Annual Report 2020

BAC Holdings Limited ACN 108 568 038

"Never has our industry known such a shock.

Never, since the first international carriers took wing, has air traffic been so low."

Contents

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 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%
ifm investors	20%
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.

85 Destinations*

51 Domestic
34 International*

35 Airlines

Operating **24/7**
365 days a year

Less than
20 km
To Brisbane CBD

More than
425 Businesses
Located at BNE, providing nearly **24,000** jobs

411
BAC Employees
as of 30 June 2020

154 Females
257 Males

6 MWp
Solar system

285 ha
Biodiversity zone

Contribution to Qld economy

2041	$8 BILLION
2019	$4.3 BILLION

Contribution to Aust economy

2041	$8.7 BILLION
2019	$4.6 BILLION

Values

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

Collaboration
Communication
Courage
Care

Strategy

As a business, BAC is driven by four strategic pillars that help us focus on the important activities that enable us to reach our strategic goals, and create value today and in the future.

The pillars of our strategy are:

- GROWING AVIATION MARKETS
- PIONEERING CONSUMER EXPERIENCES
- BOOSTING PROPERTY DEVELOPMENT
- SUPERCHARGING OUR EFFICIENCY

* before COVID

Connecting the world

Brisbane Airport has a geographical advantage over other major Australian capital city gateways, being closer to the USA and several major Asian ports. From an import and export perspective, Brisbane is the shortest flight between an Australian state capital city and the major freight distribution hubs of Hong Kong, Guangzhou and Shanghai.

As a gateway, Brisbane sits at the fulcrum of Polynesia and Melanesia, enabling Asian businesses to access Australia's broadest network in the South Pacific, from Port Moresby in Papua New Guinea to Apia in Samoa and as far south as Dunedin in New Zealand.

BNE is Australia's most domestically connected airport and has extraordinary proximity to some of Australia's best tourism spots located within two hours or less of flying time, including the Great Barrier Reef, the Gold Coast, the Sunshine Coast and outback Queensland.

34 international ports

North Asia

- Guangzhou (CAN)
- Hong Kong (HKG)
- Seoul (ICN)
- Shanghai (PVG)
- Shenzhen (SZX)
- Taipei (TPE)
- Tokyo (NRT)

South-East Asia

- Bangkok (BKK)
- Brunei (BWN)
- Denpasar (DPS)
- Kuala Lumpur (KUL)
- Manila (MNL)
- Singapore (SIN)

Middle East

- Abu Dhabi (AUH)
- Doha (DIA)
- Dubai (DXB)

North America

- Honolulu (HNL)
- Los Angeles (LAX)
- San Francisco (SFO)
- Vancouver (YVR)

South Pacific

- Apia (APW)
- Espiritu Santo (SON)
- Honiara (HIR)
- Munda (MUA)
- Nadi (NAN)
- Nauru (INU)
- Noumea (NOU)
- Port Moresby (POM)
- Port Vila (VLI)

New Zealand

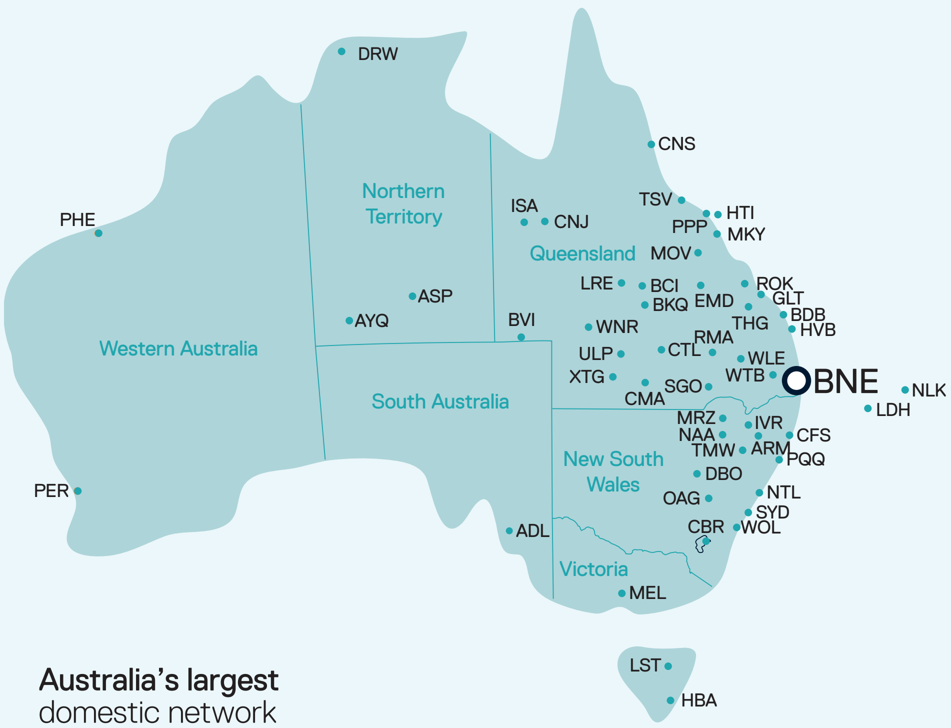
- Auckland (AKL)
- Christchurch (CHC)
- Dunedin (DUD)
- Queenstown (ZQN)
- Wellington (WLG)

AirAsia
Aircalin
Air Canada
Air New Zealand
Air Niugini
Air Vanuatu
Alliance Airlines
Cathay Pacific
China Airlines
China Eastern Airlines
China Southern Airlines
Emirates
Etihad
EVA Air
Fiji Airways
Hainan Airlines
Hawaiian Airlines
Jetstar
Korean Air
Link Airways
Malaysia Airlines
Malindo Air
Nauru Airlines
Philippine Airlines
Qantas/ QantasLink
Qatar Airways
Royal Brunei Airlines
Rex
Samoa Airways
Singapore Airlines
Solomon Airlines
Thai Airways
Tigerair
Virgin Australia

51 domestic ports

Queensland (27 ports)

Barcaldine (BCI)	Bundaberg (BDB)	Cunnamulla (CMA)	Hervey Bay (HVB)	Moranbah (MOV)	Rockhampton (ROK)	Toowoomba (WTB)
Biloela (THG)	Cairns (CNS)	Emerald (EMD)	Longreach (LRE)	Mount Isa (ISA)	Roma (RMA)	Townsville (TSV)
Blackall (BKQ)	Charleville (CTL)	Gladstone (GLT)	Mackay (MKY)	Proserpine (PPP)	St George (SGO)	Windorah (WNR)
Birdsville (BVI)	Cloncurry (CNJ)	Hamilton Island (HTI)	Miles (WLE)	Quilpie (ULP)	Thargomindah (XTG)	



Australia's largest domestic network

New South Wales (14 ports)

Armidale (ARM)
Coffs Harbour (CFS)
Dubbo (DBO)
Inverell (IVR)
Lord Howe Island (LDH)
Moree (MRZ)
Narrabri (NAA)
Newcastle (NTL)
Norfolk Island (NLK)
Orange (OAG)
Port Macquarie (PQQ)
Sydney (SYD)
Tamworth (TMW)
Wollongong (WOL)

Northern Territory

Alice Springs (ASP)
Ayers Rock (AYQ)
Darwin (DRW)

Western Australia

Perth (PER)
Port Hedland (PHE)

South Australia

Adelaide (ADL)

Tasmania

Hobart (HBA)
Launceston (LST)

Australian Capital Territory

Canberra (CBR)

Victoria

Melbourne (MEL)

Chairman's message

When I joined the Board of BAC Holdings Ltd, I could never have envisaged a year like Financial Year 2020. It was, in nearly every respect, a year of two almost entirely contrasting halves.

From 1 July 2019, the trajectory for the company and the airport was clearly positive. The aviation, property and other commercial parts of the business were growing strongly and building a momentum that could only bring confidence that the year-end would mark our best on record.

Just as importantly, the company's engagement with its key stakeholders, from the community to governments and industry partners, was strong, ensuring we were ideally positioned to grow with near universal support. Plans were well advanced for a spectacular opening of the runway in July 2020 that would celebrate not only this milestone achievement for the company, but also the dawn of a new era of prosperity for our business partners, our city and our state.

