIRONMENT AND SUSTAINABILITY (CONTINUED)

Metric	Target	Target Date	Background	FY17 Baseline	FY21 Result
carbon	50% reduction in BAC Scope 1 and 2 Emissions to 23,336 t/CO_2	2030	In FY21, the total Scope 1 and 2 emissions came close to reaching the 2030 target. However, this was a result of reduced operations from COVID-19. Scope 1 emissions increased on FY20 emissions due to an explosion at the Callide Power Station resulting in a request from our electricity retailer for BAC to run its generators during this time of low supply. BAC's Scope 2 emissions are entirely generated through electricity supply. Due to reductions in electricity requirements and generators being utilised for power generation during the pandemic, the Scope 2 emissions were also significantly reduced.	46,672t/CO_2	30,534 t/CO_2
	25% reduction in BAC Scope 1 and 2 Emissions to 35,000 t/CO_2	2025			
energy	30% reduction in terminal energy use to 195 kWh/m^3	2030	In FY21, BAC exceeded its 2030 target for terminal electricity per m^2. This was due to major reductions in terminal usage reflecting reduced passenger numbers. In FY21, the percentage of the total power provided by solar came close to reaching the 2030 target. This was due to reduced total power usage. While the total solar power usage did not increase, it represented a higher percentage of total power used.	279kWh/m^2	185kWh/m^2
	40% onsite renewable energy to 16MWp PV or equivalent	2030		0.19MWp	9.29MWp
	10MWp Solar PV or equivalent	2025			
water	30% reduction in terminal water use to 5.9L/pax	2030	FY21 saw an increase in litres of water per passenger due to the reduced passenger volumes, but an ongoing need for water consumption for operating air conditioning and other equipment in the terminals.	8.5L/pax	15.27 L/pax
	50% recycled water use Brisbane Airport as a whole	2030	FY21 saw a small decrease in the percentage of recycled water usage.	41%	36%
waste	0.08kg/pax terminal landfill waste	2030	Reduced passengers and changes to usage of the terminals, including many closed retailers, has meant reduced waste from the terminals.	0.11kg/pax	0.10kg/pax
	80% recycling rate from BAC operations	2030	In FY21, the recycling rate was reduced from prior years due to lower passenger numbers and the introduction of non-recyclable waste such as mandatory masks. Pausing of the Container Recycling scheme also contributed to the reduction in recycling rate.	26%	12.5%

BAC has committed to a series of short-term sustainability targets to be achieved by 2025 and 2030. In April 2021, BAC also committed to Net Zero carbon emissions for its scope 1 and 2 emissions by 2050 and is planning to explore opportunities to accelerate its progress towards this goal.

Despite some short-term impacts arising from COVID-19, BAC remains committed to, and on track to achieve, its specified targets.

BAC generally made good progress towards its 2025 and 2030 Sustainability Targets. Much of BAC's resource consumption is driven by passenger activities, which continued to be impacted by COVID-19.

For example, due to reduced passenger volumes in the terminals, grid electricity was substantially reduced.

Similarly, BAC's consumption of waste decreased as a direct result of reduced passenger volumes, yet its recycling rate dropped due to the increase in single use plastics and medical hygiene waste such as disposable masks.

BAC grid electricity used

35.90GWh

↓ 29%

Brisbane Airport precinct potable water used

602.09ML

↓ 12%

Renewable energy generated onsite

9.29 GWh

↓ 1.3%

Carbon emissions Scope 1

1,455

↑ 3.6%

Brisbane Airport precinct grid electricity used

126.7 GWh

↓ 19%

Carbon emissions Scope 2

29,079

↓ 29.2%

Waste to landfill

1247.50 tonnes

↓ 43%

Renewable energy generated vs grid electricity used

20.55%

↑ 27%

BAC potable water used

228.41ML

Waste diverted from landfill

178.17 tonnes

↓ 69%

Energy efficiency project reductions

1.2GWh

BAC recycled water used

129ML

CORPORATE GOVERNANCE

The BAC Group's approach to good corporate governance is based on a strong organisational culture underpinned by shared principles and values.

Overview

The Board provides leadership and oversees all aspects of corporate governance of the BAC Group, in addition to actively engaging in, and guiding, the development of strategy, the business plan, as well as operating and capital budgets each financial year.

To assist in the oversight and execution of its responsibilities, a number of Board sub committees operate, including the:

- Finance, Audit and Risk Management Committee.
- Human Resources and Remuneration Committee.
- Property Committee.

The Board also establishes special Board sub committees from time to time.

The Board and its Committees also have established charters outlining their responsibilities.

Environmental Management

Master Plan and Airport Environment Strategy

The *Airports Act 1996* (Cth) ('Airports Act') outlines the requirement for BAC to include in its Master Plan, an Airport Environment Strategy ('AES') which, at five-yearly intervals, must undergo a review and reissue process.

The Commonwealth Government approved Brisbane Airport's 2020 Master Plan and AES on 10 March 2020. The range of the environmental legislation which applies to Brisbane Airport is identified throughout these documents.

Environmental Compliance

BAC's performance against the implementation of the commitments in the AES continues to be reviewed in consultative meetings with the Airport Environment Officer and annually in the Annual Environment Report to the DITRDC.

BAC maintains an Environmental Management System consistent with ISO 14001:2015 and maintains registers and records pursuant to the Airports Act and Regulations.

BAC's Sustainability Policy and Environment Policy address the environmental and social impacts of BAC's operations. These policies can be found at www.bne.com.au/environment-management.

BAC regularly reviews emission levels associated with processes for which BAC has operational control and compares those results to reporting thresholds outlined in the *National Greenhouse and Energy Reporting Act 2007* (Cth). BAC also reports emission data to the National Pollutant Inventory.

The Brisbane Airport PFAS Management Framework was developed through the period and provides an airport-specific and risk-based approach to the principles of the PFAS National Environmental Management Plan. State and Commonwealth regulators were consulted throughout its development.

During FY21, there were no matters of non-compliance with environmental laws and regulations (for example: significant fines and/or non-monetary sanctions) made against BAC by environmental regulators or agencies.

Climate Change

During FY21, BAC made a commitment to net zero emissions by 2050.

BAC's Climate Change Adaptation Plan ('CCAP') includes a physical climate risks and opportunities assessment using the Representative Concentration Pathways ('RCP') 8.5 and RCP 4.5 scenarios. In 2019, BAC revised the CCAP to include modelling and impact updates from the Intergovernmental Panel on Climate Change ('IPCC') Special Report on the impacts of global warming of 1.5°C above pre-industrial levels.

A 2°C transition scenario, originally delayed during FY21 by COVID-19, will continue to be progressed into the next financial year.

Work Health and Safety

Overview

Queensland's work health and safety legal framework includes:

- The *Work Health and Safety Act 2011* (Qld).
- The *Work Health and Safety Regulation 2011.*
- Codes of practice.

The *Work Health and Safety Act 2011* (Qld) sets out requirements and standards for building healthy and safe workplaces for those that may be affected by the BAC Group's undertakings. It puts legal obligations, or duties, on the person conducting a business or undertaking (PCBU) and its workers.

Workplace Health and Safety Queensland and the Electrical Safety Office (Office of Industrial Relations, reporting to the Queensland Minister for Industrial Relations) are the regulators for this legislation.

During FY21, there were no fatalities and three Lost Time Injuries for BAC employees.

WHS Compliance

BAC's WHS management system and WHS Policy were reviewed to align with the requirements of the international standard ISO 45001:2018 'Occupational health and safety management systems – Requirements with guidance for use', following certification in July 2021.

BAC is continuing to monitor WHS culture and in line with an increased focus on occupational health and hygiene has completed a psychosocial risk assessment and staff survey to assist with supporting staff wellbeing.

Risk Management

Effective Risk Management at all levels of the organisation is a principal element of BAC's corporate governance and supports the effective and efficient achievement of operational and strategic objectives.

BAC fosters an organisation-wide risk aware culture by incorporating high-quality, integrated risk analysis in all decision-making. This is supported/ delivered by:

- Risk Management Policy.
- Risk Appetite Statement.
- Enterprise Risk and Opportunity Assessment Criteria.

FY21 saw a full refresh of the Enterprise Risk Management Program to ensure alignment with BAC's strategy and current operating environment.

Diversity and Inclusion

Overview

The BAC Group is a values-based organisation, whose vision includes creating a business environment that values partnerships and people. BAC's Diversity and Inclusion Program focuses on providing a satisfying, healthy and productive work environment. This is supported by our Bullying, Harassment and Unlawful Discrimination Policy and the Diversity and Inclusion Policy.

These policies provide guidance for the implementation of programs and initiatives aimed at promoting diversity and inclusion across all levels including staff, management, and the Board.

The BAC Group's definition of diversity extends beyond gender and includes origin, age, race, cultural heritage, lifestyle, education, physical ability, appearance, language, and other factors. They also encourage the adoption of diversity and inclusion strategies and incorporate flexible approaches to the individual needs of the workforce and prohibit any form of bullying, harassment, or unlawful discrimination. Three key areas of focus were identified under the current strategy with associated programs implemented over the year on gender diversity, cultural diversity, and an updated flexible work program in a hybrid work environment.

Compliance in this area is in accordance with several pieces of legislation (including the *Anti-Discrimination Act 1991* (Qld) and the *Workplace Gender Equality Act 2012* (Cth)).

As part of its compliance program, BAC also reports annually to the Workplace Gender Equality Agency on gender composition, remuneration and availability of employment terms, conditions, and practices.

Responsible Business

BAC adheres to long-term, sustainable economic, social, and environmental value for its four bosses, which include:

- The community in which it operates.
- BAC's customers and business partners.
- BAC employees.
- BAC shareholders.

BAC's corporate governance approach seeks to clearly articulate the ways in which BAC undertakes its business responsibly, and the BAC Group's commitment to that approach.

Ethical Behaviour and Whistleblower Protection

BAC maintains an Ethical Behaviour Framework comprising the following suite of policies:

- Conflict of Interest Policy.
- Fraud and Corruption Policy.
- Gifts, Benefits and Entertainment Policy.
- Whistleblower Protection Policy.

The Whistleblower Protection Policy is supported by an independent reporting service and BAC's Confidential Reporting Committee ensuring that appropriate protections are provided to eligible disclosers.

Privacy

Protecting, and being transparent about how we handle, personal information is a vital part of BAC's relationship with our customers, tenants and other individuals who deal with us. BAC's Privacy Policy describes how we handle and keep personal information safe and aligns with the *Privacy Act 1988* (Cth) and the Australian Privacy Principles.

Reconciliation

BAC is committed to the ongoing process of reconciliation and understanding the Indigenous heritage of the land on which we operate. BAC has developed a new Innovate Reconciliation Action Plan (RAP). The Reconciliation Action Plan 2021-2023 defines BAC's vision for Reconciliation as a unified Community, with strong and productive relationships of connections between Aboriginal and Torres Strait Islander peoples, the airport community, visitors to Brisbane and the wider Australian community.

BAC's RAP Working Group ensures BAC's commitment to, and delivery of, its actions as stated in the RAP.

Modern Slavery

BAC is implementing a three-year strategy that builds a robust and repeatable approach to manage modern slavery risk in its supply chains and operations.

A cross functional working group with senior representation oversaw the delivery of BAC's Modern Slavery Policy, review of contractual clauses and other strategy outputs.

A copy of the latest BAC Modern Slavery Statement is available at www.bne.com.au/modern-slavery.

BAC aims to publish its next modern slavery statement under the *Modern Slavery Act 2018* (Cth) by no later than 31 December 2021.

Supplier Principles

BAC developed a Statement of Supplier Principles setting out its expectations in the areas of responsible business, labour and human rights, health and safety, and environment.

The Supplier Principles apply to all suppliers working with BAC including their employees, contractors, and sub-contractors and are available for viewing at www.bne.com.au/modern-slavery.

FINANCIAL REPORT 2021

Contents

DIRECTORS' REPORT

The Directors present their report along with the consolidated financial statements of BAC Holdings Limited ('BACH') and its controlled entities, BAC Holdings No. 2 Pty Limited and Brisbane Airport Corporation Pty Limited ('BAC') (together the 'BAC Group') for the year ended 30 June 2021.

1. Principal activities

The principal activity of the BAC Group during the year was the operation and development of Brisbane Airport.

2. Operating and financial review

	2021 $000	2020 $000
Revenue from ordinary activities	**447,244**	**741,115**
Operating expenses	**(228,213)**	**(288,383)**
Revenue from ordinary activities less operating expenses	**219,031**	**452,732**
Depreciation and amortisation	(170,543)	(133,779)
Finance costs	(138,718)	(123,752)
Operating results	**(90,230)**	**195,201**
Redeemable preference shares dividend	(30,934)	(47,977)
Change in fair value of investment property	173,599	20,118
Change in fair value of derivatives	(43,097)	6,595
Profit/(loss) before income tax	**9,338**	**173,937**
Income tax benefit/(expense)	(3,904)	(51,484)
Profit/(loss) for the year	**5,434**	**122,453**

The COVID-19 pandemic continued to have a significant impact upon BAC operations and the broader aviation industry in FY21.

In response, BAC has taken rapid and decisive action in adapting the business to the current environment. Throughout these changes, the safety of our staff, customers and the broader airport community has remained paramount.

To manage the impacts of COVID-19, the BAC Group has undertaken a variety of cost optimisation and investment prioritisation exercises, put in place a variety of liquidity measures and strived to finalise the negotiations of the aeronautical agreements to achieve price certainty.

The full-year impact of border closures and travel restrictions associated with COVID-19 resulted in a 10.1 million decline in passenger numbers in FY21, down 56.4% when compared to the prior year. Total revenue from ordinary activities reduced by $293.9 million (39.7%) to $447.2 million.

The passenger-driven revenue streams were the most affected recording contractions of $203.2 million for aeronautical (inc. mandated security), $46.6 million for landside transport, and $39.9 million for retail revenue. Investment property revenue has proven resilient, staying materially in line with the prior year.

In FY21, the BAC Group provided more than $57.5 million in support to our retail and property tenants in the form of base rent abatements and deferrals.

Our strong response and ongoing cost discipline saw total operating expenses reduce by $60.2 million (down 20.9%) compared to the prior year, predominantly driven by cost reductions in mandated security expenses ($26.5 million), maintenance and contract services ($25.0 million) and utilities ($12.1 million).

The combined impact of the pandemic resulted in an operating loss of $90.2 million (loss from ordinary activities before the redeemable preference shares dividend, change in fair value of investment property, gain on derivatives, and income tax expense) representing a fall of more than $285.4 million compared to the prior year.

At 30 June 2021, the BAC Group recorded a change in fair value on investment property of $173.6 million, compared to the prior year of $20.1 million.

The investment property portfolio recorded a valuation increase of $182.5 million (11.7% of the investment property value) driven by the strong growth in industrial building and land values, which has occurred since the previous valuation. This movement was partially offset by $8.9 million related to straight-lining of lease revenue.

The year-on-year movement in the change in fair value of derivatives of $49.7 million is predominantly attributable to fair value hedge ineffectiveness and amortisation of de-designated legacy hedges mainly on restructured swaps.

Profit before income tax was $9.3 million (2020: $173.9 million), a decrease of $164.6 million on the prior year.

The BAC Group is in a net current liability position of $152.1 million at 30 June 2021

COVID-19 pandemic and response

The BAC Group is well placed to manage the impacts of the COVID-19 pandemic and the uncertainty it has created.

- **Cost optimisation:** The BAC Group continued to focus on achieving reductions in the controllable cost base via process optimisation and contract renegotiations. The BAC Group worked together with its suppliers to re-scope the deliverables and amend contract terms to benefit both parties. Additionally, the business underwent an internal restructure resulting in a reduction in workforce to align the business with the current operating environment. Termination payments totalling $5.8 million have been made in the reporting year.
- **Re-prioritisation of capital expenditure:** A thorough review and reset of the planned capital program was undertaken in light of the expected reduction in capacity requirements over the short to medium term. Major projects already mid-construction, as well as essential safety, regulatory and maintenance activities, continued. Major projects planned for commencement in FY21 were deferred until there is more certainty around the recovery path and passenger volumes.

  These included the second multi-level car park at the International Terminal, expansion of the Northern Apron at bays 65-68, retail development at the International Terminal and the Standard 3 security upgrades.
- **Government assistance:** In response to the significant impact COVID-19 has had on the aviation industry, the Federal and State Governments enacted several programs from which the BAC Group benefited. These have been recognised as an offset to the corresponding expenses in the Consolidated statement of profit or loss, as permitted by AASB 120 Government Grants. Refer to note 2.8.
- **Liquidity measures:**
  - Appropriate levels of liquidity have continued to be maintained throughout the year. In April 2021, refinancing of BAC's bank facilities was completed. Total facilities of $1,215.0 million were refinanced in tenors of two to five years.
  - As an additional interest saving measure, BAC implemented a new $600 million fixed to floating interest rate swap ('IRS') in March 2021. The outcome of the IRS is expected to provide an interest saving of approximately $24 million in FY22 and approximately $13 million in FY23, subject to interest rate movements.
  - In late FY20, as a response to the fall in earnings, creating the risk of non-compliance with BAC's Debt Service Cover Ratio (DSCR), BAC obtained waivers from its lenders in relation to this obligation, and these waivers remained in place throughout FY21. Notwithstanding this, to date, BAC has been in compliance with DSCR covenant and does not expect to require an extension of waivers beyond September 2021.
- **Tenant abatements:** In response to the economic impacts of COVID-19, and in line with State and Federal Code of Conduct guidelines, rental deferrals and abatements of more than $57.5 million were negotiated with tenants.