A new strategy for the company was embedded, focusing on strong values and a vision to Connect The World and Create The Future. Our confidence that we had not only the team, but also the environment to make that vision reality, was well founded.

The global COVID-19 pandemic, which first began to impact the business in early February, changed BAC's and the airport's trajectory in unimagined ways.

Despite the extreme challenges, it is important to acknowledge that the strength of the company both financially and culturally has made the difference as it weathers this storm.

Airport businesses, unlike many, cannot hibernate through events such as pandemics. As an essential service, the airport remains open and operational regardless of how few passengers are flying. Freight flights, emergency services and repatriation services all needed to be facilitated, and BAC's commitment to ensuring these critical operations continued safely and securely has never wavered.

So too has the company's commitment to its partners, be they suppliers, airlines or tenants. At the peak of the crisis, when domestic carriers were largely grounded, BAC provided free aircraft parking for up to ninety aircraft on our aprons and taxiways. Rental deferrals and abatements were negotiated for those tenants whose businesses had been devastated by COVID, and the team worked with business partners to keep the flow of insights and intelligence going in both directions to ensure those most in need had the information they needed.

I commend the Executive Team and the staff for their swift but considered response to the crisis, and their tireless endeavours to ensure the company and the airport will recover from this unprecedented event in the best possible shape.

Nonetheless, the impact has been significant and should not be understated.

Passenger numbers declined 24.6 percent compared to FY19 to just 18 million. Revenue dropped 12 percent year on year to $741 million, EBITDA was down 27 percent to $453 million and capital expenditure was cut 12.2 percent to $353 million.

It was necessary, under these circumstances, to enter into a new bank facility of $850 million for 18 months to ensure appropriate levels of liquidity. These facilities provided the headroom necessary to address upcoming Bank and Bond facility maturities, and cover the net operating cashflow shortfall expected to continue into FY21.

The company also undertook a restructure of its derivatives portfolio. This is expected to deliver a reduction in cash interest expenses of approximately $75 million per year for the next two financial years.

A deferral of BAC's Debt Service Cover Ratio testing period was also secured with the successful negotiation of a waiver for testing dates in December 2020 and June 2021. The company will not be required to comply with this covenant until September 2021.

This prudent approach to its financial fundamentals also 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.

We enter FY21 with the airport looking very different to 12 months ago. There are fewer passengers, fewer services and fewer airlines.

But BAC's strengths remain rock-solid and the long-term potential of this airport business remains extremely positive, if just somewhat deferred.

COVID-19 and FY20 will be long remembered for its many challenges and shocks, and the pain it has caused so many individuals and businesses all around the world.

But it is my fervent belief that those of us fortunate enough to be part of the BAC and BNE team will remember it too for the extraordinary efforts of so many to ensure this business and this airport will not just survive, but thrive for many decades to come.

David Peever
Chairman of the Board

CEO's message

In last year's Annual Report, I wrote that "*...with the finalisation of the Airport Master Plan and the opening of our new runway, whilst we know there will be challenges, the future brings an enormous number of opportunities which the team is ready to embrace.*"

Financial Year 2020 proved me right in ways I could never have imagined.

The first half of the year was extraordinarily positive for our business. Passenger growth tipped +2.3 per cent year-on-year with international traffic particularly strong at +3.5 per cent year-on-year by February 2020.

We had 345 projects underway, including the completion of the Domestic Terminal retail redevelopment, installation of 'stop bars' on the runway and taxiway system, stage three of staff parking at the Central Parking area and a myriad of other important investments across the airport site.

Our 2020 Master Plan was approved. The Productivity Commission found, once again, in favour of the current light-handed regulatory framework for our airport pricing regime. And, perhaps most notably, we achieved practical completion on the new runway construction, a milestone eight years in the making.

We announced new routes and services that would coincide with the runway opening and position Brisbane Airport as Australia's best gateway. With Tokyo Haneda, Chicago O'Hare and San Francisco International added to our airport pairs, 2020 looked certain to fulfil its promise of delivering us the opportunities BAC had worked for so many years to develop.

But, ultimately, FY20 delivered more of the challenges I mentioned last year than those opportunities we'd planned for.

In early January, word began to filter out of China that a new virus was causing concerns for the Chinese travel industry. By the end of that month, regional travel bans started to be implemented.

And so began what would become a global response to COVID-19 that would ground tens of thousands of aircraft in every country, see retailers forced to shut up shop, people quarantined in their homes and hotels, and the business of airports grind to a virtual standstill.

Never has our industry known such a shock. Never, since the first international carriers took wing, has air traffic been so low.

Despite all this, my abiding memory of FY20 will be one of immense pride in our people and gratitude to our shareholders. In the face of such an extraordinary crisis, we responded swiftly and calmly, consistent always with our values of Collaboration, Communication, Courage and Care.

Keeping our people safe was our first priority and I'm glad to report that, as we publish, we have managed to do just that. Keeping our partners and passengers safe was equally as important, and the work done to develop COVIDSafe Plans not only for our own operations, but also for air travel in general right across the country, is a credit to all who were involved and all who have diligently put those protocols into play every day since.

This collaboration, which saw us closely engaged with not only government agencies and airlines, but also every tenant, business partner and the broader community has been truly impressive, but not at all surprising to me as the leader of this great team.

BAC's approach to COVID has been, largely, divided into three phases: Crisis; Response; and Recovery.

At each step through these phases, we endeavoured to bring a thoughtful, strategic approach to all aspects of our business to ensure that we managed not only the financial impacts, but also the broader impact of COVID-19 on the airport's role in our community, and on the many thousands of people who rely on our facilities and services for their livelihoods.

That we had the unwavering support of our Board through these extremely challenging times has been of great comfort to us all.

I thank all our staff, those still with us and those that we have had, so regrettably, to farewell, for their excellent service during FY20. At some point in the future, I hope all will be able to understand fully what they achieved in what I hope will be the most challenging time of their career.

I thank our partners for collaborating so openly and transparently with us and for their support.

And I thank our shareholders for the commitment they have shown to BAC which is evidence of their belief not only in the company, but also in the future of our industry.

Thank you.

Gert-Jan de Graaff
Chief Executive Officer

FY20 – a year like no other

Our vision is to Connect the World and Create the Future by supporting our state and economy through travel and trade connections, new opportunities for business, innovative customer experiences and increased productivity.

What was to be a momentous year for BAC started strongly, with record passenger growth, the securing of additional connections, and significant investment across capital works. It ended as the most challenging year in the company's history.

The COVID-19 pandemic devastated operations, short-term financial performance, and commercial activities, with the impacts of border closures nationally and internationally bringing the aviation industry to a near-standstill. The impact has been felt across the globe and it is an unprecedented challenge.

This has been partially mitigated by our response and the diversity of our business portfolio.

From the outset, BAC's response to COVID-19 has been in a manner consistent with the company values – Collaboration, Communication, Courage, and Care. And throughout the three phases of response, BAC has committed to centring all four of its 'bosses' – the Community, Customers, Employees and Shareholders.

"My abiding memory of FY20 will be one of immense pride in our people and gratitude to our shareholders. In the face of such an extraordinary crisis, we responded swiftly and calmly, consistent always with our values of Collaboration, Communication, Courage and Care."

Crisis

In early March, as the immediate implications of COVID-19 became apparent, BAC entered a crisis management phase with the Crisis Management Team (CMT) stood up and five response groups established to manage the operational, financial and commercial impacts to our business.

Focusing on the 'four bosses', actions to manage and minimise where possible the impacts of COVID-19 were prioritised.

Community

Intense public communications providing travellers and community members with up to date information on changes to airport operations and flight schedules; installing 112 sanitation stations across the airport and 74 trolley wipe stations to protect passengers and airport visitors; transition of regular community outreach in relation to the new runway project and noise management to an online environment; continuation of BAC's Philanthropic Program that supports small community based organisations and causes; and, consolidation of terminal operations to ensure Brisbane Airport remained predictable and reliable.

Customers

Free carparking for airline staff to negate the need for shuttle services; 10 dedicated parking zones created to accommodate up to 100 grounded aircraft at no cost to airlines; working closely with airline partners to offer additional support; creating innovative and alternative revenue streams for retail tenants with the launch of BNE Marketplace; daily situational reports given to management and staff of the wider airport community; and, delivering the Business Partner Portal as a single source of truth for all COVID-related information and resources for businesses at BNE.

Employees

Development of BAC's COVIDSafe Plan consistent with health authority advice; issuing of PPE to frontline workers; installing 290 sneeze guards at customer service desks across the Domestic Terminal, International Terminal, and General Aviation to protect airport workers; moving non-essential staff out of the terminals; implementing work from home for non-critical staff; and, extensive support in relation to the health and wellbeing of the remote workforce.

Shareholders

Weekly Board updates given throughout the crisis management phase; and, regular shareholder briefings.

Response

Once government responses and expectations were in place and the immediate future was clearer for BAC, the company transitioned from Crisis Management into a Response phase. The prioritisation of the safety and security of our staff, the 24,000+ people who come to work at BNE, and the visitors and passengers we welcome every day continued. BAC actively collaborated with Queensland Health in the development of Brisbane Airport's overarching COVIDSafe Plan, supported by nine detailed individual building/precinct COVID-19 risk assessments and action plans.

Community
Project Safe Travels launched to inform travellers of our collective responsibility to safe travel; increased and rigorous cleaning schedules and touch point sanitation with hospital-grade disinfectant; and, sharing hygiene and social distancing reminders via static and digital signage and announcements over the Public Address (PA) system.

Customers
Additional hygiene training provided for contractors; working closely with retail partners to negotiate rental relief and assistance packages; and, partnership with other Australian airports, the Australian Airports Association and the airline industry group Airlines 4 Australia and New Zealand to develop a COVIDSafe protocol for domestic airline and airport operations that was approved at National Cabinet.

Employees
Additional hygiene training provided for staff; and, maintaining flexible working arrangements to minimise numbers within the office.

Shareholders
Reductions in operating and capital expenditure, debt raising, swap restructuring and securing covenant waivers to provide additional liquidity and financial headroom to ensure the stability of BAC over the next few years.

Recovery

The COVID-19 situation is still evolving. Our current focus is on ensuring a sustained and productive aviation operating environment within the current international capacity constraints and domestic border limitations, whilst maximising opportunities for airline growth wherever possible, working in collaboration with airline partners, government and industry.

Community
Returning Benny, our Mobile Information Centre, to action with regular community outreach in suburbs affected by noise from the new flight paths; and, launch of our new aircraft noise complaint program to coincide with the opening of the new runway in early July.

Customers
Ongoing assessment of the need for continued financial support and relief to airlines, tenants, and concessionaires; and, consideration of the contractual arrangements pre-COVID and determine what is achievable post recovery.

Employees
Return to the office with health and safety, looking at risk management, flexible work arrangements, management of staff fatigue, and mental health implications of COVID impacts.

Shareholders
Development of comprehensive plans for recovery, reinvention and growth across differing scenarios, including through engagement with industry partners, and state and federal governments.

Financial

Revenue $741m ↓ **12%**	Aeronautical $297m ↓ **16%** 40% of revenue	Landside transport $125m ↓ **17%** 17% of revenue
Retail $95m ↓ **6%** 13% of revenue	Investment property $108m ↑ **2%** 14% of revenue	Operating property $30m ↓ **22%** 4% of revenue
Other revenue $41m ↓ **6%** 6% of revenue	Government-mandated security charges $45m ↓ **3%** 6% of revenue	EBITDA $453m ↓ **27%**

Aviation

International passengers
4,660,990
↓24.8% before March 2020: ↑3.5%
March 2020 onwards: ↓85.4%

Domestic passengers
13,298,324
↓24.5% before March 2020: ↑1.9%
March 2020 onwards: ↓78.4%

Total passengers
17,959,314
↓24.5% before March 2020: ↑2.3%
March 2020 onwards: ↓80.2%

International seats
6,413,909
↓23.0% before March 2020: ↑3.5%
March 2020 onwards: ↓78.5%

Domestic seats
17,131,029
↓22.8% before March 2020: ↑1.3%
March 2020 onwards: ↓70.0%

Transits/Transfers
152,377
↓29.5% before March 2020: ↑5.2%
March 2020 onwards: ↓79.9%

Air cargo import
39,768 tonnes
↓24.4%

Air cargo export
58,220 tonnes
↓23.8%

New airlines in FY20
Royal Brunei Airlines
Qatar Airways

New destinations in FY20
San Francisco (Qantas)
Brunei (Royal Brunei Airlines)
Doha (Qatar Airways)

Total FY20 aircraft movements
173,758*

Weekly average aircraft movements
3,342*
before March 2020: 594
March 2020 onwards: 236

336*
Average daily domestic flight movements
before March 2020: 432
March 2020 onwards: 144

90*
Average daily international flight movements
before March 2020: 114
March 2020 onwards: 41

* includes general aviation and non-RPT flights

Total confirmed wildlife strikes
105

Confirmed wildlife strike rate / 10,000 aircraft movements
6.042/10,000

- **2,968** wildlife patrols.
- **4,304** routine inspections.
- **4,495** runway inspections.
- **127** spill & treatments.
- **1,288** vehicle & aircraft escorts.
- Responded to **215** reported wildlife strike events.
- **1,400** maintenance requests.
- **396** Foreign Object Debris.

Environmental

50.69 GWh
BAC grid electricity use
↑ 2%

9.72 GWh
Renewable energy generated onsite
↑ 189%

157.6 GWh
Brisbane Airport grid electricity use
↓ 9%

16.1%
Renewable energy generated vs grid electricity

4.4 GWh
Energy efficiency project reductions

42,463 tonnes
Carbon emissions (total scope 1 & 2)
↑ 6%

1,404
Scope 1
↑ 0.02%

41,059
Scope 2
↑ 6.6%

285 ha
Area dedicated to conservation

11 ha
Habitat maintenance undertaken

10%
Of airport land dedicated to conservation

21
Biodiversity monitoring events

246.18 ML
BAC potable water used

152 ML
BAC recycled water used

681.95 ML
Brisbane Airport potable water used
↓ 27%

38%
Recycled water rate vs potable water

2,181.08 tonnes
Waste to landfill
↓ 5%

575.46 tonnes
Waste to landfill diversion
↓ 12%

21%
Recycling rate (general waste vs recycling)

Social

147
Community engagement activities#

$1,190,995
Community investment

1,912
Community enquiries received

100%
Community enquiries responded to by BAC

includes bus tours, community presentations and mobile information centre events

4.9984
LTIFR (BAC employees)#

13.7457
TRIFR (BAC employees)#

17.1251
TRIFR (Contractors)#

per million man-hours worked

381
Workforce fulltime

93%
Workforce FTE

13.09%
Turnover rate

37.5%
Gender balance (% female)

27%
Females in senior management positions based on BLT

0
Fatalities

4
Lost time injuries (BAC employees)

Environment and sustainability

United Nations Sustainable Development Goals

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. This is reflected through our focus on 7 SDGs as shown below.

BAC's focus out of the 17 SDGs

Value	SDG	Focus
Economic Value	9 Industry, Innovation and Infrastructure	Responsible planning for future growth through sustainable investment, and building sustainable supply chains and destinations
Economic Value	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
Environmental Value	12 Responsible Consumption and Production	Progressing towards a circular economy, reducing natural resource consumption and delivering environmental best practice outcomes
Environmental Value	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

Targets and Commitments

In FY20, BAC stepped up our sustainability ambitions to aspire to achieve Net Zero Emissions by 2050 for Scope 1 and Scope 2 emissions in alignment with the Paris Agreement.

Amongst other commitments, BAC will respond to climate change by:

- **Aspiring to achieve Net Zero Emissions by 2050 for Scope 1 and Scope 2 Emissions.**
- Work with tenants and other airport users to **enable the reduction of Scope 3 Emissions through partnerships and collaborations.**
- Ensure effective climate change adaptation measures are implemented across airport operations for material risks.

PFAS Management

In January 2020, the Heads of EPA Australia and New Zealand issued the PFAS National Environmental Management Plan version 2. BAC commenced preparation of a PFAS Management Framework to:

- Provide a consistent airport-wide approach to PFAS management.
- Outline the environmental management requirements for projects on airport.
- Ensure consistency with the PFAS NEMP.

"We are committed to reducing BAC's impact on the environment and putting in place programs that help us manage and minimise the long-term impacts of climate change, and adverse environmental impacts from aviation and property development activities."