- **Aeronautical agreements negotiations to achieve price certainty:** During the year the BAC Group worked through various expiring and new aeronautical agreements and achieved price resets and term extensions to 30 June 2023 with the Board of Airline Representatives Australia and to 30 June 2026 with the two major domestic airlines.
- **Maintenance of expected credit loss and capital provisions:**
  - The BAC Group has recognised $63.7 million (increase of $9.8 million on prior year) in relation to Expected Credit Loss (ECL) across a range of categories. Refer to note 4.3(a) for additional detail.
  - A provision ($10.1 million) continues to be recognised for capital projects in progress which have been deferred due to COVID-19 (2020: $10.4 million)
- **Disclosures:** Additional disclosure considerations introduced in the previous financial year were maintained. Management performed an in-depth analysis of the entity to ensure there were no concerns around impairment of long-term assets and the entity's ability to continue as a going concern. A number of expanded disclosures continue to be included throughout the financial statements as follows:
  - Impact of COVID-19 – note 1.5;
  - Going concern – note 1.6;
  - Abnormal items – note 2.7;
  - Property, plant and equipment – note 3.4;
  - Investment property – note 3.6;
  - Impairment – note 3.7;
  - Financial risk management – note 4.3; and
  - Events subsequent to reporting date – note 5.4.

Despite aforementioned measures taken by the BAC Group, the extent of the impact of COVID-19 on the BAC Group's future operations remains uncertain. The successful implementation and rollout of a widespread vaccination program (both in Australia and internationally) will be a critical factor in the recovery trajectory of the aviation industry. The BAC Group's ability to continue to maintain cost discipline will also be key.

Other information on other likely developments in the operations of the BAC Group, and the expected results of operations, have not been included in these financial statements because the Directors believe it would be likely to result in unreasonable prejudice to the BAC Group.

3. Dividends

There were no dividends and distributions declared and paid by BACH during the current financial year (2020: $184.4 million).

It was determined that the BAC Group was not in a position to declare any payments due to the impacts of COVID-19. Consequently, the redeemable preference shares dividend and relevant interest on delayed payments continued to be accrued by BACH in the financial statements. As at 30 June 2021 the provision amounted to $97.6 million (2020: $47.9 million).

It is anticipated that dividend payments will recommence when the BAC Group's operating and financial performance have recovered to an appropriate level.

In addition, the redemption period of the redeemable preference shares was extended by nine years to 1 July 2031.

4. Changes in State of Affairs

Other than the impact of COVID-19 discussed above, there were no significant changes in the state of affairs of the BAC Group during the year.

5. Events subsequent to reporting date

Since the end of the financial year, the following events have occurred:

- The COVID-19 pandemic has continued to evolve with lockdown orders in place across New South Wales, Victoria and the Australian Capital Territory. This continues to have a significant adverse effect on both domestic and international passenger numbers. The successful ongoing rollout of the vaccination program will be critical in determining when these measures will be lifted and the outcome of this remains unclear at the time of signing these accounts.
- The BAC Group received a final Detailed Site Investigation (DSI) report from its consultant regarding the Skygate North Site. The DSI report, which was received on 15 July 2021, identified contaminated soils that were leaching and migrating into groundwaters and off airport land. Following the receipt of this information, Management notified the Department of Environment and Science (State) and the Airport Environment Officer (Cth) in relation to this new information. Management will continue with investigating and monitoring of the site, which will then inform the most appropriate remediation works. An estimate of $10 million for these works has been developed based on a number of assumptions and this amount has been recognised as a provision in this financial report.
- On 24 September 2021, the BAC Group Board provided approval to proceed with a restructure of certain derivatives within its hedging portfolio for purposes of meeting liquidity requirements, compliance with risk management policies and credit metrics, as well as financial covenant requirements. The restructure will result in partial termination of three forward starting interest rate swaps (FSIRS) from 1 July 2022 to 30 June 2023 with a total notional value of $1,000 million. The FSIRS will be reset to an on-market swap rate and termination costs will be funded by in the money cross currency interest rate swaps (CCIRS). This will be in line with the previous hedging portfolio restructure executed by the BAC Group in May 2020. The hedging portfolio restructure is expected to reduce interest expense to the BAC Group in FY23 and increase the liability in FY27 and FY28, impacting amounts disclosed in notes 4.1 and 4.2.

6. Directors

Directors of the BAC Group at any time during FY21 or up to the date of this Report are set out below[1]:

Name, qualifications and any special responsibilities | **Experience and other directorships**

David Peever
BEc, MSc (Mineral Economics)

Chairman, Non-Executive Director and member of the Human Resources and Remuneration ('HRR') Committee and the Property Committee from 01/04/2021.

Appointed: 05/05/2017

David is a Non-Executive Director of the Australian Foundation Investment Company and Chairman of Naval Group.

He was previously:

- Chairman of Cricket Australia and World Twenty20 2020 Ltd;
- A Director of the International Cricket Council;
- A Member of the Foreign Investment Review Board;
- A Director of The Stars Foundation;
- Until July 2017, the Chair of the Minister of Defence's First Principles Review of Defence and following the acceptance of the review by Government the Oversight Board which helped guide implementation of the Review's recommendations;
- A Director of the Business Council of Australia; and
- Vice Chairman of the Minerals Council of Australia.

David retired as Managing Director of Rio Tinto Australia in October 2014 after 27 years with Rio Tinto.

During his career with Rio Tinto, David worked across a range of disciplines including strategy and planning, industrial relations, operations, sales and marketing, business improvement, shipping and policy. David worked in many parts of Australia and across most of Rio Tinto's commodity suites. His Rio Tinto career also saw him live in Singapore, Los Angeles and London. He travelled extensively with Rio Tinto and has done business in most parts of the world.

Dirk Anne (Dick) Benschop

Non-Executive Director.

Appointed: 01/04/2019

Dick is President and CEO of Royal Schiphol Group and a Non-Executive member of the board of Groupe ADP (Aéroports de Paris).

Dick studied History at the Vrije University in Amsterdam and worked in various functions in the Dutch Parliament and in the Dutch Labour Party. In 1994, Dick founded his own consultancy firm before returning to politics as Deputy Minister for Foreign Affairs in the Dutch Government from 1998 to 2002.

Dick joined Shell in 2003 and worked for Shell Energy Europe before moving to Kuala Lumpur in 2006 overseeing the Gas & Power business in Malaysia. In 2009, he took up the role of Vice President Strategy for the Royal Dutch Shell Group. From 2011 to 2016, he was President Director of Shell Netherlands, followed by Vice President Non-Operated Ventures in Shell International.

Paul DeSouza
BCom, BBus (Acc) (Hons), CA

Non-Executive Director and Chair of the Finance, Audit and Risk Management ('FARM') Committee and New Financing Special Committee.

Appointed: 16/02/2017

Paul is a Partner in the QIC Global Infrastructure team, having been with QIC since 2006.

Within QIC Global Infrastructure, Paul is a member of the Investment Committee and the Asset and Client Management Committee.

Paul has more than 25 years' experience in investment management, banking and finance and professional services, including more than 16 years in the infrastructure sector where he has been involved in a broad range of transactions in Australia, Europe, Asia and North America across the transport, energy and utility and social infrastructure sectors.

Prior to joining QIC, Paul was a Director in the Infrastructure Advisory and Lending team at ING Bank in London and worked in the Corporate Finance and Audit Divisions of Deloitte, both in London and Australia.

Paul is on the board of the:

- Titles Queensland group of entities;
- Nexus Hospitals group of entities; and
- Sea Swift group of entities (where he is the Chair of the Audit and Risk Committee).

Paul is also an alternate director of the Epic Energy South Australia group of entities.

Paul previously served for more than six years on the board of the Port of Brisbane group of entities (including being the Chair of the Audit and Risk Committee).

Paul has also been a Director (or Alternate Director) of:

- The Epic Energy Group of entities;
- MI Longbeach LLC (the project vehicle for the Long Beach Courthouse PPP project);
- Portobar Capital (investment entity for Grup Maritim TCB, a container terminal developer and operator); and
- The Westlink M7 toll road group of entities in Sydney.

[1] Directors were in office for the entire period unless otherwise stated.

Name, qualifications and any special responsibilities	**Experience and other directorships**
 Chris Freeman AM BCom, FAICD, FFin, FDIA **Non-Executive Director, Chair of the Property Committee and member of the HRR Committee from 01/07/2020 to 31/03/2021.** **Appointed: 01/03/2014**	Chris was born and educated in Queensland and has significant company directorship experience in Australia and abroad in the property and finance sectors. He is: • Chair of Queensland Symphony Orchestra; • A Director of Sunland Group Ltd; • A Member of the Brisbane City Council Urban Futures Board; and • Past Chair of Watpac, Tennis Australia and the Queensland Performing Arts Trust. Prior to joining Watpac, Chris held the position of Executive Chairman, Development for Queensland, United Kingdom and United Arab Emirates at Mirvac. Previously, Chris was the Chief Executive Officer for Mirvac Queensland from 1998 to 2008. Chris' former roles include Executive Director, Sunland Group, Director of TransLink Ltd and prior to that, Head of Business Banking at QIDC. Chris is a past President of the Urban Development Institute of Australia and remains a life member. He has a strong interest in the arts and sport. In June 2009, Chris was awarded a Member in the General Division of the Order of Australia (AM) for his contribution to the property development industry, the arts and other cultural affairs.
 Brad Geatches BCom, MAICD **Non-Executive Director and member of the Property Committee from 01/04/2021.** **Appointed: 22/11/2018**	Brad has more than 30 years of senior executive experience in underground mining, airports and seaports, including 16 years as CEO of four corporations. From 2007 to 2016, Brad was CEO of Perth Airport and in that capacity led a $1.1 billion capital investment program that greatly expanded the airport's capacity and transformed the airport's customer experience. Prior to this, Brad was CEO of Cairns Port Authority, the operator of the Cairns airport and seaport. Through these capacities, Brad has developed expertise in governance, financial and risk management, land use and infrastructure planning, capital development and life cycle asset management of complex facilities with high levels of public engagement. Brad is currently a Director of MATES in Construction WA, a charity providing mental health and suicide prevention services to workers in the construction and mining industries. He is also Chair of Pilbara Ports Authority and a Director of Perth Zoo Authority and Capital Airport Group Pty Ltd.
 Belinda Gibson BEc, LLB, LLM, FAICD, FGIA **Non-Executive Director and member of the HRR Committee.** **Appointed: 05/05/2017**	Belinda is a Non-Executive Director of Citigroup Australian retail bank, and a Director of Ausgrid (representing the NSW State interests in the Ausgrid partnership). She was a Corporate and Securities Partner with the global law firm Mallesons Stephen Jaques for 20 years. She particularly focused on transaction strategies, partnerships and joint venture arrangements and governance issues. In 2007, she was appointed Commissioner and then Deputy Chairman of the Australian Securities and Investments Commission ('ASIC'), with primary responsibility for oversight of the capital markets. In 2013, she left ASIC and established her independent corporate advisory and legal business. She is a former Director of Airservices Australia, the air traffic control agency, GetSwift Limited, Chief Executive Women Inc, The Sir Robert Menzies Memorial Foundation and Thorn Group Ltd.

Name, qualifications and any special responsibilities	Experience and other directorships
 Chris McArthur B.Eng, MBA, FAICD **Non-Executive Director (also Alternate Director for John Ward), Chair of the HRR Committee and member of the FARM Committee and New Financing Special Committee.** **Appointed as Director: 25/11/2008 (also appointed as Alternate Director for John Ward: 07/12/2007)**	Chris is Co-Head of Infrastructure Investments, Australia with First Sentier Investors and a member of the global fund Investment Committee. He is responsible for the origination, execution and asset management of unlisted infrastructure investments, with sector experience across transportation and infrastructure businesses globally. In prior roles, Chris was head of the Commercial Division of Pacific National, the former Toll/Patrick joint venture and Australia's largest private rail group. He held senior management positions with Qantas in Sydney and London in strategic and operating roles, including as Head of QantasLink regional airlines. Chris is a current Director of Adelaide Airport, Vice-Chairman of US-based Patriot Rail & Ports, a former Director of Perth Airport and UK-based utility Inexus Group, and former Chairman of Airport Coordination Australia Ltd.
 John Borghetti AO **Non-Executive Director.** **Appointed: 01/03/2020**	With more than 45 years in the aviation industry, John retired from Virgin Australia in 2019 after nine years as CEO and Managing Director. Prior to joining Virgin Australia, he spent his career at Qantas Airways, starting in 1973 and rising to the position of Executive General Manager, responsible for Qantas Domestic, International and QantasLink. John has previously served as a Director of: • Coca-Cola Amatil; • V8 Supercars Holdings; • Energy Australia; • Australian Chamber Orchestra; • NSW Customer Advisory Board; • Jetset Travelworld; • Sydney Football Club; • Piper Aircraft (USA); • The Australian Ballet; and • CARE Australia. John is a Director of Alinta Energy, Balmoral Pastoral Investments, the Charlie Teo Foundation and the John Sample Group Advisory Board. He is also a Member of the Art Gallery of NSW Trust, and the Technical and Further Education (TAFE) NSW Commission Board.
 Robert Carsouw **Non-Executive Director** **Appointed: 01/04/2021**	Robert is Executive Vice President & CFO of Royal Schiphol Group. Prior to starting his journey at Schiphol, Robert worked at Procter & Gamble and for 23 years at McKinsey & Company in various roles, since 2011 as a Senior Partner. He served clients mainly in the public sector and in the mobility/logistics sector. In addition, Robert worked with clients on digital transformations across a wide range of sectors. Robert was co-founder and Chairman of the Supervisory Board of Social Enterprise NL and co-founder and Vice-Chairman of LittleBitz. Robert is a graduate of the Erasmus University in Rotterdam and has a master's degree in Econometrics/Computer Science.

Name, qualifications and any special responsibilities	Experience and other directorships
 John Ward BSc, FAICD, FCILT, FRAeS **Non-Executive Director and member of the FARM and New Financing Special Committees.** **Appointed: 24/11/1997**	John is a professional company director and corporate advisor. He was interim Chairman of the board from 30 January 2009 to 25 September 2009, and is a member of the FARM Committee, previously holding the position of Committee Chairman for 13 years. John retired as the General Manager Commercial of News Limited in May 2001. Prior to joining News Corporation in mid-1994, he was Managing Director and Chief Executive of Qantas Airways Limited. This culminated a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America. John is an Honorary Life Governor of the Research Foundation of Information Technology and a Director of Adelaide Airport, Ward Advisory Services and Ward Securities Pty Limited. He was the Chairman of Wolseley Private Equity for 10 years until July 2014 and Chairman of the NSW Freight Advisory Council from June 2010 until its dissolution in January 2012.
 Joshua Crane MAppFin, BCom, LLB (Hons), GAICD **Non-Executive Director and member of the FARM and New Financing Special Committees.** **Appointed: 01/03/2020**	Joshua is an Investment Director in the IFM Investors infrastructure team. He is responsible for the origination and execution of infrastructure investments, and the ongoing investment management of IFM's existing infrastructure portfolio companies, with a particular focus on transport and regulated utilities. Joshua previously worked with Major Projects Victoria and, prior to that, Herbert Smith Freehills, where he was involved in the procurement, delivery, acquisition and financing of domestic and international infrastructure assets. Joshua has represented IFM Investors as a Director on the board of Wyuna Water.
 Tony Harrington AM **Alternate Director for Dirk Benschop and member of the Property Committee** **Appointed: 01/04/2019**	Tony has a distinguished career in financial and professional services, with more than 35 years of business and strategic leadership experience, in Australia and internationally. Tony is a strategic advisor to MA Financial Limited, Chairman of Optimum Equity Partners Limited and an alternate Director on the Hobart Airport Board. Prior to this, he was CEO and Managing Partner of MinterEllison and was Managing Director of the fast-growing and innovative global investment bank, Moelis & Company. He also held a number of senior roles at PwC including Global Managing Partner, Strategy & Transformation at PwC and was a member of the PwC Global Executive Leadership Team. From 2000 to 2008, Tony was Australian Senior Partner and Chief Executive of PwC, coming into the position not long after the merger of Price Waterhouse with Coopers & Lybrand, and oversaw the successful cultural integration and significant growth of the merged firm in Australia. At Coopers & Lybrand, Tony was Deputy Chairman of the firm and National Managing Partner of Taxation Services. He was appointed a Member of the Order of Australia (AM) in 2011 in recognition of his charitable work.

Name, qualifications and any special responsibilities	Experience and other directorships
 Liam Tierney BCom, BSc, CFA **Alternate Director for Brad Geatches** **Appointed: 23/05/2019**	Liam is an Investment Director at Whitehelm Capital and has been responsible for the management of infrastructure assets across both Australia and Asia since 2006. In this capacity, he currently serves as a Director on the board of Whitehelm MBK Fund Management and Rowville Transmission Facility. He is also an Alternate Director on the boards of Flinders Ports, International Parking Group and the Challenger Emerging Market Infrastructure Fund. Liam also has experience in assessing transactions, investments and divestments across a wide range of infrastructure and other sectors across Australia, Asia and Europe. He spent two years overseeing the European portfolio and investing activities while based in Whitehelm Capital's London office.
 Gerhard Vorster BSc (Civil Engineering), MBA (Cum Laude), MAICD **Alternate Director for Robert Carsouw and member of the HRR Committee from 28/04/2021** **Alternate Director for Jabine van der Meijs from 01/07/2020 to 01/04/2021** **First Appointed: 01/01/2019**	Gerhard is the Managing Director of Quidni Advisory, a boutique strategy advisory firm. Working directly with boards and senior leaders, Gerhard guides businesses to reposition them in pragmatic yet unexpected ways. Previously, Gerhard was the Chief Strategy Officer for Deloitte Australia and Asia-Pacific, a position he held for five years. Prior to that, Gerhard was the Managing Partner (Consulting) for the South African, East Asian, Australian and Asia-Pacific practice regions. He has broad sector experience with a specific focus on growth, innovation, technology and leadership. He published widely on these topics. Gerhard trained and practised as a professional engineer and spent some time at an investment bank prior to joining Deloitte in 1987. In addition to his MBA, he also completed several executive education programs at Harvard, Stanford, Kellogg, INSEAD, IESE and IMD. Gerhard is the Chairman of the Advisory Board of Bio Capital Impact Fund, a member of the Advisory Board of Intersective, a Director of Seeing Machines Limited and the Patron Emeritus of Good Design Australia. He was a Director of Georgiou Group and also the inaugural Chairman of the RMIT University College of Business Advisory Board.
 Kirsten Whitehead BCom/LLB (Hons), GDLP **Alternate Director for Paul DeSouza** **Appointed: 26/06/2019** **Alternative Director for Belinda Gibson** **Appointed: 22/05/2017**	Kirsten joined QIC in early 2010 and has overall responsibility for portfolio management across QIC Global Infrastructure's separately managed accounts, large co-investors and pooled products. Her role is focused on infrastructure investment management, including investment analysis, asset management, governance and structuring, together with portfolio construction and analytics, research and thought leadership, and managing the overall client relationships. Since joining QIC, Kirsten has had a broad exposure to a variety of sub-sectors from both an investment origination and asset management perspective. This has included being an integral part of the teams that successfully acquired Epic Energy South Australia and Heathrow Toggle and implementing the strategy for the US public private partnership investments. She has also held asset management roles in the transport and utilities sectors, in particular with respect to Brisbane Airport, Port of Brisbane and Thames Water. Kirsten has also worked closely with a number of the separately managed account clients on investment management matters and mandate negotiations. Prior to working with QIC, Kirsten was employed by the Virgin Group in London for two years where she evaluated and managed a portfolio of investments in various sectors including renewable energy, telecommunications, healthcare and aviation. Previously, Kirsten was employed as a corporate solicitor at King & Wood Mallesons where she had experience in mergers and acquisitions, joint venture arrangements, corporate restructurings and acting for investors in infrastructure and resource projects.

Name, qualifications and any special responsibilities	Experience and other directorships
 Alan Wu MCom, CFA, GAICD **Alternate Director for Chris McArthur** **Appointed: 03/11/2014**	Alan is Director, Infrastructure Investment for First Sentier Investors ('FSI'). He is responsible for the management of transport and utilities infrastructure assets, as well as sourcing, evaluating and securing investment opportunities within the Infrastructure team. He currently serves as a Director on the boards of International Parking Group and Water Utilities Australia, and as an Alternate Director of First Gas and Adelaide Airport. He has previously served as a Director of Bankstown and Camden Airports and an Alternate Director of Perth Airport. Alan has been involved in the investment, management and divestment of infrastructure assets, as well as portfolio management since 2000. Prior to being appointed Director, Alan held various roles within the team including Head of the Analytics team. Alan was also actively involved in the establishment and growth of FSI's flagship infrastructure funds in Australia.

Director resignations during the 2021 financial year

Name, qualifications and any special responsibilities	Experience and other directorships
 Jabine van der Meijs ACMA **Non-Executive Director.** **Appointed: 03/10/2018** **Resigned: 01/04/2021**	Jabine was the CFO and Executive Vice President of the Royal Schiphol Group from April 2017 to 31 March 2021. Before this role, she worked for Shell for 25 years in HR, strategy and mainly financial positions in The Netherlands, the UK, Brunei and Australia. In her most recent position in Shell, she was the VP Finance Projects in the Projects and Technology business of Shell. Other roles she had include Financial Controller, Acting Finance Director for the Brunei Shell companies and Finance Director for Shell Australia. Jabine is a Non-Executive member of the board of Groupe ADP (Aéroports de Paris). She is a member of the Supervisory Board of Kendrion N.V. and she serves as Chair of the Audit Committee of Kendrion N.V.

7. Company Secretary

During the financial year, each of the following individuals held the role of BACH Company Secretary:

- Ms Raechel Paris (BA and LLB, GAICD) is Executive General Manager, Governance and was appointed as Company Secretary on 26 March 2020. Ms Paris has more than 20 years' experience in legal, commercial and governance roles, with national and international accountability, and brings a wealth of corporate governance knowledge to the business; and
- Ms Katie Simpson (LLB, GAICD, FGIA, FCG and GAIST) was appointed Group Company Secretary on 11 June 2020. Ms Simpson has more than 15 years' experience providing legal and governance advice to a range of government, private and offshore entities and has led a range of boards through strategic and regulatory change initiatives.

8. Directors' meetings

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

Director	Board Meetings		FARM Committee Meetings		HRR Committee Meetings		BAC Property Committee[2]		New Financing Special Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
D Peever (Director and Chairman of the Board)	11	11	2#	–	3	4	6*	2	–	–
D Benschop	1	11	–	–	–	–	–	–	–	–
J Borghetti	11	11	1#	–	–	–	1#	–	–	–
R Carsouw	–	3	–	–	–	–	–	–	–	–
J Crane	11	11	5	6	–	–	–	–	1	1
P DeSouza	11	11	6	6	1#	–	1#	–	1	1
C Freeman	11	11	5#	–	4	4	6	6	–	–
B Geatches	11	11	3#	–	–	–	2	2	–	–
B Gibson	11	11	3#	–	4	4	–	–	–	–
C McArthur (Director and Alternate Director for J Ward)	11	11	6	6	4	4	–	–	1	1
J van der Meijs	1	8	–	–	–	–	–	–	–	–
G Vorster (Alternate Director for J van der Meijs up to 1 April 2021)	7	8	–	–	1#	–	–	–	–	–
G Vorster (Alternate Director for R Carsouw from 28 April 2021)	3	3	–	–	–	–	–	–	–	–
J Ward	11	11	6	6	–	–	–	–	1	1
T Harrington (Alternate Director for D Benschop)	10	11	1#	–	–	–	6	6	–	–

2 The BAC Property Committee is a Board Sub Committee of Brisbane Airport Corporation Pty Ltd only.
A Number of meetings attended.
B Number of meetings held during the year where the Director held office or was a member of the relevant Committee.
Attended the relevant committee meeting as an invitee.
* In capacity of invitee for four meetings.

If any Circulating Written Resolutions of Directors were passed during the year, these are included in the number of Board meetings held and attended. Four Circulating Written Resolutions were effected in FY21.

9. Indemnification and insurance

BACH on behalf of itself and its subsidiaries (including BAC) has entered into Deeds of Indemnity, Insurance, and Access ('Deeds') with each Director, Alternate Director, Company Secretary and each member of BAC's Executive Leadership team (collectively 'Officers') within the BAC Group.

BACH has agreed to indemnify and maintain insurance in favour of each Officer with respect to certain liabilities which the Officer may incur acting as an Officer in accordance with the terms of the Deeds.

During the year, the BAC Group paid insurance premiums in respect of a Directors' and Officers' Liability Insurance Contract for current and former Directors and Officers, including Officers of the BAC Group.

10. Environmental regulation

Environmental management of BAC's operations is primarily governed by the *Airports Act 1996* (Cth) and associated Airports Regulations 1997 (Cth) and the Airports (Environment Protection) Regulations 1997 (Cth), which address soil, air, water, preservation of habitat and excessive ground-based noise regulation.

Airport Environment Officers employed by the Department of Infrastructure, Transport, Regional Development and Communications assist with the administration of the Airports (Environment Protection) Regulations 1997 (Cth) and have a number of specific statutory functions under the *Airports Act 1996* (Cth) and the Airports Regulations 1997 (Cth). The *Environment Protection and Biodiversity Conservation Act 1999* (Cth) also applies to federally leased airports and is administered by the Department of Agriculture, Water and the Environment. Environmental matters not specifically dealt with by Commonwealth legislation are regulated by the applicable State legislation and local government by-laws.

BAC takes all reasonable and practicable measures to comply with its general environmental duty to avoid and/or minimise pollution. BAC also exercises its rights under tenant lease agreements to require entities responsible for pollution to monitor and remediate contamination on Brisbane Airport.

There have been no significant breaches of any applicable environmental regulations.

11. Non-audit services

During FY21, Deloitte Touche Tohmatsu ('Deloitte'), the BAC Group's external auditor, performed certain other services in addition to their statutory duties in accordance with BAC's External Audit Policy. This policy ensures controls are placed on all non-audit related services, including quarterly reporting to the FARM Committee, as required.

In addition to providing an annual declaration on its compliance with independence requirements, the External Audit Policy requires the external auditor to maintain a quality control system to provide assurance that its independence will not be impaired.

The BACH Board considered the non-audit services provided during FY21 by the auditor, and in accordance with the recommendation provided by the FARM Committee is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the BAC Group and have been reviewed by the FARM Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided are consistent with the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the BAC Group, acting as an advocate for the BAC Group or jointly sharing risks and rewards. Details of the amounts paid to the auditor of BACH, Deloitte, and its related practices for audit and non-audit services provided during FY21 are set out in note 2.4 to the financial statements.

12. Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 86 of the 2021 Annual Report and forms part of the Directors' Report for year ended 30 June 2021.

13. Rounding off

BACH is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in Brisbane on 24 September 2021 in accordance with a resolution of the Directors.

David Peever
Director

CORPORATE GOVERNANCE

BACH is an unlisted public company limited by shares, primarily subject to the corporate governance requirements of the BACH Shareholders' Agreement, the BACH Constitution, the *Corporations Act 2001* (Cth) and common law principles.

The Directors are committed to embracing good corporate governance policies, practices and procedures, where practicable to do so.

Role of the Board

The Board is responsible for the overall corporate governance of the BAC Group, including participation in charting its strategic direction, business planning, strategic and financial objective and priority setting, policy guidelines, goals for management and monitoring of the achievement of these matters.

It actively engages in, and guides, development of strategy and approves the Business Plan and operating and capital budgets each financial year. The Board also reviews matters of a major or unusual nature which are not in the ordinary course of business.

Having set the BAC Group's direction, the Board delegates management responsibility to the Chief Executive Officer ('CEO'). The Board has also established a risk management framework including a system of internal control, a business risk management process and a delegation of authority policy.

To augment the roles, responsibilities and functions of the Board and individual Directors as described in the Constitution and the BACH Shareholders' Agreement, the Board has a complementary Board Charter and BAC Code of Conduct.

The Board generally holds no less than six scheduled meetings each year, in addition to an annual strategy workshop and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise outside the normal Board meeting schedule. In addition, the Board also utilises Circulating Written Resolutions of Directors pursuant to the Constitution and Corporations Act 2001 (Cth), as required.

Board Sub Committees

To assist in the execution of its responsibilities, the Board has established a number of Board sub committees, being the:

- Finance, Audit and Risk Management Committee;
- Property Committee[3]; and
- Human Resources and Remuneration Committee.

The Board also establishes various Board sub committees as the needs of the business require from time to time, including the New Financing Special Committee.

[3] The BAC Property Committee is a Board Sub Committee of Brisbane Airport Corporation Pty Ltd only.

BAC Holdings Limited

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2021

In this financial report...

The note disclosures have been grouped into five sections: basis of preparation, results, operating assets and liabilities, capital structure and financing costs and other. Each section sets out the accounting policies applied in producing the relevant notes, along with any key estimates and judgements used.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 $000	2020 $000
Revenue from ordinary activities			
Aeronautical		113,656	297,172
Landside transport		77,973	124,611
Investment property		107,936	107,593
Retail		54,629	94,554
Operating property		33,738	30,258
Government mandated security		25,757	45,436
Interest		4,753	3,839
Other		28,802	37,652
Total revenue from ordinary activities	2.1	**447,244**	**741,115**
Operating expenses			
Maintenance and contract services		(31,511)	(56,475)
Government mandated security		(21,019)	(47,470)
Staff		(45,621)	(47,100)
Utilities		(23,899)	(35,964)
Corporate and administration		(32,810)	(37,026)
Doubtful debt expense	4.3(a)	(63,714)	(53,900)
Impairment of non-current assets	2.7	361	(10,448)
Environmental remediation	3.8	(10,000)	-
Total operating expenses		**(228,213)**	**(288,383)**
Revenue from ordinary activities less operating expenses		**219,031**	**452,732**
Depreciation and amortisation		(170,543)	(133,779)
Finance costs		(138,718)	(123,752)
Operating results		**(90,230)**	**195,201**
Redeemable preference shares dividend	4.1	(30,934)	(47,977)
Change in fair value of investment property	3.6	173,599	20,118
Change in fair value of derivatives		(43,097)	6,595
Profit/(loss) before income tax		**9,338**	**173,937**
Income tax benefit/(expense)	2.5	(3,904)	(51,484)
Profit/(loss) for the year		**5,434**	**122,453**
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gain/(loss), net of tax		(213)	787
Items that may be reclassified subsequently to profit or loss			
Hedge reserve, net of tax		34,484	(28,384)
Total other comprehensive income/(expense)		**34,271**	**(27,597)**
Total comprehensive income		**39,705**	**94,856**

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 $000	2020 $000
Current assets			
Cash and cash equivalents	3.1	74,125	1,184,988
Trade receivables and other	3.2	45,222	82,648
Inventories		1,500	1,478
Current tax receivable	2.5	70,998	-
Derivative instruments	4.3(d)	49,621	-
Total current assets		**241,466**	**1,269,114**
Non-current assets			
Trade receivables and other	3.2	39,011	31,732
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	3,652,452	3,780,247
Investment property	3.6	1,743,930	1,559,975
Derivative instruments	4.3(d)	216,238	511,037
Total non-current assets		**6,474,645**	**6,706,005**
Total assets		**6,716,111**	**7,975,119**
Current liabilities			
Trade payables and other	3.8	192,210	131,147
Interest-bearing liabilities and borrowings	4.1	199,648	349,723
Derivative instruments	4.3(d)	1,688	-
Total current liabilities		**393,546**	**480,870**
Non-current liabilities			
Interest-bearing liabilities and borrowings	4.1	3,846,961	5,134,311
Deferred tax liabilities	2.6	679,606	590,015
Derivative instruments	4.3(d)	263,584	276,004
Other liabilities	3.10	9,697	10,907
Total non-current liabilities		**4,799,848**	**6,011,237**
Total liabilities		**5,193,394**	**6,492,107**
Net assets		**1,522,717**	**1,483,012**
Equity			
Issued capital		78,388	78,388
Reserves		(210,376)	(244,647)
Retained earnings		1,654,705	1,649,271
Total equity		**1,522,717**	**1,483,012**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 $000	2020 $000
Cash flows from operating activities			
Cash receipts from customers		458,400	838,970
Payments to suppliers and employees		(200,287)	(368,098)
Cash generated from operations		**258,113**	**470,872**
Interest paid		(134,549)	(184,088)
Derivative termination payment		-	(151,794)
Interest received		4,913	3,731
Income and other taxes paid		(2,007)	(9,444)
Net cash generated from operating activities	3.1	**126,470**	**129,277**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		274	162
Acquisitions of property, plant and equipment		(45,706)	(314,137)
Acquisitions of investment property		(11,718)	(36,059)
Net cash used in investing activities		**(57,150)**	**(350,034)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities and borrowings		320,000	2,469,786
Repayments of interest-bearing liabilities and borrowings		(1,500,000)	(1,214,000)
Proceeds from derivative structured products		-	168,495
Repayments of lease liabilities		(183)	(160)
Redeemable preference shares dividend paid		-	(23,843)
Dividends paid		-	(160,515)
Net cash generated from/(used in) financing activities		**(1,180,183)**	**1,239,763**
Net increase/(decrease) in cash held		**(1,110,863)**	**1,019,006**
Cash and cash equivalents at 1 July		1,184,988	165,982
Cash and cash equivalents at 30 June	3.1	**74,125**	**1,184,988**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued capital $000	Defined benefit superannuation fund deficit reserve $000	Hedge reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2020	**78,388**	**42**	**(244,689)**	**1,649,271**	**1,483,012**
Profit/(loss) for the year	-	-	-	5,434	5,434
Other comprehensive income					
Defined benefit superannuation fund actuarial loss, net of tax	-	(213)	-	-	(213)
Hedge reserve, net of tax	-	-	34,484	-	34,484
Total other comprehensive income/(expense)	**-**	**(213)**	**34,484**	**-**	**34,271**
Total comprehensive income/(expense)	**-**	**(213)**	**34,484**	**5,434**	**39,705**
Balance at 30 June 2021	**78,388**	**(171)**	**(210,205)**	**1,654,705**	**1,522,717**
Balance at 1 July 2019	**78,388**	**(745)**	**(216,305)**	**1,687,333**	**1,548,671**
Profit/(loss) for the year	-	-	-	122,453	122,453
Other comprehensive income					
Defined benefit superannuation fund actuarial gain, net of tax	-	787	-	-	787
Hedge reserve, net of tax	-	-	(28,384)	-	(28,384)
Total other comprehensive income/(expense)	**-**	**787**	**(28,384)**	**-**	**(27,597)**
Total comprehensive income/(expense)	**-**	**787**	**(28,384)**	**122,453**	**94,856**
Dividends	-	-	-	(160,515)	(160,515)
Balance at 30 June 2020	**78,388**	**42**	**(244,689)**	**1,649,271**	**1,483,012**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION

In this section …
This section sets out the BAC Group accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, that policy is described in the note to which it relates.