2030 Sustainability Targets

BAC's 2030 Sustainability Targets were first outlined in our FY2019 Sustainability Report. These are shown below.

Carbon

50%
reduction
In BAC scope 1 & 2 Emissions to **23,336 tonnes**

Energy

30%
reduction
In terminal energy use to **195 kwh/m2**

40%
onsite renewable energy
16 MWp solar PV or equivalent

Waste

30%
reduction
In terminal landfill waste to **0.08 kg/pax**

80%
recycling rate
from BAC operations

Zero waste to landfill
from BAC operations

Water

30%
reduction
In terminal water use to **5.9 L/pax**

50%
recycled water use
Brisbane Airport as whole

Corporate governance

Overview

Fundamentally, the BAC Group believes good corporate governance is based on a strong organisational culture underpinned by shared principles and values.

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 have been established, 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 have also 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 Department of Infrastructure, Transport, Regional Development and Communications (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 new Sustainability Policy and Environment Policy were approved by the Board in May 2020, with each policy addressing the environmental and social impacts of BAC's operations. These policies can be found here.

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.

During FY20, 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

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 was planned to be undertaken during FY20, although COVID-19 impacts has delayed this initiative.

Work Health and Safety

Overview

The *Work Health and Safety Act 2011 (Qld)* and the associated *Work Health and Safety Regulation 2011 (Qld)* outline duties for ensuring the health and safety of persons who may be affected by the undertakings of the BAC Group.

Further guidance on how to manage health and safety risks is provided through additional legislation and documents, including Codes of Practice and Australian Standards. 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.

WHS Compliance

BAC's WHS management system is certified to AS/NZS 4801:2001 'Occupational health and Safety management systems' and the system is externally reviewed against this standard every 12 months, with a full re-accreditation audit conducted every three years in order to retain accreditation.

A cooperative, consultative approach by all relevant parties, combined with ongoing reviews of BAC's WHS performance against measurable objectives and targets, ensures that 'due diligence' is exercised in the management of WHS risks.

Further, BAC has introduced a WHS culture measurement program (WHS Index). The most recent employee pulse survey undertaken (December 2019) showed the organisation to have a 'proactive' level of WHS culture.

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 which was reviewed in FY20, and the Diversity and Inclusion Policy which was reviewed in FY19.

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, prohibiting any form of bullying, harassment or unlawful discrimination.

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 high standards of corporate governance, as the foundation for the creation of 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.

In FY20, BAC refreshed and further developed key elements of its corporate governance approach 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

During FY20, BAC reviewed and updated key policies that set out the minimum requirements for responsible decision-making, and behaviours in our employees and contractors.

These policies, which underpin our integrity approach, address Fraud and Corruption, Conflicts of Interest and Gifts, Benefits and Entertainment.

A new Whistleblower Protection Policy was developed and published. It provides a pathway for the confidential reporting of unethical, illegal, or improper behaviour and for the protection of eligible disclosers. The policy is supported by an independent reporting service and by BAC's Confidential Reporting Committee, which responds and makes recommendations for action and the protection of people.

Privacy

BAC's Privacy Policy and its privacy risk assessment process were comprehensively reviewed, with the outputs to be embedded within the organisation during the course of FY21.

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.

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

FY20 highlights

2020 Skytrax World Airport Awards

Ranked 3rd for Best Airports in the World (servicing between 20-30 million passengers).
Ranked 2nd for Best Airports in Australia/Pacific.

2019 National Australian Airports Association Awards

Brisbane Airport was named Capital City Airport of the Year and received the Innovation and Excellence Award for Community Engagement.

2019 CAPA Centre for Aviation

Brisbane Airport was named Asia Pacific Medium Airport of the Year at CAPA's 16th annual Asia Pacific Aviation Awards for Excellence.

First quarter

- July 2019: The final layer of Brisbane's new runway pavement – asphalt – commences.
- August 2019: Passenger numbers at BNE increased by 1.5 per cent year-on-year to a record of nearly 23.8 million travellers for FY19.
- September 2019: No1 Lounge partners with Virgin Australia and launches My Lounge at Brisbane Airport's International Terminal.

Second quarter

- October 2019: BNE partners with Medical Travel Companions to offer premium service for passengers requiring medical assistance.
- October 2019: BAC in partnership with Singapore Airlines and Tourism and Events Queensland launches its first direct-to-consumer marketing campaign promoting Brisbane to the Indian market.
- November 2019: BNE's third annual Online Lost Property Auction kicks off. More than $25,000 is raised and donated to Active Eight (A8).
- November 2019: A new $40 million international food precinct, Food Collective, opens in the northern end of the Domestic Terminal.
- December 2019: BAC and Brisbane Marketing appoint BrandStory as Brisbane's South East Asian representative.

2019 Project Management Achievement Awards

Brisbane Airport Corporation was named National Winner for Sustainable Projects for the Solar Upgrade project.

2019 Golden Target Awards

Rowland and Brisbane Airport Corporation took out the Major Campaign at the Public Relations Institute of Australia (Queensland chapter) awards for the BNE Stories campaign.

2019 World Travel Awards

Brisbane Airport was named Oceania's Leading Airport at the 26th Annual World Travel Awards, Asia & Oceania 2019.

2019 World Routes Awards

Brisbane Airport was named the winner of the 20-50 million passenger category at the 2019 World Routes Awards.

Third quarter

- January 2020: BNE's passenger numbers exceed 24.1 million for the first time, recording the strongest international and domestic growth amongst Australia's major gateway airports in 2019.
- January 2020: BAC and Brisbane Marketing partner with Advocate Travel Marketing and RS Marketing to grow awareness of Brisbane in North America.
- February 2020: Qantas commences three times weekly service between BNE and San Francisco.
- February 2020: Line marking on Brisbane's new runway and accompanying taxiways commences.
- March 2020: Mr John Borghetti AO, former CEO and Managing Director of Virgin Australia, joins the Board of Directors of BAC.
- March 2020: The Deputy Prime Minister approves Brisbane Airport's 2020 Master Plan.

Fourth quarter

- April 2020: BAC launches BNE Marketplace, an online airport retail store giving consumers access to products usually reserved for in terminal shopping.
- April 2020: BAC and Skyway celebrate the practical completion of construction of Brisbane's new runway.
- May 2020: BAC distributes more than $15,000 in grants to more than 15 charitable organisations as part of the Community Giving Fund March round.
- May 2020: Interim operating procedures commence at BNE with the new flight paths for Brisbane's new runway coming into effect.
- May 2020: A multi-agency training exercise tests the emergency response on Brisbane's new runway.
- May 2020: Qatar Airways comes to Brisbane with a three times weekly service between Doha and BNE.
- June 2020: An airside bridge that provides critical access to Brisbane's new runway – the John Hansford Bridge – is officially opened.

Financial Report 30 June 2020

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 2020.

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

On 11 March 2020, the World Health Organisation declared COVID-19 a global health pandemic. Since this time, the Federal and State Governments have implemented restrictions on public and social gatherings, travel and certain business operations. The BAC Group continues to operate, and has implemented working from home, social distancing measures and continues to provide aviation and non-aviation related services on the Airport.

Prior to March 2020 and the impact of COVID-19, the BAC Group's total revenue grew by $38.4 million (6.8%) compared to the same period in the prior year. The COVID-19 outbreak led to a dramatic decline in passengers of 6.2 million (80.2%) for the last four months of the year, when compared to the same period in the prior year. Overall, the total impact to revenue for the full year was a $99.4 million (11.8%) decrease on FY19 with the largest decreases of $56.4 million and $26.4 million being in aeronautical and landside transport revenue respectively.

In response to the economic impacts generated by COVID-19, and in line with State and Federal Code of Conduct guidelines, a number of rental deferrals and abatements were negotiated with tenants as management reviewed current agreements.

The BAC Group is a largely fixed-cost business with long-term contracts in place. Management has focused significant attention on cost reductions including supplier relationships and contract renegotiations. This resulted in operating cost savings across operating expenses of $16.1 million or 20.1% for the last quarter of the year when compared to the prior year.

These savings were offset by an increase in costs pre COVID-19, which can be largely attributed to the handback of the domestic terminal mid FY19, generating additional costs in maintenance and contract services ($6.8 million) and government mandated security costs ($6.9 million).