Keeping it simple …
Notes to the financial statements provide information required by accounting standards to explain a particular feature of the financial statements. The notes also provide explanations and additional disclosures to assist readers' understanding and interpretation of the financial statements.

1.1 Defined terms

Entity names

BACH	BAC Holdings Limited
BACH No. 2	BAC Holdings No. 2 Pty Limited
BAC	Brisbane Airport Corporation Pty Limited
BAC Group	The consolidated entity comprising BACH, BACH No. 2 and BAC

1.2 Reporting entity

BACH is a company incorporated and domiciled in Australia. The consolidated financial statements of the BAC Group ('financial statements') comprise financial statements of BACH and its subsidiaries, BACH No. 2 and BAC.

The BAC Group is a for profit entity and is primarily involved in the operation and development of Brisbane Airport which is its principal activity.

1.3 Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth). The financial statements for the BAC Group also comply with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 24 September 2021.

1.4 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position which are measured at fair value:

- investment property – note 3.6;
- defined benefit obligation – note 3.9; and
- derivative financial instruments – note 4.2.

1.5 Impact of COVID

The COVID-19 pandemic continued to have a significant impact upon BAC operations and the broader aviation industry in FY21. Multiple rolling lockdowns across various states and the closure of international borders decimated BAC Group's passenger numbers and had a significant adverse impact on multiple revenue streams across the business.

Intermittent lockdown measures are expected to continue. The extent of the impact of COVID-19 on the BAC Group's future operations remains uncertain. The successful implementation and rollout of a widespread vaccination programme (both in Australia and internationally) will be a critical factor in the recovery trajectory of the aviation industry. In the meantime, the BAC Group's ability to continue to maintain cost discipline will be key.

SECTION 1: BASIS OF PREPARATION

The impact of COVID-19 required further judgement and consideration across the financial statements. Given the rapidly changing environment brought about by COVID-19, changes to the judgements and outcomes that have been applied throughout the financial statements this year may arise in the future. The impact of any such changes will be accounted for as they arise in future reporting periods with the exception of adjusting events providing evidence of conditions that existed at the reporting date.

In the preparation of these financial statements, management applied the following procedures:

- consideration of all potential impacts to the business from both internal and external factors;
- evaluation of any additional areas of judgement or estimation;
- updating the 20 year business plan as part of the annual process based on scenario analysis of future economic conditions;
- assessed the impact of COVID-19 on the carrying values of the BAC Group's assets and liabilities and the ability to continue as a going concern; and
- consideration of additional financial disclosures required in the financial statements.

The following disclosures were expanded to reflect the impact of COVID-19:

- going concern – note 1.6;
- abnormal items – note 2.7;
- property, plant and equipment – note 3.4;
- investment property – note 3.6;
- impairment – note 3.7;
- financial risk management – note 4.3; and
- events subsequent to reporting date – note 5.4.

1.6 Going concern

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

COVID-19 had a material impact on the BAC Group during FY21. Refer to note 1.5 for the additional discussion. Additional consideration was given by the Directors with respect to the appropriateness of the going concern principle having regard to the impacts of COVID-19.

The BAC Group was in a net current liability position of $152.1 million at 30 June 2021 (2020: net current asset position of $788.2 million), however this deficit was comfortably covered by undrawn bank facilities of $1,195.0 million (2020: $790.0 million).

The Directors have reviewed detailed cash flow projections prepared by management covering a period of at least 12 months after the date of signing this financial report.

These projections take into account forecast passenger numbers and the extent and timeframe by which these passenger numbers will recover, forecast revenue, forecast operating cash flows, forecast capital expenditure and the Group's liquidity position.

Cash flow forecasts indicate a net positive cash flow position, even with an extended period of subdued passenger volumes and this position is additionally supported by the availability of significant amounts of committed undrawn bank facilities. Management continues to implement a range of measures to preserve liquidity in the near term, including operating and capital cost responses. In FY21 the liquidity position was strengthened by:

- Refinancing of bank facilities of $1,215 million in March-April 2021 with existing bank lenders to tenors ranging from two to five years. In addition to favourable change in expected interest expenses, the liquidity position was improved due to term extension. BAC elected to reduce the total amount of bank lines of credit by $300 million to $1,215 million from $1,515 million. Of this $1,215 million, $20 million was drawn as at 30 June 2021; and
- Restructuring certain elements of the derivatives portfolio to reduce cash interest expenses in FY22 and FY23, offset by higher liabilities in FY27 and FY28.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 1: BASIS OF PREPARATION

On the basis of the cash flow forecasts prepared, the Directors have concluded that BACH and the BAC Group have the ability to pay their debts in full as and when they become due and payable for the period of at least 12 months from the date of signing this financial report and that it is appropriate to apply the going concern basis of accounting.

Refer to note 4.1 for details of the BAC Group's finance facilities.

1.7 Use of estimates and judgements

The financial statements are subject to the use of estimates and judgements. The estimates and judgements that could have a significant impact on the financial statements are as follows:

- taxation – note 2.5;
- abnormal items – note 2.7;
- depreciation and amortisation – note 3.4;
- investment property – note 3.6;
- impairment – note 3.7;
- derivative financial instruments – note 4.2; and
- financial risk management – note 4.3.

The BAC Group acquired Brisbane Airport in 1997 under a 50-year lease with the option to extend 49 years. The investment property valuation, depreciation and impairment modelling are based on the assumption that the BAC Group intends to exercise this option.

1.8 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by BACH. The financial statements of subsidiaries are included in the consolidated financial statements.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-company balances resulting from transactions with or between controlled entities are eliminated on consolidation.

1.9 Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of BACH and each controlled entity is Australian dollars ('AUD').

Transactions and balances

Transactions in foreign currencies are translated to AUD at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. Foreign currency differences on translation are recognised in the consolidated statement of profit or loss, or where hedge accounting is applied the cash flow hedge reserve / statement of other comprehensive income.

1.10 Prior period presentation

Changes, if any, to the presentation of transactions and balances during the current year were also made to the prior year in order to facilitate comparisons.

SECTION 1: BASIS OF PREPARATION

1.11 New and amended accounting standards

Keeping it simple …
New and revised accounting standards were issued by the Australian Accounting Standards Board ('AASB') during the year. The BAC Group intends to adopt new standards, amendments to standards and interpretations when mandatory. This section describes those standards which have been adopted during the financial year.

Accounting policies and disclosures
The BAC Group has adopted new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2020 as outlined below. The adoption did not have any material impact on the financial position or performance of the BAC Group at adoption date or period end. Several other amendments apply for the first time from 1 July 2020; however, these do not impact the annual financial statements. All other accounting policies adopted are consistent with those of the previous financial year.

Title of standard	**AASB 138 Intangible Assets**
Nature of change	In April 2021 IFRS Interpretation Committee issued an agenda decision which deals with specific circumstances in relation to configuration and customisation costs incurred in implementing Software as a Service ('SaaS') applications. The decision concluded that, in some instances, configuration and customisation activities undertaken in implementing SaaS arrangements may result in an intangible asset where the customer creates a separately identifiable software code that is controlled by the entity and meets the recognition criteria in AASB 138 (paragraphs 21-23). In all other scenarios, configuration and customisation costs are to be recognised as an operating expense when services are received. AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' stipulates that, in case of a change in accounting policy, comparative financial information should be retrospectively restated to derecognise previously capitalised costs if material.
Impact	The BAC Group has reviewed its fixed asset register and capital work in progress account and identified 29 assets and 20 projects as SaaS applications and related costs. $2.1 million of previously capitalised costs was transferred to Consolidated Statement of Profit or Loss on 30 June 2021. As the relevant movements constitute less than 0.5% of Property, Plant and Equipment and capital work in progress balances, the financial information for prior years was not restated.
Title of standard	**AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform**
Nature of change	AASB 2019-3 was early adopted in the prior financial year. AASB 2019-3 made amendments to AASB 7, AASB 9 and AASB 139 which allow the Group to apply certain exceptions to the standard hedging requirements in respect of hedge relationships that are impacted by a market wide interest rate benchmark reform. The specific interest rate benchmark reform that this amendment currently applies to is the planned discontinuation of the London Interbank Offered Rate ('USD LIBOR') immediately after 30 June 2023.
Impact	At 30 June 2021, the BAC Group did not have any debt instruments linked to USD LIBOR as all USD bonds issued are fixed rate or any interest rate swaps or cross currency interest rate swaps directly linked to LIBOR as these instruments swap the fixed foreign denominated interest rate to either a fixed or floating BBSW/Y interest rate. Despite not having any direct USD LIBOR linked debt or swap instruments, all cross currency swap hedge relationships reference USD LIBOR for both hedge accounting and valuation purposes. The Group has performed an initial high level LIBOR exposure review and has not identified any direct USD LIBOR exposures or any additional indirect USD LIBOR exposures other than those included in the schedule below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 1: BASIS OF PREPARATION

Notional in USD	**900M USD**		**215M USD**		
Notional in AUD	**1,004M AUD**		**304M AUD**		
Maturing in	**2021 to 2032**		**2029 to 2032**		
Hedge relationship	Fair value hedge	Cash flow hedge	Fair value hedge	Cash flow hedge	Cash flow hedge
Hedging instrument (prior to transition)	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay AUD BBSW3m combined with USD and AUD principal exchange at effective and maturity date.	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay LIBOR3m	Receive LIBOR3m, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date.	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.
Hedged item	Benchmark interest rate (LIBOR3m) portion of USD coupons and USD principal repayment of the bond.	USD margin above benchmark rate component of the USD fixed coupon payable on the Bond (equivalent to credit margin on debt) over the term of the bond	Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond.	USD principal repayment of the bond from first repayment date until maturity of the bond.	USD margin above benchmark rate component of the USD fixed coupon payable on the Bond (equivalent to credit margin on debt) over the term of the bond.
Transition progress	The overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR, however, should any benchmark rates change this will be effected in the underlying hedge relationships.				

Accounting standards and interpretations issued or amended but not yet effective
The accounting standards which have not been early adopted for the financial year ended 30 June 2021 but will be applicable to the BAC Group in future reporting periods are detailed below:

Title of standard	**Interest Rate Benchmark Reform – Phase 2**
Nature of change	Interest Rate Benchmark Reform – Phase 2 (Amendments to AASB 9, AASB 139, AASB 7, AASB 4, and AASB 16) address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.
Impact	The Interest Rate Benchmark Reform is not expected to have a material effect on the BAC Group's financial position.
Mandatory application date	The amendments to the relevant accounting standards will apply for the BAC Group's 30 June 2022 financial statements.

SECTION 1: BASIS OF PREPARATION

Title of standard	**AASB 101 Presentation of Financial Statements**
Nature of change	The amendments clarify the requirements for classifying liabilities as current or non-current. More specifically, they address what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period and classification is unaffected by the likelihood that an entity will exercise its deferral right.
Impact	These changes are not expected to have a material effect on the BAC Group's financial report.
Mandatory application date	The amendments to AASB 101 have been tentatively deferred to apply no earlier than 1 January 2024.

1.12 Determination of fair values

A number of the BAC Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability. Assets and liabilities for which a determination of fair value is required are as follows:

- investment property – note 3.6;
- defined benefit obligation – note 3.9; and
- derivative financial instruments – note 4.2.

Fair value measurements hierarchy

In fair value measurement, the BAC Group use the following fair value measurements hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 2: RESULTS

In this section …
This section sets out the disclosures explaining the BAC Group revenue, finance costs, leases and taxation.

Keeping it simple …
This section explains how revenue is recognised for each of the BAC Group's key revenue streams and the recognition and composition of finance costs. It also details lease commitments and explains how the BAC Group is structured for tax purposes and how deferred and current taxes are treated.

2.1 Revenue

Aeronautical revenue
Aeronautical revenue comprises runway and terminal charges. Domestic and international flights are ordinarily charged on a per passenger basis for landings and departures. General aircraft and dedicated freight flights are charged based on the maximum take-off weight of aircraft on landings only. Revenue is recognised over time when the performance obligation is satisfied, i.e. when the service is provided.

Incentives are provided through incentive agreements with individual airlines and are generally based on passenger numbers, flight frequency and/or new routes. Revenues from passenger charges therefore have variable consideration and are estimated monthly. Variable revenue is only recognised when it is highly probable the revenues will not reverse.

Landside transport revenue
Landside transport revenue comprises revenue from public and staff car parks, ground facilities fees and car rental operators. Revenue is recognised over time when the performance obligation is satisfied, i.e. when the service is provided.

Property revenue
Investment property revenue comprises rental revenue from the BAC Group's owned buildings and leased areas held for investment (note 3.6).

Operating property revenue comprises rental revenue from the BAC Group's owned terminals, buildings and other leased areas.

Property rental revenue is accounted for on a straight-line basis over the term of each lease. In the instances where rental abatements offered in response to COVID-19 have not been formally accepted by tenants (i.e. returned with signature), full revenue with an offsetting expense through expected credit loss provision is recognised.

Retail revenue
Retail revenue comprises rental income from retail tenants whose sale activities include duty free, newsstands, food and beverage, banking and currency, and advertising services. Base rent revenue is recognised on a straight-line basis over the term of each lease and turnover revenue is recognised on an accruals' basis from tenant statements.

Government mandated security revenue
The BAC Group is required by the Australian Government to undertake certain security measures, the costs of which are generally recoverable from the airlines. In addition, throughout the year the Australian Government has provided funding in relation to mandated security charges as part of an overall support package for the aviation sector. Government mandated security revenue comprises recharges of expenditure incurred by the BAC Group in respect of security services such as passenger and checked baggage screening. Revenue and expenses are disclosed separately.

Interest revenue
Interest received from other parties is recognised as it accrues, taking into account the effective yield of the financial asset.

SECTION 2: RESULTS

Other revenue
Other revenue comprises recharge revenue from tenants and includes items such as utilities and rates. Revenue is recognised over time when the performance obligation is satisfied, i.e. when the service is provided.

Revenue can be categorised as follows:

	2021 $000	2020 $000
Revenue from contracts with customers	215,481	470,981
Other revenue	231,763	270,134
Total revenue	**447,244**	**741,115**

Revenue from contracts with customers consists of aeronautical, government mandated security, other revenue and a portion of landside transport revenue (2021: $47.3 million, 2020: $90.7 million).

2.2 Finance costs

Accounting policies
Finance costs comprise interest payable on borrowings and finance leases and are calculated using the effective interest basis. Borrowing costs are either capitalised and amortised over the life or expensed as incurred and included in net financing costs unless they are capitalised to capital work in progress for qualifying assets.

Redeemable preference shares' ('RPS') dividends are recognised in profit or loss as a finance cost and calculated on an effective interest basis.

2.3 Leases

BAC Group as the lessor
The BAC Group has entered into commercial property leases on its property portfolio. Future minimum lease receipts under non-cancellable operating leases are as follows:

	2021 $000	2020 $000
Within one year	171,803	151,481
One year or later and no later than five years	509,291	574,150
Later than five years	951,281	811,191
	1,632,375	**1,536,822**

The above amounts do not include the recovery of outgoings.

Finance lease receivable
The finance lease receivable relates to an asset held under a finance lease recognised at the net present value of future lease payments at inception of the lease. The lease is due to expire in 2047.

	2021 $000	2020 $000
Within one year	2,488	2,488
One year or later and no later than five years	12,440	12,440
Later than five years	49,967	52,455
	64,895	**67,383**
Future finance charges	(43,622)	(45,976)
	21,273	**21,407**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 2: RESULTS

BAC Group as the lessee
The BAC Group recognises right of use assets as a lessee.
As at 30 June, the following amounts relating to right of use assets were included in plant and equipment:

	2021 $000	2020 $000
Cost		
At beginning of the year	4,053	3,699
Additions/adjustments	197	354
At end of the year	**4,250**	**4,053**
Depreciation		
At beginning of the year	697	418
Depreciation/adjustments	439	279
At end of the year	**1,136**	**697**
Carrying amount at 30 June	**3,114**	**3,356**

Lease liabilities of $0.6 million current and $2.7 million non-current have been recognised in the consolidated statement of financial position (2020: $0.7 million current and $2.6 million non-current).

Right of use assets are recognised on commencement of the lease as the net present value of future lease payments less any incentives received and any initial direct costs. The cost is depreciated over the life of the underlying asset. Lease liabilities are measured by the net present value of lease payments and are allocated between lease liability and finance cost.

2.4 Auditor's remuneration

	2021 $	2020 $
Amounts received or due and receivable by the auditor for:		
Audit services		
Audit fees	289,010	361,073
Other regulatory/contract audit services	130,475	254,680
	419,485	**615,753**
Other services		
Other	24,500	120,000
	24,500	**120,000**

2.5 Taxation

Accounting policies
Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except where it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts applicable for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates applicable at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets where they relate to income taxes levied, and the entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

SECTION 2: RESULTS

Tax consolidation
BACH is the head entity in the tax-consolidated group including all wholly owned subsidiaries, being BACH No. 2 and BAC. The implementation date for the tax-consolidated group was 30 June 2004.

The tax-consolidated group has entered into a tax sharing and funding agreement that requires wholly owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax sharing and funding agreement, contributions are calculated on a 'stand-alone basis' so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly owned subsidiaries. The contributions are payable as set out in the agreement and reflect timing of the entity's obligations to make tax liability payments to the relevant tax authorities. The assets and liabilities arising under the agreement are recognised as inter-company assets and liabilities with a consequential adjustment to income tax benefit/(expense).

Goods and services tax
Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST').

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the consolidated statement of financial position. 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 which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Taxation recognised in profit or loss and other comprehensive income

	2021 $000	2020 $000
Current tax expense		
Current year expense	-	-
Amendments to prior years (Note 2.5a)	10,273	(568)
	10,273	**(568)**
Deferred tax expense		
Origination and reversal of temporary differences	(3,904)	(50,916)
Amendments to prior years (Note 2.5a)	(10,273)	-
	(14,177)	**(50,916)**
Total income tax benefit/(expense) recognised in profit or loss	**(3,904)**	**(51,484)**
Defined benefit superannuation fund actuarial (loss)/gain	91	(337)
Hedge reserve	(14,779)	12,165
Total income tax benefit/(expense) recognised in other comprehensive income	**(14,688)**	**11,828**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 2: RESULTS

The reconciliation between income tax expense and pre-tax accounting profit is as follows:

	2021 $000	2020 $000
Profit/(loss) for the year	**5,434**	**122,453**
Income tax expense/(benefit)	3,904	51,484
Profit/(loss) before income tax	**9,338**	**173,937**
Income tax using the corporate tax rate of 30%	(2,801)	(52,181)
Increase in income tax due to:		
Other non-deductible expenses	(3)	1,080
Under provided in prior years	(1,100)	(383)
Income tax benefit/(expense) on pre-tax accounting profit	**(3,904)**	**(51,484)**

Current Tax Receivable

The current tax receivable is in relation to:	Notes	2021 $000
Amendments to income tax returns 2016 to 2020	(a)	10,273
Temporary loss carry back refundable tax offset (transfer from deferred tax asset to current tax receivable)	(b)	60,725
		70,998

a) The head entity of the tax consolidated group will lodge amended income tax returns in respect of the 2015-16 to 2019-20 income years, resulting in net refunds of previously overpaid tax.

b) Under the Temporary Loss Carry Back Tax Offset measures, the head entity of the tax consolidated group will choose to carry back tax losses from the 2019-20 and 2020-21 income years and offset them against the income tax paid in the 2018-19 income year to generate a refundable tax offset. As a result, there will be nil tax losses carried forward as at 30 June 2021.

SECTION 2: RESULTS

2.6 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Property, plant and equipment	-	-	(776,184)	(709,862)	(776,184)	(709,862)
Finance lease receivable	-	-	(2,337)	(2,193)	(2,337)	(2,193)
Derivatives	-	-	(144,543)	(70,509)	(144,543)	(70,509)
Lease incentive asset	-	-	(4,428)	(1,854)	(4,428)	(1,854)
Inventories	-	-	(449)	(443)	(449)	(443)
Employee benefits	1,414	1,855	-	-	1,414	1,855
Other provisions	9,239	8,990	-	-	9,239	8,990
Interest-bearing liabilities and borrowings	235,192	163,008	-	-	235,192	163,008
Accruals	2,490	275	-	-	2,490	275
Tax losses[4]	60,725	20,718	-	-	60,725	20,718
Deferred tax assets/(liabilities)	**309,060**	**194,846**	**(927,941)**	**(784,861)**	**(618,881)**	**(590,015)**
Transfer to current tax receivable[4]	**(60,725)**	-	-	-	**(60,725)**	-
Total deferred tax assets/(liabilities)	**248,335**	**194,846**	**(927,941)**	**(784,861)**	**(679,606)**	**(590,015)**

The movement in temporary differences during the year is as follows:

	Balance at 1 July 2020 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2021 $000
Property, plant and equipment	(709,862)	(66,322)	-	(776,184)
Finance lease receivable	(2,193)	(144)	-	(2,337)
Derivatives	(70,509)	(59,254)	(14,779)	(144,543)
Lease incentive asset	(1,854)	(2,574)	-	(4,428)
Inventories	(443)	(6)	-	(449)
Employee benefits	1,855	(532)	91	1,414
Other provisions	8,990	249	-	9,239
Interest-bearing liabilities and borrowings	163,008	72,184	-	235,192
Accruals	275	2,215	-	2,490
Tax losses[4]	20,718	40,007	-	60,725
Deferred tax (liabilities)/assets	**(590,015)**	**(14,177)**	**(14,688)**	**(618,881)**
Transfer to current tax receivable[4]	-	-	-	(60,725)
Total deferred tax assets/(liabilities)	**(590,015)**	**(14,177)**	**(14,688)**	**(679,606)**

[4] Refer Note 2.5b. As a result of choosing to apply the temporary loss carry back measures, there will be nil tax losses carried forward as at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 2: RESULTS

The movement in temporary differences during the previous year is:

	Balance at 1 July 2019 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2020 $000
Property, plant and equipment	(678,248)	(31,614)	-	(709,862)
Finance lease receivable	(1,845)	(348)	-	(2,193)
Derivatives	18,122	(100,796)	12,165	(70,509)
Lease incentive asset	(4,107)	2,253	-	(1,854)
Inventories	(429)	(14)	-	(443)
Employee benefits	1,590	602	(337)	1,855
Other provisions	1,873	7,117	-	8,990
Interest-bearing liabilities and borrowings	109,728	53,280	-	163,008
Accruals	2,389	(2,114)	-	275
Tax losses	-	20,718	-	20,718
Deferred tax (liabilities)/assets	**(550,927)**	**(50,916)**	**11,828**	**(590,015)**

2.7 Abnormal items

The statement of profit or loss is stated after recognising the following abnormal items:

Item	Profit or loss line	Notes	2021 $000
Rental abatements	Revenue	(a)	30,292
Expected credit loss for rental abatements	Corporate and administration	(a)	(30,292)
Impairment of straightlining asset	Corporate and administration	(b)	(30,071)
Impairment of non-current assets	Corporate and administration	(c)	361
Redundancies	Staff	(d)	(5,799)
JobKeeper	Staff	(e)	8,275
Net decrease to revenue from ordinary activities less operating expenses			**(27,234)**

a) Rental relief was provided to tenants across the retail and property portfolios in the form of rental abatements due to the impacts on their businesses from COVID-19. Rental abatements totalled $30.3 million for the year ended 30 June 2021, with an offsetting amount recognised through the expected credit loss ('ECL') provision.
b) A review of the BAC Group's assets relating to straightlining of lease revenue was carried out by Management. Following this review, a provision for impairment of $30.1 million was recognised relating to commercial tenants where the current leases are not expected to revert to their previous state.
c) A review of capital work in progress at 30 June 2021 was undertaken given the deferral of certain capital projects due to the impact of COVID-19. This resulted in the reduction of the provision for impairment taken up in the previous financial year for projects which were deferred or were expected to change significantly ($10.4 million at 30 June 2020). $1.4 million of FY20 provisions were released due to the write back of costs to the profit and loss or capitalisation of projects, offset by new projects identified for provision for impairment of $1.0 million.
d) BAC underwent an internal restructure resulting in a reduction in workforce. Termination payments totalling $5.8 million have been paid.
e) The BAC Group continued its enrolment in the Federal Government's JobKeeper Payment Scheme and during the year ended 30 June 2021, $8.3 million was received.

SECTION 2: RESULTS

2.8 Government assistance

In response to the significant impact COVID-19 has had on the aviation industry, the Federal and State government enacted several programs from which the BAC Group benefited. These have been recognised as an offset to the corresponding expenses in the Consolidated statement of profit or loss, as permitted by AASB 120 Government Grants.

a) The BAC Group enrolled in the JobKeeper Payment Scheme for eligible employees in April 2020. During the year ended June 2021, payments totalling $8.3 million were received.
b) The Domestic Airports Security Costs Support ('DASCS') Program commenced on 29 March 2021 assisting Domestic airports with regular public transport services to maintain passenger and baggage security screening obligations, which must be met regardless of passenger volumes. The BAC Group enrolled for this scheme with payments totalling $6.7 million recorded in the last quarter of the year.
c) The BAC Group received $2.3 million under the Tourism and Events Queensland ('TEQ') program established by the Queensland Government. The financial support assists airports in negotiations with airlines to stimulate Domestic aviation demand to Queensland regions by establishing new and resuming former routes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 3: OPERATING ASSETS AND LIABILITIES

In this section …
This section shows the assets used to generate the BAC Group trading performance and the liabilities incurred as a result. Liabilities relating to the BAC Group financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in note 2.6.

Keeping it simple …
Operating assets and liabilities are those that relate to the trading activities of the BAC Group. These include property, plant and equipment, investment property, inventories as well as trade and other receivables and payables. In this section, further information can be found regarding the elements of operating assets and liabilities.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits and are as follows:

	2021 $000	2020 $000
Cash in bank	74,121	1,184,986
Cash on hand	4	2
Cash and cash equivalents	**74,125**	**1,184,988**

The reconciliation of cash flows from operating activities is as follows:

	Note	2021 $000	2020 $000
Profit/(loss) for the year		**5,434**	**122,453**
Adjustments for:			
Depreciation and amortisation		170,543	133,779
Capitalised borrowing costs		-	(59,473)
Change in fair value of investment property	3.6	(173,599)	(31,402)
Change in fair value of non-designated derivatives		43,097	(158,388)
Amortisation of borrowing costs		5,505	3,135
Finance lease interest		202	273
Loss on sale of property, plant and equipment		(252)	69
RPS dividend		30,934	47,977
Income tax (benefit)/expense	2.5	3,904	51,484
Cash flow before changes in working capital and provisions		**85,768**	**109,907**
Change in trade receivables and other		30,148	24,818
Change in inventories		(21)	(46)
Change in trade payables and other		12,582	4,042
Income taxes paid		(2,007)	(9,444)
Net cash from operating activities		**126,470**	**129,277**

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.2 Trade receivables and other

Accounting policies

Trade receivables and other are recognised initially at fair value and subsequently stated at their amortised cost less impairment losses. Trade receivables are normally settled within 47 days.

Trade receivables and other are as follows:

	Note	2021 $000	2020 $000
Current			
Trade receivables and accrued income		28,974	92,883
Provision for expected credit losses		(4,935)	(20,724)
Contract assets		17,392	4,833
Prepayments		3,028	2,843
Sundry receivables		614	2,679
Finance lease receivable		149	134
		45,222	**82,648**
Non-current			
Finance lease receivable		21,124	21,273
Sundry receivables		13,909	5,755
Employee benefits	3.9	3,978	4,704
		39,011	**31,732**

3.3 Intangible assets

Accounting policies

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment (note 3.7).

The cost and carrying amount of goodwill are as follows:

	2021 $000	2020 $000
Goodwill	**823,014**	**823,014**

3.4 Property, plant and equipment

Keeping it simple …

This section shows the physical assets used by the BAC Group and includes runways, roads, taxiways, car parks, aprons, terminals and equipment to operate Brisbane Airport. The cost of these assets is the amount initially paid for them, with the exception of items adjusted as a result of the transition to Australian equivalent IFRS. Depreciation and amortisation are charged to the consolidated statement of profit or loss to reflect annual wear and tear and the reduced value of the asset over time. Depreciation and amortisation are calculated by estimating the number of years the BAC Group expects the asset to be used. This section also explains the accounting policies followed by the BAC Group.

Accounting policies

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and amortisation.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased land

Leased land represents prepaid rental payments on land leased by the BAC Group from the Australian Government and is classified as a finance lease as substantially all the risks and rewards of ownership have been transferred to the BAC Group. On initial recognition, the leased land is accounted for at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, leased land is amortised over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 3: OPERATING ASSETS AND LIABILITIES

Capital work in progress
Capital work in progress is measured at cost and includes all expenditure directly attributable to specific projects not yet commissioned and includes contractor charges, materials and direct labour and related overheads. The most significant current project is the ITB Apron Taxi lane replacement.

Borrowing costs are capitalised to qualifying assets as set out in note 4.1.

Maintenance
Pavement surfacing costs incurred on runways, taxiways and aprons are capitalised and depreciated over the period between surfacing projects. This recognises that the benefit relates to both current and future years.

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

Depreciation and amortisation
Depreciation and amortisation are charged to profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment.

The annual depreciation and amortisation rates used for each class of asset in the current and prior year are as follows:

Item	**Rate %**
Runways, taxiways and aprons	
Runways, taxiways and aprons	1.0 – 8.3
Expansion, extension, line marking, earthworks and overlay	2.5 – 20.0
Runway overlay	8.3
Minor assets less than $1,000	100.0
Roads and car parks	
Roads and car park infrastructure	1.0 – 10.0
Security, signage, lighting and other	2.5 – 15.0
Buildings	
Passenger terminal buildings and other permanent buildings	2.5 – 4.2
Fit-out, finishing, services, heating, ventilation and air-conditioning	2.5 – 20.0
Security, signage, lighting and other	5.0 – 20.0
Minor assets less than $1,000	100.0
Plant and equipment	
Mains services and fences and gates	1.3 – 20.0
Mobile plant and equipment (including motor vehicles)	6.7 – 25.0
Computer equipment and software	10.0 – 33.3
Furniture and fittings, office equipment and artwork	1.3 – 33.3
Minor assets less than $1,000	100.0
Leased land	
Operating land	1.0 – 1.3

The residual value, the useful life and the depreciation and amortisation methods applied to assets are reassessed annually.

With consideration to the impact of COVID-19, a review of capital work in progress at 30 June 2021 was undertaken resulting in the provision for impairment reducing to $10.1 million (2020: $10.4 million) for projects which were deferred or are expected to change significantly.

SECTION 3: OPERATING ASSETS AND LIABILITIES

	Runways, taxiways and aprons $000	Roads and car parks $000	Buildings $000	Plant and equipment[5] $000	Leased land $000	Capital work in progress $000	Total $000
Cost or deemed cost							
At 1 July 2020	914,975	618,482	1,102,404	885,095	106,331	1,322,393	4,949,680
Additions/transfers	966,898	62,221	35,231	221,760	6,047	(1,249,748)	42,409
Disposals	-	-	(27)	(23,803)	-	-	(23,830)
At 30 June 2021	**1,881,873**	**680,703**	**1,137,608**	**1,083,052**	**112,378**	**72,645**	**4,968,259**
Accumulated depreciation, amortisation and impairment							
At 1 July 2020	167,015	144,258	446,682	382,920	18,110	10,448	1,169,433
Depreciation and amortisation	35,016	17,816	49,053	67,430	1,228	-	170,543
Disposals	-	-	(25)	(23,783)	-	-	(23,808)
Impairment (reversal)	-	-	-	-	-	(361)	(361)
At 30 June 2021	**202,031**	**162,074**	**495,710**	**426,567**	**19,338**	**10,087**	**1,315,807**
Cost or deemed cost							
At 1 July 2019	910,578	605,863	1,044,241	804,303	104,535	1,136,994	4,606,514
Additions/transfers	4,397	12,619	58,996	83,694	1,796	185,399	346,901
Disposals	-	-	(833)	(2,902)	-	-	(3,735)
At 30 June 2020	**914,975**	**618,482**	**1,102,404**	**885,095**	**106,331**	**1,322,393**	**4,949,680**
Accumulated depreciation, amortisation and impairment							
At 1 July 2019	148,663	128,753	400,516	333,805	16,972	-	1,028,709
Depreciation and amortisation	18,352	15,505	46,939	51,845	1,138	-	133,779
Disposals	-	-	(773)	(2,730)	-	-	(3,503)
Impairment	-	-	-	-	-	10,448	10,448
At 30 June 2020	**167,015**	**144,258**	**446,682**	**382,920**	**18,110**	**10,448**	**1,169,433**
Carrying amounts							
At 30 June 2021	**1,679,842**	**518,629**	**641,898**	**656,485**	**93,040**	**62,558**	**3,652,452**
At 30 June 2020	747,960	474,224	655,722	502,175	88,221	1,311,945	3,780,247

Due to the deferral of construction projects in 2021, there were no borrowing costs capitalised to capital work in progress (2020: $57.9 million at interest rates ranging from 3.30% to 6.02% per annum).

[5] Plant and equipment include right of use assets with a carrying value of $3.1 million (2020: $3.4 million). Refer to note 2.3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2021 $000	2020 $000
Contracted for but not provided for and payable:		
Within one year	30,687	41,016
One year or later and no later than five years	16,772	4,477
	47,459	**45,493**

3.6 Investment property

Keeping it simple …
Investment property is held to earn rental income or for capital appreciation, but not for sale. Investment property includes aircraft maintenance facilities, aviation training and education centres, freight facilities, distribution warehouses, offices and all other non-aviation facilities, such as retail, entertainment and leisure facilities. The basis of the valuation of the properties is fair value, with the valuations based on independent assessments made by an accredited independent valuer annually.

Accounting policies

Investment properties are initially measured at cost and subsequently stated at fair value with any change therein recognised in profit or loss. When the use of property changes such that it is reclassified as property, plant and equipment including capital work in progress, its fair value at the date of reclassification becomes its cost for subsequent accounting.

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio annually. The basis of the valuation of the properties is fair value, being the amount for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and same condition being subject to similar leases. The determination of fair value is therefore more heavily supported by market evidence as opposed to other factors. The 2021 valuation was based on independent assessments made by CBRE, an accredited independent valuer (2020: CBRE).