The Federal Government enacted the JobKeeper Payment Scheme which is a temporary subsidy for businesses significantly affected by COVID-19. The BAC Group enrolled for this scheme with payments totalling $3.6 million received in the last quarter of the year. This has been recognised as an offset to staff costs in the Consolidated statement of profit or loss.

The BAC Group has recognised a significant provision for doubtful debts in FY20, largely as a result of Virgin Australia entering voluntary administration ($15.5 million). In addition to this, Management has recognised an expected credit loss totalling $21.8 million, representing offsetting amounts for rental abatements in addition to the ECL matrix under AASB 9 which undertakes a review of historical loss rates and applies a prospective view to current debtors. The total provision for bad debt for FY20 of $53.9 million represents an increase of $53.7 million on the prior year.

A further provision has also been recognised for capital projects in progress which have been deferred due to COVID-19 ($10.4 million).

The sharp fall in revenue and associated cash flow resulted in the need for the BAC Group to act to ensure appropriate levels of liquidity were established and maintained. In March 2020, a new $840.0 million, 18-month Bank facility was put in place with a group of BAC's existing Bank Lenders. These facilities provided the headroom necessary to address upcoming Bank and Bond facility maturities and cover the net operating cashflow shortfall expected to subsist into FY21.

This was followed up by an $850.0 million AMTN bond issued in June 2020.

As an additional liquidity measure, BAC undertook a restructure of certain elements of its derivatives portfolio. This restructure is expected to deliver a reduction in cash interest expense of approximately $75.0 million per year, for the next two financial years. The restructure also resulted in an increase in interest bearing liabilities and borrowings of approximately $169.0 million.

The fall in earnings also created the risk of non-compliance with BAC's Debt Service Cover Ratio at the December 2020 testing period. To mitigate this risk, BAC has negotiated a waiver of this requirement with all required debt financiers for both the December 2020 and June 2021 testing dates. BAC will not be required to comply with this covenant until September 2021.

In relation to financial reporting during COVID-19, a number of additional considerations were required in June 2020. Management performed an in-depth analysis of the entity to ensure there were no concerns around impairment or the entity's ability to continue as a going concern. A number of expanded disclosures have been 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.

2. Operating and financial review (continued)

At 30 June 2020, the BAC Group's investment property portfolio recorded a valuation increase of $31.4 million (revaluation increase of 2.1% on the investment property value).

Profit from ordinary activities before the redeemable preference shares dividend, change in fair value of investment property, gain on derivatives, and income tax expense was $195.2 million, a decrease of $178.2 million from the prior year profit of $373.4 million.

Profit before income tax was $173.9 million (2019: $394.1 million), a decrease of $220.2 million on the prior year.

The BAC Group is in a net current asset position of $788.2 million at 30 June 2020 (2019: net current liability of $87.3 million) with undrawn bank facilities of $790.0 million (2019: $311.0 million).

The extent of the impact of COVID-19 on the BAC Group's future operations will depend on the duration and actions taken to address the pandemic, which are uncertain as at the date these accounts were signed.

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

Dividends and distributions declared and paid by BACH during the current financial year were $184.4 million (2019: $277.6 million) which reflected the final redeemable preference shares and ordinary dividend in relation to FY19.

With respect to the interim FY20 redeemable preference shares and ordinary dividend, 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 payable by BACH has been accrued in the financial statements $47.9 million (2019: $23.5 million).

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

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 BAC Group underwent an internal restructure resulting in a reduction in workforce through voluntary redundancies, forced redundancies and removing vacant positions. Termination payments totalling $5.4 million have been paid. A review and reset of the planned capital program was also carried out in addition to a review of operating expenditure which remains ongoing. These measures position the BAC Group against the further impacts of COVID-19.
- The COVID-19 pandemic has continued to evolve. With rising case numbers, the Victorian Government implemented Stage 4 lockdown across parts of the state, including Melbourne. The Queensland borders were also closed to some other states impacting domestic travel. The extent of the impact of COVID-19 on the BAC Group's future operations will depend on the duration and actions taken to address the pandemic, which are uncertain as at the date these accounts were signed.
- The Government extended the existing JobKeeper scheme to 28 March 2021 with changes to the eligibility criteria and subsidy rates. The BAC Group will continue to assess its eligibility for this scheme.
- On 21 April 2020, Virgin Australia entered voluntary administration. The BAC Group engaged with the administrators at this time and have continued to communicate with them. A creditors meeting was held on 4 September 2020 where an agreement was reached and a final provision for amounts owed by the Virgin Group was recognised in the financial statements totalling $15.5 million.

6. Directors

Directors of the BAC Group at any time during FY20 or up to the date of this Report are set out below[1]:

DAVID PEEVER
BEc, MSc (Mineral Economics)

Chairman and Non-Executive Director and member of the Human Resources and Remuneration ('HRR') Committee.

Appointed: 05/05/2017

David is a Non-Executive Director of the Australian Foundation Investment Company and Naval Group and a member of the Foreign Investment Review Board.

He was previously:

- Chairman of Cricket Australia and World Twenty20 2020 Ltd;
- A Director of the International Cricket Council;
- 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 (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.

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

6. Directors (continued)

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 Investment Management Committee.

Paul has more than 25 years of 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 also worked in the Corporate Finance and Audit Divisions of Deloitte, both in London and Australia.

Paul is on the board of the EPIC Energy South Australia group of companies (where he is also the Chair of the Audit and Risk Committee) and the Nexus Hospitals group.

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 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.

CHRIS FREEMAN AM
BCom, FAICD, FFin, FDIA

Non-Executive Director, Chair of the Property Committee and member of the HRR Committee.

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.

6. Directors (continued)

BRAD GEATCHES
BCOMM, MAICD

Non-Executive Director.

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 CEO of MATES in Construction, 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 previously a Director of Perth Zoo Authority and Carers WA.

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.

CHRIS MCARTHUR
BE, MBA, FAICD

Non-Executive Director, 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

Appointed as Alternate Director for John Ward: 07/12/2007

Chris is the Head of Asset Management, Australia and Partner, Infrastructure Investments, with First Sentier Investors (formerly Colonial First State Global Asset Management). He is responsible for the origination, execution and asset management of unlisted infrastructure investments globally, with a focus on transportation.

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 various senior management positions with Qantas in Sydney and London, including as Head of the QantasLink regional airline group.

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.

6. Directors (continued)

JOHN BORGHETTI AO

Non-Executive Director.

Appointed: 01/03/2020

With more than 47 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 entire career at Qantas Airways, starting in 1973 and rising eventually to the position of Executive General Manager, responsible for Qantas Domestic, International and QantasLink.

John is a Director of Coca-Cola Amatil, a member of the Art Gallery of NSW Trust, and a Director of Supercars. He has previously served as a Director of Energy Australia, the Australian Chamber Orchestra, the NSW Customer Advisory Board, Jetset Travelworld, Sydney FC, Piper Aircraft (USA), The Australian Ballet and CARE Australia.

JABINE VAN DER MEIJS ACMA

Non-Executive Director.

Appointed: 03/10/2018

Jabine has been the CFO and Executive Vice President of the Royal Schiphol Group since April 2017.

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.

JOHN WARD
BSc, FIML, 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.

6. Directors (continued)

JOSHUA CRANE
MAppFin, BCom, LLB(Hons), GAICD

Alternate Director for Deepa Bharadwaj between 1 July 2019 and 29 February 2020.

Appointed Non-Executive Director 1 March 2020 and member of the FARM Committee and New Financing Special Committee.

Josh is an Investment Director in the IFM Investors infrastructure team.

Josh is responsible for the origination, analysis, structure and execution of infrastructure investments, along with the ongoing management of IFM's existing infrastructure investments, with a particular focus on airports and regulated utilities.

Josh previously worked at 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. Josh has represented IFM Investors as a Director on the Board of Wyuna Water.

TONY HARRINGTON AM
B Comm, FCA, SFFin

Alternate Director for Dick 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.

Most recently, Tony was the Chief Executive of leading legal and consulting firm MinterEllison.

Prior to this, he 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, 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.

Tony holds a Bachelor of Commerce from The University of New South Wales. He is a Fellow and Chairman of Chartered Accountants Australia and New Zealand, and a Senior Fellow of FINSIA.

He was appointed a Member of the Order of Australia (AM) in 2011 in recognition of his charitable work.

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. He is also an Alternate Director on the boards of Flinders Ports, International Parking Group, Rowville Transmission Facility 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.

6. Directors (continued)

GERHARD VORSTER
BSc (Civil Engineering), MBA (Cum Laude), MAICD

Alternate Director for Jabine van der Meijs.

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.

6. Directors (continued)

ALAN WU
MCom, CFA, GAICD

Alternate Director for Chris McArthur.

Appointed: 03/11/2014

Alan is Director, Infrastructure Investment for Colonial First State Global Asset Management ('CFSGAM'). 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 CFSGAM's flagship infrastructure funds in Australia.

Director resignations during 2020 financial year

DEEPA BHARADWAJ
MBA, PGDM, BA(Hons) Economics, GAICD

Non-Executive Director and member of the FARM Committee.

Appointed: 05/03/2019

Resigned: 01/03/2020

Deepa is an Executive Director in the IFM Investors infrastructure team and has senior-level responsibility for managing IFM Investors' infrastructure operations. Deepa spent more than 25 years in investment banking with Standard Chartered Bank, Credit Suisse, Paribas and Bank of America. She has extensive global expertise in the infrastructure and energy sectors, having worked in Asia, the US, the Middle East, Africa and Europe.

Deepa's 13 years at Standard Chartered Bank in Singapore included senior leadership roles, most recently as Global Head for Power, Transportation and Infrastructure. In the course of her career, Deepa has successfully concluded several billion dollars in advisory and financing transactions including marquee deals in power, utilities, renewable energy, infrastructure and transportation. Deepa also has extensive experience in diversity and inclusion, and is currently a member of the Steering Committee of the Women's Infrastructure Network in Australia. Deepa has represented IFM Investors as an Alternate Director on the board of Australia Pacific Airports Corporation.

7. Company Secretary

During the financial year, the following individuals were appointed or resigned as BACH Company Secretary:

- Ms Sheridan Cooper (LLB, BBus (Accy), AGIA, MAICD and Grad Dip (Company Secretarial Practice)) was appointed Group Company Secretary on 30 November 2018 and resigned on 5 June 2020;
- Ms Raechel Paris (BA and LLB, GAICD) is Executive General Manager, Governance, Safety and Sustainability and was appointed as a 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, she brings a wealth of corporate governance knowledge to the business; and
- Ms Katie Simpson (LLB, GAICD, FGIA, FCIS and GAIST) was appointed Group Company Secretary on 11 June 2020. Ms Simpson has over 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		Human Resources and Remuneration 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)	17	17	1[#]	–	3	4	2[#]	–	–	–
D Benschop	2	17	–	–	–	–	–	–	–	–
D Bharadwaj	4	7	1	2	1[#]	–	–	–	–	–
J Borghetti	10	10	2[#]	–	–	–	–	–	–	–
J Crane	10	10	1	1	–	–	–	–	7	7
P DeSouza	17	17	6	6	1[#]	–	1[#]	–	7	7
C Freeman	17	17	4[#]	–	4	4	5	5	–	–
B Geatches	17	17	2[#]	–	2[#]	–	1[#]	–	–	–
B Gibson	16	17	3[#]	–	4	4	–	–	–	–
C McArthur (Director and Alternate Director for J Ward)	16	17	6	6	4	4	–	–	7	7
J van der Meijs	4	17	–	–	–	–	–	–	–	–
G Vorster (Alternate Director for J van der Meijs)	15	17	–	–	1[#]	–	–	–	–	–
J Ward	16	17	6	6	1[#]	–	–	–	7	7
J Crane (Alternate Director for D Bharadwaj)	4*	7	4[#]	–	–	–	–	–	–	–
T Harrington (Alternate Director for D Benschop)	16[##]	17	2[#]	–	–	–	5	5	–	–
L Tierney (Alternate Director for B Geatches)	1[##]	17	–	–	–	–	–	–	–	–

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 one meeting
* 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. Eight Circulating Written Resolution were effected in FY20.

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

9. Indemnification and insurance

During FY20, BACH on behalf of itself and its subsidiaries (including BAC), 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 FY20, 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* and have a number of specific statutory functions under the *Airports Act 1996* and the *Airports Regulations 1997*. 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 FY20, 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 FY20 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 FY20 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 84 of the 2020 Annual Report and forms part of the Directors' Report for year ended 30 June 2020.

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 25 September 2020 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; 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.

Financial statements 30 June 2020

In this section...

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 2020

	Note	2020 $000	2019 $000
Revenue from ordinary activities			
Aeronautical		297,172	353,561
Landside transport		124,611	150,987
Investment property		107,593	105,476
Retail		94,554	100,790
Operating property		30,258	38,892
Government mandated security		45,436	46,769
Interest		3,839	3,436
Other		37,652	40,570
Total revenue from ordinary activities	2.1	**741,115**	**840,481**
Operating expenses			
Maintenance and contract services		(56,475)	(51,962)
Government mandated security		(47,470)	(48,343)
Staff		(47,100)	(40,541)
Utilities		(35,964)	(40,068)
Corporate and administration		(37,026)	(41,079)
Doubtful debt expense	4.3(a)	(53,900)	(212)
Impairment of non-current assets	2.7	(10,448)	-
Total operating expenses		**(288,383)**	**(222,205)**
Revenue from ordinary activities less operating expenses		**452,732**	**618,276**
Depreciation and amortisation		(133,779)	(126,158)
Finance costs		(123,752)	(118,748)
Operating results		**195,201**	**373,370**
Redeemable preference shares dividend		(47,977)	(47,350)
Change in fair value of investment property	3.6	20,118	58,949
Change in fair value of derivatives		6,595	9,114
Profit before income tax		**173,937**	**394,083**
Income tax expense	2.5	(51,484)	(118,300)
Profit for the year		**122,453**	**275,783**
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gain/(loss), net of tax		787	(99)
Items that may be reclassified subsequently to profit or loss			
Hedge reserve, net of tax		(28,384)	(69,336)
Total other comprehensive expense		**(27,597)**	**(69,435)**
Total comprehensive income		**94,856**	**206,348**

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 2020

	Note	2020 $000	2019 $000
Current assets			
Cash and cash equivalents	3.1	1,184,988	165,982
Trade receivables and other	3.2	82,648	100,032
Inventories		1,478	1,431
Total current assets		**1,269,114**	**267,445**
Non-current assets			
Trade receivables and other	3.2	31,732	39,167
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	3,780,247	3,577,805
Investment property	3.6	1,559,975	1,495,532
Derivative instruments	4.3(d)	511,037	338,485
Total non-current assets		**6,706,005**	**6,274,003**
Total assets		**7,975,119**	**6,541,448**
Current liabilities			
Trade payables and other	3.8	131,147	145,879
Interest-bearing liabilities and borrowings	4.1	349,723	200,000
Current tax payable		-	8,877
Total current liabilities		**480,870**	**354,756**
Non-current liabilities			
Interest-bearing liabilities and borrowings	4.1	5,134,311	3,678,763
Deferred tax liabilities	2.6	590,015	550,927
Derivative instruments	4.3(d)	276,004	398,892
Other liabilities	3.10	10,907	9,439
Total non-current liabilities		**6,011,237**	**4,638,021**
Total liabilities		**6,492,107**	**4,992,777**
Net assets		**1,483,012**	**1,548,671**
Equity			
Issued capital		78,388	78,388
Reserves		(244,647)	(217,050)
Retained earnings		1,649,271	1,687,333
Total equity		**1,483,012**	**1,548,671**

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 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Cash receipts from customers		838,970	899,564
Payments to suppliers and employees		(368,098)	(319,794)
Cash generated from operations		**470,872**	**579,770**
Interest paid		(184,088)	(176,073)
Derivative termination payment		(151,794)	-
Interest received		3,731	3,646
Income taxes paid		(9,444)	(84,435)
Net cash generated from operating activities	3.1	**129,277**	**322,908**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		162	111
Acquisitions of property, plant and equipment		(314,137)	(357,526)
Acquisitions of investment property		(36,059)	(44,568)
Net cash used in investing activities		**(350,034)**	**(401,983)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities and borrowings		2,469,786	961,785
Repayments of interest-bearing liabilities and borrowings		(1,214,000)	(553,000)
Proceeds from derivative structured products		168,495	-
Repayments of lease liabilities		(160)	639
Redeemable preference share dividend paid		(23,843)	(71,077)
Dividends paid		(160,515)	(206,475)
Net cash generated from financing activities		**1,239,763**	**131,872**
Net increase in cash held		**1,019,006**	**52,797**
Cash and cash equivalents at 1 July		165,982	113,185
Cash and cash equivalents at 30 June	3.1	**1,184,988**	**165,982**