In undertaking their valuation, CBRE utilised the following valuation approaches:

- discounted cash flow analysis;
- straight-line present value assessment;
- single rate capitalisation approach;
- dual rate capitalisation approach; and
- direct comparison approach (used for vacant unleased land).

CBRE used these calculation methods concurrently and then applied its professional judgement to determine the adopted fair value.

Fair market value has been adopted, taking into consideration such influencing elements as the current approved master plan, head lease tenure and conditions, location, quality of building structures, lease covenants, lease terms and conditions, fair market rental, recent transactions, the size of the market for the asset type and the impact of COVID-19.

Any gain or loss arising from a change in fair value is recognised in profit or loss under change in fair value of investment property.

The valuation was prepared on a leasehold basis.

SECTION 3: OPERATING ASSETS AND LIABILITIES

Capital work in progress

Capital work in progress is measured at cost unless a fair value of developments can be determined reliably and includes all expenditure directly attributable to specific projects not yet commissioned and includes contractor charges, materials and direct labour and related overheads.

Borrowing costs are capitalised to qualifying assets as set out in note 4.1.

The movement in investment property is as follows:

	Completed investment property $000	Capital work in progress $000	Capital work in progress $000	Total $000
Basis of measurement	Fair value	Fair value	Cost	
2021				
Balance at 1 July	1,545,392	7,333	7,250	1,559,975
Additions/(transfers)	20,371	(7,333)	(3,860)	9,178
Reclassified to property, plant and equipment	(7,702)	-	-	(7,702)
Fair value adjustments	182,479	-	-	182,479
Balance at 30 June	**1,740,540**	**-**	**3,390**	**1,743,930**
2020				
Balance at 1 July	1,482,551	5,049	7,932	1,495,532
Additions/(transfers)	35,060	459	(682)	34,837
Reclassified to property, plant and equipment	(1,796)	-	-	(1,796)
Fair value adjustments	29,577	1,825	-	31,402
Balance at 30 June	**1,545,392**	**7,333**	**7,250**	**1,559,975**

There were no borrowing costs capitalised to capital work in progress in 2021 due to the deferral of construction projects greater than 12 months (2020: $1.6 million of borrowing costs were capitalised at interest rates ranging from 3.30% to 6.02% per annum).

Investment property comprises commercial properties that are leased or are intended to be leased to third parties.

Contractual obligations to purchase, construct or develop investment property are included within note 3.5.

Investment property measured at fair value and its categorisation in the fair value hierarchy are as follows:

Input		2021 $000	2020 $000
Level 1	Quoted prices in active markets for identical assets	-	-
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset	-	-
Level 3	Inputs for the asset that are based on unobservable market data	1,740,540	1,552,725
		1,740,540	**1,552,725**

Significant unobservable inputs

Annual net property income (price per square metre): the annual rent per square metre at which space could be let in the market conditions prevailing at the date of valuation.

Capitalisation rate: the rate at which net property income is capitalised to determine the value of a property. The rate is determined with regard to market evidence. The rates used in the valuation range between 5% and 8.75% (2020: 5.25% and 9.5%).

Discount rate: the rate used to discount the net cash flows generated from rental and investment activities during the period of analysis. The rates used in the valuation range between 6.5% and 10.5% (2020: 7.0% and 10.5%), having regard to the risk of each property's net cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 3: OPERATING ASSETS AND LIABILITIES

Sensitivity to changes in significant unobservable inputs
The relationship between the significant unobservable inputs and fair value is as follows:
- annual net property income: the higher the income, the higher the likelihood of a higher valuation;
- capitalisation rate: the lower the capitalisation rate, the higher the likelihood of a higher valuation; and
- discount rate: the lower the discount rate, the higher the likelihood of a higher valuation.

Reconciliation of change in fair value
The gain on change in fair value has been adjusted in profit or loss for lease straightlining and incentives relating to investment properties. The reconciliation of the amounts is as follows:

	2021 $000	2020 $000
Fair value adjustment from valuation by CBRE	182,479	31,402
Less: straightlining of lease income and lease incentives	(8,880)	(11,284)
Fair value recognised in profit or loss	**173,599**	**20,118**

3.7 Impairment

Accounting policies
The carrying amounts of the BAC Group's non-current assets, other than investment property (note 3.6), derivatives (note 4.2) and deferred tax assets (note 2.6), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated on an annual or more frequent basis as may be required.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ('cash-generating unit'). The BAC Group is treated as a single cash-generating unit and goodwill has been allocated for impairment on this basis.

Key assumptions used in value in use calculation
The BAC Group undertakes an annual assessment of the recoverable amount of the cash-generating unit based on a value in use calculation, which uses cash flow forecasts for 10 years (from its business plan) with key assumptions of a terminal growth rate of 2.5% (2020: 2.5%) and a post-tax discount rate of 7.00% (2020: post-tax discount rate 7.65%) per annum. This central case forecast represents management's view of the most probable outcome with respect to future cash flows based on externally verified passenger forecasts.

Sensitivity to changes in assumptions and COVID-19
With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

With consideration to the impact of COVID-19 on the current and near future financial years, a downside cash flow scenario was considered as part of the impairment testing. This was consistent with the sensitivity scenarios adopted for the BAC Group's 20 year business plan. In addition, scenarios reflecting unexpected restrictions in FY22 were considered. Key variables within the sensitivity scenarios included additional delays with respect to domestic and international border openings for free movement of travellers and passenger number changes. These factors then flow to associated impacts on various passenger related income streams.

These scenarios did not have a materially different impact on the impairment result, providing management with additional comfort in the base assumptions.

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.8 Trade payables and other current liabilities

Accounting policies

Trade payables and other current liabilities are stated at their amortised cost. Trade payables are non-interest-bearing and are normally settled on 33-day terms. Trade payables and other current liabilities are as follows:

	Note	2021 $000	2020 $000
Trade payables and accruals		65,438	67,682
RPS dividend		97,625	47,865
Employee benefits	3.9	7,232	9,113
Unearned lease revenue		5,866	2,925
Contract liabilities		2,465	1,003
Retentions and deposits held on behalf of third parties		3,010	1,900
Lease liabilities		574	659
Environmental remediation		10,000	-
		192,210	**131,147**

The RPS dividend payable reflects the actual amount due to the shareholders and is not impacted by the interest expense movement recognised in the Consolidated Statement of Profit or Loss due to the remeasurement of the carrying value. Refer to note 4.1.

Contract liabilities reflect unearned revenue under contracts with customers. The amount of revenue recognised during the year relating to contract liabilities totalled $1,003,486 (2020: $2,117,117).

Subsequent to the end of the financial year, the BAC Group received a final Detailed Site Investigation (DSI) report from its consultant regarding the Skygate North Site. The DSI report, which was received on 15 July 2021, identified contaminated soils that were leaching and migrating into groundwaters and off airport land. Following the receipt of this information, Management notified the Department of Environment and Science (State) and the Airport Environment Officer (Cth) in relation to this new information. Management will continue with investigating and monitoring of the site, which will then inform the most appropriate remediation works. An estimate of $10 million for these works has been developed based on a number of assumptions and this amount has been recognised as a provision in this financial report.

3.9 Employee benefits

Keeping it simple …

The BAC Group has 15 employees in a defined benefit superannuation fund. In a defined benefit superannuation fund, members receive cash payments when they retire and during their retirement, the value of which are dependent on factors such as salary and length of service. In the event of poor returns for the fund, the BAC Group needs to address this through a combination of increased levels of contribution or by making adjustments to the fund. Under defined contribution superannuation funds, the BAC Group pays fixed contributions into a separate fund on behalf of the employees and has no further obligations to the employees. The risks and rewards associated with this type of fund are assumed by the members rather than the BAC Group. It is the member's responsibility to make investment decisions relating to their retirement benefits.

Accounting policies

Defined contribution superannuation funds

Obligations in respect of defined contribution superannuation funds are recognised as an expense in profit or loss as incurred.

Defined benefit superannuation funds

The BAC Group's obligation in respect of defined benefit superannuation funds is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any fund assets are deducted. The discount rate is the yield at the reporting date on Australian corporate bonds that have maturity dates approximating the terms of the BAC Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 3: OPERATING ASSETS AND LIABILITIES

Actuarial gains and losses are recognised in other comprehensive income in the year in which the actuarial gains or losses arise.

Long term service benefits
The BAC Group's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior years. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Australian corporate bonds at the reporting date which have maturity dates approximating the terms of the BAC Group's obligations. Re-measurements are recognised in profit or loss in the period in which they arise.

In determining the liability, consideration has been given to the BAC Group's experience with staff departures.

Wages, salaries and annual leave
Liabilities for wages and salaries (including non-monetary benefits and annual leave) in respect of employees' services up to the reporting date which are expected to be settled within 12 months of the reporting period, are recognised in other payables and accruals. They are measured at the amounts expected to be paid when the liabilities are settled. The obligation for non-accumulated sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

Executive long-term incentive plan ('ELTIP')
The cost of cash settled transactions is measured initially at fair value. The fair value is expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in staff expenses.

Liabilities/(assets) for employee benefits can be analysed as follows:

	Note	2021 $000	2020 $000
Current			
Wages and salaries accrued		1,130	1,149
Liability for annual leave		2,640	3,190
Liability for long service leave		3,462	4,774
	3.8	**7,232**	**9,113**
Non-current			
Present value of unfunded obligation		4,379	8,782
Fair value of plan assets		(8,357)	(13,486)
Recognised asset for defined benefit obligation	3.2	**(3,978)**	**(4,704)**
Liability for annual leave		495	634
Liability for long service leave		2,096	2,289
ELTIP		623	1,458
	3.10	**3,214**	**4,381**
Net non-current employee benefits		**(764)**	**(323)**

3.10 Other non-current liabilities

Keeping it simple …
Other non-current liabilities consist of non-current employee benefits, finance lease payable and unearned revenue resulting from prepaid property rentals.

Other non-current liabilities can be analysed as follows:

	Note	2021 $000	2020 $000
Unearned revenue		3,814	3,961
Employee benefits	3.9	3,214	4,381
Lease liabilities		2,669	2,565
		9,697	**10,907**

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

In this section …
Capital structure is how the BAC Group finances its overall operations and growth by using different sources of funding. This section outlines the BAC Group's capital structure and related financing costs, including balance sheet liquidity.

Keeping it simple …
The BAC Group borrows money from financial institutions and debt investors in the form of bank loans and bonds in a combination of AUD and United States dollars ('USD'), with bonds held for a fixed term. The interest payable on these instruments is recorded in the consolidated statement of profit or loss unless it relates to qualifying assets which are capitalised to the cost of the asset.

4.1 Interest-bearing liabilities and borrowings

Accounting policies

Interest-bearing liabilities and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities and borrowings are stated at amortised cost with any difference between cost and redemption value (i.e. transaction costs) recognised in profit or loss over the period of the borrowings on an effective interest basis.

Finance costs include interest, amortisation of deferred borrowing costs and finance charges on capitalised leases. Establishment costs incurred in connection with the arrangement of borrowings are capitalised and recognised on an effective interest basis over the anticipated term of the applicable borrowings.

Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take a substantial period of time to prepare for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets using a weighted average capitalisation rate.

	2021 $000	2020 $000
Current		
Secured domestic bond issues	-	350,000
Secured domestic bond transaction costs	-	(277)
Secured USPP bond issues	199,648	-
Total current	**199,648**	**349,723**
Non-current		
Secured bank loan	20,000	850,000
Secured bank loan transaction costs	(4,244)	(2,456)
Secured domestic bond issues	1,209,284	1,200,000
Secured domestic bond issue transaction costs	(8,502)	(9,262)
Secured USPP bond issues	2,013,114	2,462,658
Secured USPP bond issue transaction costs	(5,489)	(6,228)
Derivative structured products	172,923	168,956
Derivative structured products transaction costs	(262)	(327)
RPS	450,137	470,970
Total non-current	**3,846,961**	**5,134,311**
Total interest-bearing liabilities and borrowings	**4,046,609**	**5,484,034**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Annual nominal interest rate	Financial year of maturity	Face value 2021 $000	Carrying amount 2021 $000	Face value 2020 $000	Carrying amount 2020 $000
Bank loan – AUD					
BBSY + margin - Tranche B	2021	-	-	390,000	388,823
BBSY + margin - Tranche A	2021	-	-	460,000	458,618
BBSY + margin - Tranche F	2023	20,000	15,756	-	-
		20,000	15,756	850,000	847,441
Domestic bonds – AUD					
Fixed 6.0%	2021	-	-	350,000	349,827
Fixed 3.9%	2025	350,000	347,192	350,000	346,533
Fixed 3.1%	2026	250,000	248,595	250,000	248,507
Fixed 4.5%	2031	600,000	604,995	600,000	595,698
		1,200,000	1,200,782	1,550,000	1,540,565
USPP bonds – AUD					
BBSW + margin	2026	100,000	99,756	100,000	99,722
Fixed 6.8%	2023	30,000	29,969	30,000	29,954
Fixed 8.3%	2027	98,863	98,494	98,863	98,447
Fixed 4.4%	2029	130,000	129,539	130,000	129,500
Fixed 5.6%	2030	152,550	151,869	152,550	151,842
Fixed 5.5%	2037	50,000	49,828	50,000	49,810
Fixed 3.5%	2030	26,000	25,901	26,000	25,879
Fixed 3.7%	2032	24,000	23,912	24,000	23,888
		611,413	609,268	611,413	609,042
USPP bonds – USD					
Fixed 5.2%	2022	199,362	199,648	218,627	225,984
Fixed 3.9%	2023	62,467	64,463	68,503	72,380
Fixed 5.3%	2024	199,362	212,882	218,627	241,465
Fixed 3.6%	2025	33,227	34,901	36,438	39,154
Fixed 4.0%	2025	79,745	85,955	87,451	97,224
Fixed 3.7%	2027	86,390	92,463	94,738	104,912
Fixed 3.8%	2027	132,908	144,790	145,751	167,090
Fixed 4.2%	2028	103,668	116,490	113,686	134,599
Fixed 3.9%	2029	132,908	146,962	145,751	172,121
Fixed 3.9%	2030	33,227	36,346	36,438	41,880
Fixed 4.1%	2032	132,908	149,804	145,751	179,056
Fixed 3.6%	2030	142,212	154,968	155,954	182,402
Fixed 3.7%	2032	143,541	158,333	157,411	189,121
		1,481,925	1,598,005	1,625,126	1,847,388
Derivative structured products					
Fixed 2.3%	2025	13,400	13,379	13,089	13,064
Fixed 1.6%	2027	15,493	15,470	15,243	15,213
Fixed 1.7%	2027	5,764	5,755	5,669	5,658
Fixed 2.0%	2025	41,339	41,277	40,535	40,457
Fixed 3.7%	2023	33,022	32,972	31,828	31,766
Fixed 2.1%	2024	52,633	52,553	51,559	51,459
Fixed 2.1%	2024	11,272	11,255	11,033	11,011
		172,923	172,661	168,956	168,628
RPS – AUD					
Fixed 10.0%[6]	2032	470,494	450,137	470,970	470,970
		3,956,755	**4,046,609**	**5,276,465**	**5,484,034**

[6] RPS fixed dividend rate will decrease to 7.6% per annum from 1 July 2021.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.1 Interest-bearing liabilities and borrowings (continued)

RPS are subject to an annual dividend rate and accounted for using an effective interest rate of 8.37% (2020: 9.9%) per annum. The fixed annual dividend rate is 10.0% (2015 to 2021) per annum. The holders of RPS are entitled to fixed rate dividends, declared semi-annually (in arrears) in relation to the prior financial year, and on redemption. In the event that RPS dividends are not paid, any unpaid dividend will accrue interest using the dividend rate for the current year (10.0%). RPS rank equally with each other, but in priority over ordinary shares for the payment of dividends and repayment of capital. Holders of RPS are not entitled to voting rights except in the event of winding up of BACH, or any resolution impacting on the rights applicable to RPS. The percentage of RPS held by a shareholder must be equal at all times to the percentage of ordinary shares held.

An amendment to these instruments was approved by BACH Shareholders in October 2020 such that the annual dividend rate will decrease to 7.6% per annum from July 2021 with a redemption date extended to 1 July 2031.This resulted in a change in the effective interest rate to 8.37%. There were no RPS dividends paid in financial year 2021 (and the final dividend related to the second half of financial year 2020 remains unpaid). These unpaid dividends continue to accrue and compound. The resulting shift in forecast cashflows associated with these instruments (whilst maintaining a fixed effective interest rate) has resulted in a change to the carrying value of RPS to $450 million (2020: $471 million) impacting the RPS dividend expense in the Consolidated Statement of Profit or Loss.

	2021 $000	2020 $000
Redeemable preference shares dividends		
Dividend	47,049	47,049
Interest on unpaid dividends	4,718	1,133
Change in the effective interest rate	(20,833)	(206)
RPS Dividend recognised in the Consolidated Statement of Profit or Loss	**30,934**	**47,976**

Finance facilities

The BAC Group has bank facilities of $1,215.0 million (2020: $1,640.0 million), of which $1,195.0 million is undrawn (2020: $790.0 million). $525.0 million expires in April 2023, $37.5 million expires in March 2024, $262.5 million expires in April 2024, $25.0 million expires in March 2025, $175.0 million expires in April 2025, $40.0 million expires in March 2026 and $150.0 million expires in April 2026.

Security for financing arrangements

The bank loan and the domestic and international bond issues are secured by a first ranking mortgage over the airport lease and a fixed and floating charge over the BAC Group's other assets and undertakings.