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 2020

	Issued capital $000	Defined benefit superannuation fund deficit reserve $000	Hedge reserve $000	Retained earnings $000	Total Equity $000
Balance at 1 July 2019	**78,388**	**(745)**	**(216,305)**	**1,687,333**	**1,548,671**
Profit for the year	-	-	-	122,453	122,453
Other comprehensive income					
Defined benefit superannuation fund actuarial loss, net of tax	-	787	-	-	787
Hedge reserve, net of tax	-	-	(28,384)	-	(28,384)
Total other comprehensive income	**-**	**787**	**(28,384)**	**-**	**(27,597)**
Total comprehensive income	**-**	**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**

	Issued capital $000	Defined benefit superannuation fund deficit reserve $000	Hedge reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2018	**78,388**	**(646)**	**(146,969)**	**1,618,025**	**1,548,798**
Profit for the year	-	-	-	275,783	275,783
Other comprehensive income					
Defined benefit superannuation fund actuarial gain, net of tax	-	(99)	-	-	(99)
Hedge reserve, net of tax	-	-	(69,336)	-	(69,336)
Total other comprehensive income	**-**	**(99)**	**(69,336)**	**-**	**(69,435)**
Total comprehensive income	**-**	**(99)**	**(69,336)**	**275,783**	**206,348**
Dividends	-	-	-	(206,475)	(206,475)
Balance at 30 June 2019	**78,388**	**(745)**	**(216,305)**	**1,687,333**	**1,548,671**

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 25 September 2020.

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-19

COVID-19 was declared a global pandemic by the World Health Organization on 11 March 2020. In addition to the significant impacts on world-wide economies, COVID-19 had a material impact on the BAC Group which has been considered in preparing these financial statements.

The Australian Government implemented restrictions on public and social gatherings, travel and certain business operations. The BAC Group continues to operate and has implemented working from home and other social distancing measures, and continues to provide aviation and non-aviation related services on the Airport. Continued state border closures and travel restrictions within Australia continue to impact on travel and such restrictions may continue to be in place for the foreseeable future.

SECTION 1: BASIS OF PREPARATION (continued)

1.5 Impact of COVID-19 (continued)

The extent of the impact of COVID-19 on the BAC Group's future operations will depend on the duration and actions taken to address the pandemic, which are uncertain as at the date these accounts were signed. 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.

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.

The impact that COVID-19 has had and will continue to have on the BAC Group is dependent upon passenger numbers and the extent and timeframe by which these passenger numbers and the related revenue will recover.

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;
- consideration of additional financial disclosures required in the financial statements.

Additional disclosures relating to COVID-19 have been included as follows:

- 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 has had and may continue to have a material impact on the BAC Group. Refer to note 1.5 for additional discussion of COVID-19. Additional consideration by the Directors of the appropriateness of the going concern principle was given with the impacts of COVID-19 in mind. Continued state border closures and travel restrictions within Australia continue to impact on travel and such restrictions may continue to be in place for the foreseeable future.

The BAC Group was in a net current asset position of $788.2 million at 30 June 2020 (2019: net current liability position of $87.3 million) with undrawn bank facilities of $790.0 million (2019: $311.0 million).

The Directors have reviewed detailed cash flow projections prepared by management covering a period of at least 12 months after reporting date from the date of signing this financial report which included a number of recovery scenarios and liquidity management measures.

Notes to the financial statements (continued)

SECTION 1: BASIS OF PREPARATION (continued)

1.6 Going concern (continued)

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.

Even with no improvement in current passenger numbers, the cash flow forecasts project significant headroom. Management has implemented a range of counter measures to preserve liquidity in the near term that include reductions to operating costs and capital expenditure. It has also undertaken measures to continue to strengthen the Group's liquidity position as follows:

- A new $850.0 million medium term note program issuance in June 2020 and, in addition, putting in place an 18-month bank facility of $840.0 million with a group of BAC's existing bank lenders in March 2020. Of this $840 million facility, $460 million was drawn at 30 June 2020. These facilities provided the headroom necessary to address upcoming bank and bond facility maturities and cover the net operating cashflow shortfall expected to subsist into FY21 in the cash flow forecasts.
- As an additional liquidity measure, BAC undertook a restructure of certain elements of its derivatives portfolio. This restructure is expected to deliver a reduction in cash interest expense of approximately $75 million per year, for the next two financial years and is also included in the cash flow forecasts.
- The fall in earnings also created the risk of non-compliance with the BAC Group's debt service cover ratio at the December 2020 testing period. To mitigate this risk, the BAC Group has negotiated a waiver of this requirement with all required Lenders for both the December 2020 and June 2021 testing dates. The BAC Group will not be required to comply with this covenant until September 2021. The BAC Group expects to comply with all other covenants.

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 – 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.

SECTION 1: BASIS OF PREPARATION (continued)

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

Any changes to the presentation of transactions and balances during the current year were also made to the prior year in order to facilitate comparisons.

1.11 New and amended accounting standards

Keeping it simple …

New and revised accounting standards were issued by the Australian Accounting Standards Board 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 2019 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 2019; 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 16 Leases**
Nature of change	AASB 16 introduced significant changes to lessee accounting by introducing a new definition of a lease and requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. There has been no change to lessor accounting under this standard.

Notes to the financial statements (continued)

SECTION 1: BASIS OF PREPARATION (continued)

1.11 New and amended accounting standards (continued)

Title of standard	**AASB 16 Leases**
Impact	The BAC Group acts as the lessor with regard to leases in most cases. The application of AASB 16 had no impact on the BAC Group's financial report for finance leases already held at 1 July 2019. This is due to these assets currently being measured on the basis consistent with that required by AASB 16. Refer to Note 2.3.
Title of standard	**Annual Improvements to Australian Accounting Standards 2015–2017 Cycle**
Nature of change	The annual amendments include improvements to four standards: AASB 112 Income Taxes The amendments clarified that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised the past transactions or events that generated distributable profits. AASB 123 Borrowing Costs The amendments clarified that any specific borrowing costs remaining after an asset is ready for use or sale becomes part of general borrowing costs. AASB 3 Business Combinations The amendments clarified that when an entity obtains control of a business that was a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. AASB 11 Joint Arrangements The amendments clarified that an entity which obtains joint control of a joint operation in which it previously participated but did not have joint control, the entity does not remeasure its previously held interests in the joint operation
Impact	There is no impact on the BAC Group's financial report.
Title of standard	**AASB Interpretation 23 Uncertainty over Income Tax Treatment**
Nature of change	AASB Interpretation 23 clarified how to determine the accounting tax position where there is uncertainty over income tax treatments and requires an assessment of the probability of each uncertain tax position being accepted by a tax authority. Where it is determined to be probable to be accepted, an entity is required to determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. Where it is determined not probable to be accepted, an entity is required to reflect the effect of the uncertainty in its accounting tax position using either the most likely amount or the expected value method.
Impact	There is no impact on the BAC Group's financial report as no uncertain tax treatments exist at the reporting date.
Title of standard	**AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform**
Nature of change	AASB 2019-3 was early adopted, as permitted by the standard, by the BAC Group on 1 October 2019. AASB 2019-3 made amendments to AASB7, 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 ('LIBOR') on 31 December 2021.
Impact	At 30 June 2020, the BAC Group did not have any debt instruments linked to LIBOR as all foreign exchange bonds issued were 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.

SECTION 1: BASIS OF PREPARATION (continued)

1.11 New and amended accounting standards (continued)

Accounting standards and interpretations issued or amended but not yet effective

A number of new standards, amendments to standards and interpretations were effective for annual periods beginning 1 July 2019, were deemed not relevant to the BAC Group and have not been applied in preparing these consolidated financial statements. The accounting standards which have not been early adopted for the financial year ended 30 June 2020 but will be applicable to the BAC Group in future reporting periods are detailed below:

Title of standard	**Revised Conceptual Framework for Financial Reporting**
Nature of change	The AASB Framework will provide the AASB a base of consistent concepts upon which future accounting standards will be developed, in addition to assisting preparers of financial reports to develop consistent accounting policies. It will include amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts.
Impact	The AASB Framework is not expected to have a material effect on the BAC Group's financial report.
Mandatory application date	The AASB Framework will be effective for the BAC Group's 30 June 2021 financial statements.