Bank overdraft

The bank overdraft facility of $4.0 million (2020: $4.0 million) was undrawn as at 30 June 2021 (2020: undrawn).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.2 Derivative financial instruments

Keeping it simple …
A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as interest rates or exchange rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure. The BAC Group is exposed to changes in interest rates and foreign exchange rates on its borrowings and uses derivatives to hedge these underlying exposures.

Derivative financial instruments are measured at their marked to market value at each reporting date. The BAC Group applies hedge accounting which allows the value movement in these instruments to be allocated across both the consolidated statement of financial position and the consolidated statement profit or loss and other comprehensive income.

Accounting policies
The BAC Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risk.

Derivative financial instruments are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value and changes therein are recognised in profit or loss, unless hedge accounting is adopted.

The fair value of interest rate and cross currency swaps is the estimated amount that the BAC Group would receive or pay to terminate the swap at the reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the swap counterparties.

Current versus non-current classification
The BAC Group applies the maturity date approach to classify derivative financial instruments. Derivative financial instruments held as economic hedges are classified as non-current, except for those instruments that mature less than 12 months from the balance date which are classified as current.

Hedge accounting
The BAC Group designates all economic hedges into hedge accounting relationships and documents the nature of the economic hedge relationship, the risk management objective and strategy for undertaking the hedge. Hedge relationships are assessed on an ongoing basis to determine that they are effective throughout the financial reporting periods for which they were designated.

Cash flow hedges
Where a derivative financial instrument is designated to hedge the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period.

Hedge accounting is discontinued prospectively if the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked. If the forecast transaction is no longer expected to occur, the amount accumulated in equity is reclassified to profit or loss.

Fair value hedges
Where a derivative or financial instrument is designated as hedging the change in fair value of a recognised asset or liability, the gain or loss on the derivative and hedged item is recognised in profit or loss immediately, together with the gain or loss on the hedged asset or liability that is attributable to the hedge risk.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Cross currency interest rate swaps[7]

	Average pay fixed rate %	Average pay floating rate	Average foreign exchange rate	Notional maturity profile USD000
Less than 1 year	-	BBSW3m + 238 bps	1.0000	150,000
1 to 5 years	5.3480	BBSW3m + 250 bps	0.9959	282,000
More than 5 years	5.5037	BBSW3m + 186 bps	0.7808	683,000

Interest rate swaps

	Average pay fixed rate[8] %	Average pay floating rate[9]	Notional maturity profile AUD000
Less than 1 year	0.2200	-	1,375,000
1 to 5 years	4.7394	-	1,725,000
More than 5 years	2.6377	BBSW3m + 294 bps	1,400,000

[7] Cross currency interest rate swaps are used for the purpose of swapping USD notional principal and interest for AUD notional principal and fixed/floating interest in relation to the BAC Group's non-AUD borrowings.
[8] Interest rate swaps convert floating rate interest exposure to fixed rate obligation.
[9] Interest rate swaps convert fixed rate exposure into floating rate obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

2021	Fair value hedges		Cash flow hedges		Total
	Interest bearing liabilities	Interest bearing liabilities	Interest rate risk on highly probable floating rate debt	Interest bearing liabilities	
	Interest rate swap	Cross currency interest rate swap[10]	Interest rate swap	Cross currency interest rate swap and interest rate swap[10,11]	
	$000	$000	$000	$000	$000
Carrying amount of hedging instruments					
Assets	6,893	280,818	689	5,152	293,552
Liabilities	-	-	(265,272)	(27,693)	(292,965)
	6,893	**280,818**	**(264,583)**	**(22,541)**	**587**
At 30 June 2021					
Cumulative fair value adjustment on hedged item[12]	(9,284)	(119,424)	-	-	(128,708)
Effective portion recognised in reserves[13]	-	3,457	294,685	2,152	300,294
During the year					
Change in fair value of the hedging instrument	8,176	(206,176)	11,681	(48,763)	(235,082)
Change in fair value of the hedged item	(9,284)	217,114	16,645	(54,389)	170,086
Effective portion of hedging instrument recognised in cash flow hedge reserve[13]	-	1,122	(6,911)	14,379	8,590
Change in effective portion of discontinued hedges recognised in cash flow hedge reserve	-	-	(57,852)	-	(57,852)
Hedge ineffectiveness recognised in profit or loss[14]	1,109	(12,060)	(4,770)	1,601	(14,120)
Amount recognised in profit and loss for discontinued hedges[14]	-	-	57,852	-	57,852
Unwind of inception fair values recognised in profit and loss[14]	-	-	104	(2,179)	(2,075)
Amount reclassified from hedging reserves to profit and loss	-	-	-	(32,783)	(32,783)

10 Cross currency interest rate swaps are split designated in cash flow and fair value hedge relationships in order to hedge against risks associated with USD borrowings.

11 Interest rate swaps are designated in a combination cash flow hedge relationship with cross currency interest rate swaps in order to hedge against floating interest rate risk.

12 The cumulative fair value adjustment is included in the BAC Group's interest bearing liabilities.

13 The effective portion includes fair values of foreign currency basis spreads recognised in the cost of hedging reserve, and figures are before tax.

14 Hedge ineffectiveness is recognised in change in fair value of derivatives. Key sources of hedge ineffectiveness for the BAC Group are (1) changes in credit risks inherent within the hedging instruments' fair values that are not offset by the fair value movement of the hedged item; and (2) designating the non-zero fair values hedging instruments in hedge accounting relationships post trade date (late designations). The non-zero fair values at inception is a source of ineffectiveness.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

2020	Fair value hedges		Cash flow hedges		Total
	Interest bearing liabilities	Interest bearing liabilities	Interest rate risk on highly probable floating rate debt	Interest bearing liabilities	
	Interest rate swap	Cross currency interest rate swap	Interest rate swap	Cross currency interest rate swap and interest rate swap	
	$000	$000	$000	$000	$000
Carrying amount of hedging instruments					
Assets	-	486,994	-	29,849	516,843
Liabilities	-	-	(276,004)	(5,806)	(281,810)
	-	**486,994**	**(276,004)**	**24,043**	**235,033**
At 30 June 2020					
Cumulative fair value adjustment on hedged item	-	(492,473)	-	(21,546)	(514,019)
Effective portion recognised in reserves	-	-	359,449	(9,892)	349,557
During the year					
Change in fair value of the hedging instrument	-	424,941	81,704	(211,205)	295,440
Change in fair value of the hedged item	-	(407,172)	-	229,572	(177,600)
Effective portion of hedging instrument recognised in cash flow hedge reserve	-	-	22,254	(206,182)	(183,928)
Change in effective portion of discontinued hedges recognised in cash flow hedge reserve	-	-	-	(3,799)	(3,799)
Hedge ineffectiveness recognised in profit or loss	-	(17,769)	1,321	16,288	(160)
Amount recognised in profit and loss for discontinued hedges	-	-	4,886	-	4,886
Amount reclassified from cash flow hedge reserve to profit or loss	-	-	44,351	178,786	223,137
Amount reclassified from cost of hedging reserve to profit or loss	-	-	-	252	252

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.3 Financial risk management

Keeping it simple …
The BAC Group activities expose it to a variety of financial risks: credit, liquidity and market risk (including interest rate, foreign exchange and price risk). The BAC Group seeks to minimise potential adverse effects on its financial performance and uses derivative financial instruments to manage certain risk exposures. The BAC Group does not use derivatives to speculate.

Overview
The BAC Group's principal financial instruments comprise receivables, payables, bonds, bank loans, cash and short-term deposits and derivatives.

The BAC Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The BAC Group manages its exposure to key financial risks, including interest rate and currency risk, in accordance with the BAC Group's financial risk management policies. The objective of these policies is to support the delivery of the BAC Group's financial targets, while protecting future financial security and reducing volatility on financial performance.

Risk management policies are established to identify and analyse the risks faced by the BAC Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the BAC Group's activities.

The FARM Committee oversees how management monitors compliance with the BAC Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the BAC Group. The FARM Committee is assisted in its oversight role by regular internal audits conducted by Ernst & Young. The internal audit reviews risk management controls and procedures and the results are reported to the FARM Committee.

The BAC Group's policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities.

(a) Credit risk

Credit risk is the risk of financial loss to the BAC Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the BAC Group's receivables from customers.

The BAC Group has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However, as an operator of large infrastructure assets, the BAC Group is exposed to credit risk with its financial counterparties through undertaking financial transactions intrinsic to its business. These include funds held on deposit, cash investments, bank loans and the market value of derivative transactions.

The BAC Group assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. Board approved limit allocation rules allow higher limits to be granted to higher rated counterparties. The BAC Group also seeks to mitigate its total credit exposure to counterparties by only dealing with counterparties meeting certain credit criteria, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

Trade and other receivables
The BAC Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographic of the customer base, including default risk of the industry and country in which the customer operates, has less of an influence on credit risk.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

The BAC Group Board has established a credit policy under which customers are analysed individually for creditworthiness before the standard payment terms and conditions are offered. The review of creditworthiness includes external ratings, when available, and/or the possible requirement of bank guarantees or cash deposits of up to six months' rent plus outgoings in the case of property tenants. The majority of customers have been transacting with the BAC Group for over 10 years and losses have been incurred infrequently. In monitoring customer credit risk, customers are classified according to their credit characteristics.

Consideration has been given to the impact of COVID-19 on the current financial year trade receivable balances and their recoverability. A number of specific provisions for doubtful debts were included relating to aeronautical debtors. An additional provision was also taken up against property debtors relating to rental relief provided to tenants in the form of payment deferrals and waivers.

Further to this, an allowance for impairment has been prepared that represents the BAC Group's ECL in respect of trade and other receivables. The expected credit loss is estimated using a provision matrix with reference to past default experience and an analysis of the current financial position of the trade receivables, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

The following amounts were included in the Consolidated statement of profit or loss for the year relating to expected credit losses:

Description	**2021 $000**
ECL relating to rental relief provided to tenants	30,292
Impairment of the straightlining asset	30,071
General ECL from provision matrix	180
Other specific provisions for doubtful debts	3,171
	63,714

Cash and swaps
Cash, interest rate and cross currency swaps and bank loans are held with banks with credit ratings of not less than either A- (Standard & Poor's) or A3 (Moody's) in line with the BAC Group's credit rating policy.

Exposure to credit risk
The carrying amounts of the financial assets represent the maximum credit exposure. The financial assets at the reporting date were as follows:

	Classification	**Note**	**2021 $000**	**2020 $000**
Cash and cash equivalents	Current	3.1	74,125	1,184,988
Trade receivables, accrued income and contract assets	Current	3.2	41,431	76,992
Sundry receivables	Current	3.2	615	2,680
Finance lease receivable	Current	3.2	149	134
Sundry receivables	Non-current	3.2	13,908	5,755
Finance lease receivable	Non-current	3.2	21,124	21,273
Derivative instruments		4.3(d)	265,859	511,037
			417,211	**1,802,859**

The maximum exposure to credit risk for trade receivables, accrued income and contract assets at the reporting date by customer type was:

	2021 $000	**2020 $000**
Aeronautical	18,733	55,450
Property	22,216	20,266
Other	482	1,276
	41,431	**76,992**

The most significant customer accounted for 2.5% of the trade receivables, accrued income and contract assets carrying amount at 30 June 2021 (2020: 42.5%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Impairment losses
The ageing of the trade receivables, accrued income and contract assets at reporting date was as follows:

	2021 Gross $000	2021 Impairment $000	2021 Net $000
Not past due (0 – 30 days)	33,504	(237)	33,267
Past due (31 – 60 days)	2,370	(209)	2,161
Past due (61 – 90 days)	677	(410)	267
Past due (more than 90 days)	9,815	(4,079)	5,736
	46,366	**(4,935)**	**41,431**

	2020 Gross $000	2020 Impairment $000	2020 Net $000
Not past due (0 – 30 days)	15,369	(2,077)	13,292
Past due (31 – 60 days)	9,174	(1,175)	7,999
Past due (61 – 90 days)	7,499	(2,673)	4,826
Past due (more than 90 days)	65,674	(14,799)	50,875
	97,716	**(20,724)**	**76,992**

(b) Liquidity risk

Liquidity risk is the risk that the BAC Group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that the BAC Group will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unreasonable costs or risking damage to the BAC Group's reputation.

The BAC Group actively monitors cash flow requirements to manage liquidity risk. Typically, the BAC Group ensures that it has sufficient cash and available debt facilities to meet expected operational requirements for a minimum period of 12 months, including the servicing of financial obligations and the funding of the capital expenditure program.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Funding

The BAC Group minimises exposure and refinance risk with any one lending source. This is achieved by having a range of lending sources and financial guarantors (if a necessity of the lending instrument). To minimise refinance risk, the BAC Group ensures that no more than 20% of total debt matures within a 12-month period, and no more than 50% in any 36-month period.

The following are the principal and interest contractual maturities of financial liabilities:

2021	Note	Less than 1 year $000	1 – 5 years $000	More than 5 years $000	Total $000
Floating bank loan		114	20,171	-	20,285
Floating bonds		2,283	111,136	-	113,419
Fixed bonds		334,641	1,462,246	2,310,651	4,107,538
Derivative structured products		-	159,612	23,237	182,849
RPS		140,821	143,030	649,282	933,133
		477,859	**1,896,195**	**2,983,170**	**5,357,224**
Trade payables and accruals	3.8	65,438	-	-	65,438
Lease liabilities	3.8/3.10	574	2,669	-	3,243
Derivatives[15]		(101,543)	100,543	21,279	20,279

2020	Note	Less than 1 year $000	1 – 5 years $000	More than 5 years $000	Total $000
Floating bank loan		9,577	853,986	-	863,563
Floating bonds		2,341	10,553	101,549	114,443
Fixed bonds[16]		447,330	1,223,788	2,592,091	4,263,209
Derivative structured products		-	159,612	23,237	182,849
RPS		71,390	541,068	-	612,458
		530,638	**2,789,007**	**2,716,877**	**6,036,522**
Trade payables and accruals	3.8	67,682	-	-	67,682
Lease liabilities	3.8/3.10	659	2,565	-	3,224
Derivatives[17]		2,569	219,981	67,337	289,887

Interest payments (and receipts) on the floating interest rate instruments are paid quarterly, at BBSW or BBSY plus the applicable margin. Interest payments on the fixed interest rate bonds are paid semi-annually. Trade payables and accruals are generally payable in less than six months.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the BAC Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The BAC Group enters into derivatives in order to manage market risk. All such transactions are carried out within guidelines set by the Board. Components of market risk to which the BAC Group is exposed are discussed below.

[15] Derivative cash flows consist of those arising from swaps in hedging arrangements that are in both asset and liability positions. Cash flows associated with swaps in a liability position are as follows ($'000s): Less than one year ($21,090); 1 to 5 years $242,657; More than 5 years $52,463.

[16] The cash flows for cross currency swap (designated in fair value and cash flow hedges) have been aggregated with the USPP fixed rate bond cash flows, with the net effect of synthetic floating rate debt cash flows. Cash flows incorporate $511 million of CCIRS with an asset mark to market value.

[17] Derivatives are interest rate swaps that are designated in cash flow hedge relationships.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Interest rate risk
Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The BAC Group's borrowings are sourced from a number of financial markets covering domestic and offshore, as well as short term and long-term funding. These borrowings are managed in accordance with targeted currency, interest rate, liquidity and debt portfolio maturity profiles.

Currency and interest rate risk on foreign currency borrowings are hedged by entering into cross currency principal swaps and interest rate swaps at inception to maturity, which have the economic effect of converting foreign currency borrowings into AUD borrowings.

BAC Group policy
The BAC Group's intended long-term interest rate cover target is to maintain the following minimum levels of economic hedging of its forecast average debt exposure in each year:

Period	**%**
Years 1 – 3	75 – 100
Years 4 – 5	60 – 90
Years 6 – 10	30 – 70

Minimum economic hedging requirement under finance documents
The BAC Group's minimum economic hedging requirement under finance documents is that its exposure to changes in interest rates on current borrowings is on a fixed interest rate basis as follows:

- years 1 – 3: 75% per annum; and
- years 4 – 5: 60% per annum of debt levels on 1 July each year.

Profile
At the reporting date, the interest rate profile of the interest-bearing financial instruments, ignoring economic hedging, was as follows:

	2021 $000	**2020 $000**
Nominal fixed interest rate instruments		
Financial liabilities	**(3,836,755)**	**(4,326,466)**
Nominal variable interest rate instruments		
Financial assets – cash and cash equivalents	74,125	1,184,988
Financial liabilities	(120,000)	(950,000)
Net financial asset/(liability)	**(45,875)**	**234,988**

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The source and nature of the risk arise from operations, capital expenditure and translation risk

Cross currency swaps are used to convert long term foreign currency borrowings into AUD to meet the principal and interest obligations under the swaps. These foreign currency borrowings typically have an initial maturity of between 10 and 20 years.

BAC Group policy
The BAC Group's policy is to minimise foreign exchange exposures where practical, and to hedge back to AUD any combination of foreign exchange exposures to avoid unhedged foreign exchange exposures in excess of AUD 5 million.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Fixed interest rate secured international bonds denominated in USD
At the reporting date, the BAC Group had the following foreign exchange exposures which had been economically hedged back to AUD for the duration of the issue:

	Face value 2021 USD000	Face value 2021 AUD000	Face value 2020 USD000	Face value 2020 AUD000
Total foreign exchange exposures hedged	**1,115,000**	**1,481,925**	**1,115,000**	**1,625,126**

Sensitivity on interest rate and foreign exchange risk
The tables below summarise the gain or loss impact of reasonably possible changes in market risk, relating to existing financial instruments, on profit before tax and equity before tax. For the purpose of this disclosure, the following assumptions were used:

- 100 basis point increase and decrease in all relevant interest rates;
- 10% USD depreciation and USD appreciation;
- isolation of sensitivity analysis for each risk. For example, the interest rate sensitivity analysis assumes the foreign exchange rates remain constant; and
- in a change from methodology adopted in prior year, the effect of credit risk and hedge ineffectiveness has been held constant for purposes of the sensitivity analysis.

The 30 June 2021 foreign exchange rate of AUD 1 to USD 0.7524 (2020: AUD 1 to USD 0.6861) was used in the translation of USD denominated borrowings.

<u>Analysis for fixed interest rate instruments</u>
The BAC Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, however it has designated some derivatives into hedge relationships under a fair value hedge accounting model. The impact of a change in interest rate (holding all other variables constant) on the fair value of the hedging instruments and fair value adjustment on the fixed rate financial liabilities are expected to be equal and offsetting in magnitude based on the methodology prescribed. Therefore, a change in interest rates at the reporting date would not affect profit before tax for fixed rate instruments.

<u>Analysis for variable interest rate instruments</u>
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax and equity before tax by the amounts shown below. This analysis assumes that all other variables remain constant. An increase/(decrease) in interest rates (holding all other variables constant), impacts interest expense on variable rate instruments and fair value of interest rate swaps and currency swaps as follows:

Movement in interest rates	**Profit/(loss) before tax**		**Equity before tax**	
	2021 $000	**2020 $000**	**2021 $000**	**2020 $000**
100 basis point increase in interest rates				
Net impact	**(2,573)**	**(13,308)**	**131,872**	**93,199**
100 basis point decrease in interest rates				
Net impact	**2,573**	**13,348**	**(131,872)**	**(93,239)**

<u>Analysis for variable interest rate instruments</u>
Movements in interest rates over time influence the rate of return achievable on the aeronautical assets. The effect of such movements may be impacted by the length of aeronautical pricing agreements, which have been typically five years. Once pricing is determined for a period, movements in interest rates may not affect aeronautical revenues but an alteration in rates may impact actual results.

<u>Analysis for USD rate movements</u>
Cross currency exposures for the BAC Group predominantly arise from foreign denominated interest-bearing liabilities. For such liabilities, the BAC Group's policy is to hedge 100% of cross currency risk for both principal and interest for the life of the exposure. As at 30 June 2020 and 2021, these foreign currency exposures were 100% hedged through cross currency swaps until maturity resulting in no other material cross currency risk exposure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

An increase/(decrease) in USD exchange rates impacts appreciation and depreciation on financial instruments as follows:

Movement in FX spot rates (against AUD)	Profit/(loss) before tax 2021 $000	Profit/(loss) before tax 2020 $000	Equity before tax 2021 $000	Equity before tax 2020 $000
10% appreciation	-	(12)	-	19,097
10% depreciation	-	(2,040)	-	(13,575)

(d) Fair value

Fair value versus carrying amounts

The carrying amounts shown in the consolidated statement of financial position, together with the fair value of financial assets and liabilities are as follows:

	Note	Carrying amount 2021 $000	Fair value 2021 $000	Carrying amount 2020 $000	Fair value 2020 $000
Assets carried at fair value					
Interest rate and cross currency swaps		**265,859**	**265,859**	**511,037**	**511,037**
Assets carried at amortised cost					
Cash and cash equivalents	3.1	74,125	74,125	1,184,988	1,184,988
Finance lease receivable – non-current	3.2	21,124	21,124	21,273	21,273
Employee benefits – non-current	3.2	3,978	3,978	4,704	4,704
		99,227	**99,227**	**1,210,965**	**1,210,965**
Liabilities carried at fair value					
Interest rate and cross currency swaps		**265,272**	**265,272**	**276,004**	**276,004**
Liabilities carried at amortised cost					
Secured bank loan	4.1	15,756	20,119	847,441	857,678
Secured domestic bond issues	4.1	1,200,782	1,335,025	1,540,565	1,573,186
Secured USPP bond issues	4.1	2,207,273	2,342,985	2,456,430	2,340,501
Derivative structured products	4.1	172,661	177,069	168,628	167,543
RPS	4.1	450,137	478,336	470,970	495,241
RPS dividend	3.8	97,625	97,625	47,865	47,865
Lease liability – non-current	3.10	2,669	2,669	2,565	2,565
		4,146,903	**4,453,828**	**5,534,464**	**5,484,579**
Net liabilities		**4,047,089**	**4,354,014**	**4,088,466**	**4,038,581**

(e) Capital management

The Board's policy is to maintain a strong capital base to preserve shareholder, lender and market confidence and sustain future development of the business.

There were no changes to the capital management approach during the year.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.4 Changes in liabilities arising from financing activities[18]

	1 July 2020 $000	Cash flows $000	Foreign exchange movement $000	Fair value movement $000	Capitalised interest	30 June 2021 $000
Secured bank loan	850,000	(830,000)	-	-	-	20,000
Secured domestic bond issues	1,550,000	(350,000)	-	9,284	-	1,209,284
Secured USPP bond issues	2,462,658	-	(143,203)	(106,693)	-	2,212,762
Derivative structured products	168,956	-		-	3,967	172,923
RPS	470,970	-	-	(20,833)	-	450,137
Lease liabilities - non-current	2,565	104	-	-	-	2,669
Total liabilities from financing activities	**5,505,149**	**(1,179,896)**	**(143,203)**	**(118,242)**	**3,967**	**4,067,775**

	1 July 2019 $000	Cash flows $000	Foreign exchange movement $000	Fair value movement $000	Capitalised interest	30 June 2020 $000
Secured bank loan	589,000	261,000	-	-	-	850,000
Secured domestic bond issues	900,000	650,000	-	-	-	1,550,000
Secured USPP bond issues	1,913,498	354,922	36,784	157,454	-	2,462,658
Derivative structured products	-	168,956	-	-	-	168,956
RPS	471,176	-	-	(206)	-	470,970
Lease liabilities - non-current	2,637	(72)	-	-	-	2,565
Total liabilities from financing activities	**3,876,311**	**1,434,806**	**36,784**	**157,248**	**-**	**5,505,149**

[18] Reconciliation of opening to closing balance excludes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.5 Equity and reserves

Dividends are recognised as a liability in the year in which they are declared.

There has been no movement in issued shares.

	2021 000	2020 000
Ordinary shares		
On issue at 30 June	**681,887**	**681,887**

The holders of ordinary shares in BACH are entitled to receive dividends as declared from time to time and one vote per share at meetings of BACH. In the event of winding up of BACH, ordinary shareholders rank after all other shareholders and creditors and are entitled to any net residual proceeds of liquidation.

Defined benefit superannuation fund deficit reserve

The defined benefit superannuation fund deficit reserve is used to recognise actuarial gains and losses.

Hedge reserve

The hedge reserve comprises of both the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss, and the fair value impact of movements in foreign currency basis spreads designated as cost of hedging.

Dividends and distributions

No distributions were declared or paid for the 2021 financial year.

	2021 $000	2020 $000
Dividend franking account:		
The taxable value of franking credits for subsequent financial years	**98,987**	**98,987**

SECTION 5: OTHER

5.1 Related parties

Keeping it simple …
The related parties include the Directors of the BAC Group, Key Management Personnel ('KMP'), shareholders and the BAC Group controlled entities.

The Directors of BACH at any time during the reporting year are disclosed in the Directors' Report. The KMP of the BAC Group at any time during the reporting year were the following:

Executives

Gert-Jan de Graaff	Chief Executive Officer
David Malek	Chief Financial Officer
Rachel Crowley	Executive General Manager Communications & Public Affairs
Jane Dionysius	Executive General Manager Human Resources
Raechel Paris	Executive General Manager Governance
Stephen Goodwin	Executive General Manager Operations
Floor Felten	Executive General Manager Strategy & Planning
Krishan Tangri	Executive General Manager Infrastructure
Jim Parashos	Executive General Manager Aviation
Scott Douglas	Executive General Manager Property
Martin Ryan	Executive General Manager Commercial

Transactions with Key Management Personnel
In addition to the salaries of KMP, the BAC Group contributes to a post-employment defined benefit superannuation fund or a post-employment defined contribution superannuation fund on behalf of certain KMP. In accordance with the terms of the defined benefit superannuation fund, KMP are entitled to receive their retirement benefits up to age 70, calculated as a multiple of their salary plus members' contributions made to the fund.

ELTIP
KMP also participate in the BACH ELTIP.

The ELTIP is a bonus incentive plan that provides eligible employees with the opportunity to receive bonus remuneration which is calculated with reference to long term increases in the value of ordinary shares in BACH and total shareholder returns. The plan is settled in cash.

Under the plan, eligible employees have been and may be issued with units which notionally represent ordinary shares in BACH. The plan includes a mechanism for calculating the bonus remuneration in the event certain requirements as set out in the plan rules are satisfied. The plan does not confer upon eligible employees any right, entitlement or interest in shares in BACH or an option to acquire shares in BACH.

Eligibility has been determined by the Board based on the individual's ability to influence the future growth, direction and performance of the BAC Group. Entitlement to this payment is conditional upon continuous employment during the period.

The grant date of units for the ELTIP 10 ('Plan 10') was 1 July 2018, with an initial base value of $1 per unit. Total units issued under Plan 10 were 2,038,534. The estimated value of entitlements under Plan 10 payable at 30 June 2021 was $200,000 (2020: nil).

The grant date of units for the ELTIP 20 ('Plan 20') was 1 July 2019, with an initial base value of $1 per unit. Total units issued under Plan 20 were 2,487,387. The value of entitlements under Plan 20 payable at 30 June 2021 was $193,774 (2020: nil).

The grant date of units for the ELTIP 21 ('Plan 21') was 1 July 2020, with an initial base value of $1 per unit. Total units issued under Plan 21 were 2,079,076. The value of entitlements under Plan 21 payable at 30 June 2021 was $229,302 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SECTION 5: OTHER

Key Management Personnel compensation
The KMP compensation for the year was as follows:

	2021 $	2020 $
Short term employee benefits	4,672,762	6,469,635
Post-employment benefits	1,424,281	386,600
Other long-term benefits	616,869	244,363
	6,713,912	**7,100,598**

The terms and conditions of transactions with KMP were no more favourable than those available or which might reasonably be expected to be available, on similar transactions with non-Key Management Personnel or their related parties on an arm's length basis.

Other related party transactions
Amounts recognised during the year pertaining to other related parties, excluding shareholder payments that relate directly to shareholdings, were as follows:

Technical Services Agreement
BAC has a Technical Services Agreement with Schiphol Nederland BV which provides:
- advisory services including staffing, planning, operations, marketing and third party liaison; and
- qualified personnel to fulfil various management positions.

The total fee for the year was $624,403 (2020: $654,696). As at 30 June 2021, the amount payable was $314,496 (2020: $165,719).

Intellectual Property Agreement
BAC has an Intellectual Property Agreement with Schiphol International BV that provides BAC with a licence to use any intellectual property rights owned or licensed by Schiphol International BV which may be applied in operating and developing Brisbane Airport, including in relation to marketing, operations, planning, staffing and third party liaison.

The total fee for the year was $3,641,101 (2020: $3,679,570). As at 30 June 2021, the amount payable was $3,679,564 (2020: $3,679,570).

Board fees and travel expenses
In accordance with the Board Governance Policy, the Board's remuneration is set through independent market assessment, evaluation of comparable boards of similar scope, size and skill and a desire to attract and retain high quality directors.

During 2021, the Board reviewed Director remuneration taking into consideration remuneration benchmarks and market movement for non-executive directors in peer organisations, in addition to external market conditions resulting from the impact of COVID-19.

Board fees and travel expenses paid to the Directors for the year amounted to $1,362,588 (2020: $1,540,437).

Board fees, on behalf of the Directors, were paid to the following companies:
- First Sentier Investors (Australia) IM Ltd (formerly known as Colonial First State Asset Management (Australia) Limited), a company related to Chris McArthur, received $136,917 for the year (2020: $150,211);
- QIC Private Capital Pty Ltd, a company related to Paul DeSouza, received $115,433 for the year (2020: $140,178); and
- IFM Investors (Nominees) Limited, a company related to John Borghetti and Josh Crane, received $209,382 for the year (2020: Deepa Bharadwaj and Josh Crane $161,802).

SECTION 5: OTHER

5.2 Parent entity disclosures

	2021 $000	2020 $000
Results of BACH		
Profit/(loss) for the year	21,320	132,401
Total comprehensive income	**21,320**	**132,401**
Financial position of BACH		
Current assets	144,351	92,097
Non-current assets	930,681	932,688
Total assets	**1,075,032**	**1,024,785**
Current liabilities	97,625	47,865
Non-current liabilities	450,137	470,970
Total liabilities	**547,762**	**518,835**
Net assets	**527,270**	**505,950**
Equity		
Issued capital	470,494	470,494
Retained earnings	56,776	35,456
Total equity	**527,270**	**505,950**

5.3 Other matters

Per- and Polyfluoroalkyl Substances (‘PFAS’)

In recent years, there has been increased media and regulator attention towards PFAS used by aviation related tenants and Airservices Australia at Brisbane Airport. The BAC Group has continued to exercise its rights under tenant lease agreements to require entities responsible for pollution to monitor and remediate contamination at Brisbane Airport.

Apron pavement

In recent years, the BAC Group had been managing an area of apron pavement at the International Terminal that had suffered structural cracking (including pursuing its legal rights in relation to the cracking). The rectification work of the asset is currently being undertaken and the legal proceedings have been resolved.

5.4 Events subsequent to reporting date

Since the end of the financial year to the date of signing, the following events have occurred:

The COVID-19 pandemic has continued to evolve with lockdown orders in place across New South Wales, Victoria and the Australian Capital Territory. This continues to have a significant adverse effect on both domestic and international passenger numbers. The successful ongoing rollout of the vaccination program will be critical in determining when these measures will be lifted and the outcome of this remains unclear at the time of signing these accounts.

- The BAC Group received a final Detailed Site Investigation (DSI) report from its consultant regarding the Skygate North Site. The DSI report, which was received on 15 July 2021, identified contaminated soils that were leaching and migrating into groundwaters and off airport land. Following the receipt of this information, Management notified the Department of Environment and Science (State) and the Airport Environment Officer (Cth) in relation to this new information. Management will continue with investigating and monitoring of the site, which will then inform the most appropriate remediation works. An estimate of $10 million for these works has been developed based on a number of assumptions and this amount has been recognised as a provision in this financial report.

  On 24 September 2021, the BAC Group Board provided approval to proceed with a restructure of certain derivatives within its hedging portfolio for purposes of meeting liquidity requirements, compliance with risk management policies and credit metrics, as well as financial covenant requirements. The restructure will result in partial termination of three forward starting interest rate swaps (FSIRS) from 1 July 2022 to 30 June 2023 with a total notional value of $1,000 million. The FSIRS will be reset to an on-market swap rate and termination costs will be funded by in the money cross currency interest rate swaps (CCIRS). This will be in line with the previous hedging portfolio restructure executed by the BAC Group in May 2020. The hedging portfolio restructure is expected to reduce interest expense to the BAC Group in FY23 and increase the liability in FY27 and FY28, impacting amounts disclosed in notes 4.1 and 4.2.

DIRECTORS' DECLARATION

In the opinion of the Directors of BAC Holdings Limited:

(a) the financial statements and notes set out on pages 19 to 65 are in accordance with the *Corporations Act 2001* (Cth), including:

(i) giving a true and fair view of the BAC Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth); and

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

The Directors draw attention to note 1.3 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in Brisbane on 24 September 2021 in accordance with a resolution of the Directors.

David Peever
Director

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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Independent Auditor's Report to the Members of BAC Holdings Limited

Opinion

We have audited the financial report of BAC Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and corporate governance statement for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Deloitte.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 our 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 the 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, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

We communicate with the 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 we identify during our audit.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Andrea Roy
Partner
Chartered Accountants
Brisbane, 24 September 2021

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors
BAC Holdings Limited
11 The Circuit
BRISBANE AIRPORT QLD 4008

24 September 2021

Dear Board Members

Auditor's Independence Declaration to BAC Holdings Limited

In accordance with section 307C of the *Corporations Act 2001,* I am pleased to provide the following declaration of independence to the directors of BAC Holdings Limited.

As lead audit partner for the audit of the financial statements of BAC Holdings Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrea Roy
Partner
Chartered Accountant

BAC Holdings Limited consolidated financial statements
for the year ended 30 June 2021

ADDITIONAL INFORMATION

BAC Holdings Limited, ACN 108 568 038, incorporated and domiciled in Australia, is an unlisted public company limited by shares.

Registered office:
11 The Circuit
Brisbane Airport
Queensland 4008
Australia

Telephone: +61 7 3406 3000

Email: info@bne.com.au

Web address: www.bne.com.au

Additional information
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11 The Circuit
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Queensland 4008
Australia

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Email: info@bne.com.au
Web address: www.bne.com.au

Acknowledgement of Country

In keeping with the spirit of reconciliation, Brisbane Airport Corporation respectfully acknowledges the Turrbal people, the Traditional Owners of the land on which Brisbane Airport stands, and pays respect to their Elders past, present and emerging.

Connect with BAC via our digital channels

BRISBANE AIRPORT CORPORATION

www.bne.com.au