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 are therefore variable consideration and 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.

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 recoverable from the airlines. 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.

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.

SECTION 2: RESULTS (continued)

2.1 Revenue (continued)

Revenue can be categorised as follows:

	2020 $000	2019 $000
Revenue from contracts with customers	470,981	557,509
Other revenue	270,134	282,972
Total revenue	**741,115**	**840,481**

Revenue from contracts with customers consists of aeronautical, government mandated security, other revenue and a partial of landside transport revenue (2020: $90.7 million, 2019: $116.6 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 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:

	2020 $000	2019 $000
Within one year	151,481	182,387
One year or later and no later than five years	574,150	568,361
Later than five years	811,191	1,115,021
	1,536,822	**1,865,769**

The above amounts do not include concession arrangements which may become receivable under certain leases and 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.

	2020 $000	2019 $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	52,455	54,943
	67,383	**69,871**
Future finance charges	(45,976)	(48,344)
	21,407	**21,527**

Notes to the financial statements (continued)

SECTION 2: RESULTS (continued)

2.3 Leases (continued)

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:

	2020 $000	2019 $000
Cost		
At beginning of the year	3,699	2,385
Additions	354	1,314
At end of the year	**4,053**	**3,699**
Depreciation		
At beginning of the year	418	180
Depreciation	279	238
At end of the year	**697**	**418**
Carrying amount at 30 June	**3,356**	**3,281**

Lease liabilities of $0.7 million current and $2.6 million non-current have been recognised in the consolidated statement of financial position (2019: $0.5 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

	2020 $	2019 $
Amounts received or due and receivable by the auditor for:		
Audit services		
Audit fees	361,073	332,438
Other regulatory/contract audit services	254,680	263,750
	615,753	**596,188**
Other services		
Other	120,000	575,691
	120,000	**575,691**

2.5 Taxation

Accounting policies

<u>Income tax</u>

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 (continued)

2.5 Taxation (continued)

Accounting policies (continued)

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 expense/(benefit).

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

	2020 $000	2019 $000
Current tax expense		
Current year expense	-	(65,953)
Under provided in prior years	(568)	(8,742)
	(568)	**(74,695)**
Deferred tax expense		
Origination and reversal of temporary differences	(50,916)	(43,605)
Total income tax expense recognised in profit or loss	**(51,484)**	**(118,300)**
Defined benefit superannuation fund actuarial (loss)/gain	(337)	43
Hedge reserve	12,165	29,715
Total income tax expense recognised in other comprehensive income	**11,828**	**29,758**

Notes to the financial statements (continued)

SECTION 2: RESULTS (continued)

2.5 Taxation (continued)

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

	2020 $000	2019 $000
Profit for the year	**122,453**	**275,783**
Income tax expense	51,484	118,300
Profit before income tax	**173,937**	**394,083**
Income tax using the corporate tax rate of 30%	(52,181)	(118,225)
Increase in income tax due to:		
Other non-deductible expenses	1,080	(75)
Under provided in prior years	(383)	-
Income tax expense on pre-tax accounting profit	**(51,484)**	**(118,300)**

2.6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000
Property, plant and equipment	-	-	(709,862)	(678,248)	(709,862)	(678,248)
Finance lease receivable	-	-	(2,193)	(1,845)	(2,193)	(1,845)
Derivatives	-	18,122	(70,509)	-	(70,509)	18,122
Lease incentive asset	-	-	(1,854)	(4,107)	(1,854)	(4,107)
Inventories	-	-	(443)	(429)	(443)	(429)
Employee benefits	1,855	1,590	-	-	1,855	1,590
Other provisions	8,990	1,873	-	-	8,990	1,873
Interest-bearing liabilities and borrowings	163,008	109,728	-	-	163,008	109,728
Accruals	275	2,389	-	-	275	2,389
Tax losses	20,718	-	-	-	20,718	-
Deferred tax assets/(liabilities)	**194,846**	**133,702**	**(784,861)**	**(684,629)**	**(590,015)**	**(550,927)**

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

	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)**

SECTION 2: RESULTS (continued)

2.6 Deferred tax assets and liabilities (continued)

The movement in temporary differences during the previous year is:

	Balance at 1 July 2018 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2019 $000
Property, plant and equipment	(629,946)	(48,302)	-	(678,248)
Finance lease receivable	(1,692)	(153)	-	(1,845)
Derivatives	34,648	(46,241)	29,715	18,122
Lease incentive asset	(13,419)	9,312	-	(4,107)
Inventories	(377)	(52)	-	(429)
Prepayments	(1,768)	1,768	-	-
Employee benefits	1,573	(26)	43	1,590
Other provisions	2,723	(850)	-	1,873
Interest-bearing liabilities and borrowings	66,221	43,507	-	109,728
Accruals	4,957	(2,568)	-	2,389
Deferred tax (liabilities)/assets	**(537,080)**	**(43,605)**	**29,758**	**(550,927)**

2.7 Abnormal items

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

Item	Profit or loss line	Notes	2020 $000
Rental abatements	Revenue	(a)	21,756
Expected credit loss for rental abatements	Corporate and administration	(a)	(21,756)
Provision for Virgin Group debt	Corporate and administration	(b)	(15,490)
Impairment of straightlining asset	Corporate and administration	(c)	(11,802)
Impairment of non-current assets	Corporate and administration	(d)	(10,448)
JobKeeper	Staff	(e)	3,585
Net decrease to revenue from ordinary activities less operating expenses			**(34,155)**

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 on COVID-19. Rental abatements totalled $21.8 million for the year ended 30 June 2020 with an offsetting amount recognised through the expected credit loss (‘ECL’) provision.
b) A provision has been recognised for amounts owed by Virgin Group upon their entering voluntary administration on 21 April 2020.
c) 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 was recognised relating to commercial tenants where the current leases are not expected to revert to their previous state.
d) A review of capital work in progress at 30 June 2020 was undertaken given the deferral of certain capital projects due to the impact of COVID-19 resulting in the recognition of a provision for impairment of $10.4 million for projects which were deferred or are expected to change significantly.
e) The Federal Government enacted the JobKeeper Payment Scheme which is a temporary subsidy for businesses significantly affected by COVID-19. The BAC Group applied for this scheme which will be paid to the BAC Group for up to six months, with the first payment received on 17 May 2020. In line with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, the BAC Group elected to offset the amounts received against employee costs.

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:

	2020 $000	2019 $000
Cash in bank	1,184,986	165,980
Cash on hand	2	2
Cash and cash equivalents	**1,184,988**	**165,982**

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

	Note	2020 $000	2019 $000
Profit for the year		**122,453**	**275,783**
Adjustments for:			
Depreciation and amortisation		133,779	126,158
Capitalised borrowing costs		(59,473)	(63,595)
Change in fair value of investment property	3.6	(31,402)	(70,760)
Change in fair value of non-designated derivatives		(158,388)	(9,114)
Amortisation of borrowing costs		3,135	3,049
Finance lease interest		273	191
Loss on sale of property, plant and equipment		69	385
RPS dividend		47,977	47,350
Income tax expense	2.5	51,484	118,300
Cash flow before changes in working capital and provisions		**109,907**	**427,747**
Change in trade receivables and other		24,818	(18,851)
Change in inventories		(46)	(173)
Change in trade payables and other		4,042	(1,380)
Income taxes paid		(9,444)	(84,435)
Net cash from operating activities		**129,277**	**322,908**

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

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 41 days.

Trade receivables and other are as follows:

	Note	2020 $000	2019 $000
Current			
Trade receivables and accrued income		92,883	59,866
Provision for doubtful debts		(20,724)	(531)
Contract assets		4,833	36,465
Prepayments		2,843	2,509
Sundry receivables		2,679	1,603
Finance lease receivable		134	120
		82,648	**100,032**
Non-current			
Finance lease receivable		21,273	21,407
Sundry receivables		5,755	13,689
Employee benefits	3.9	4,704	4,071
		31,732	**39,167**

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:

	2020 $000	2019 $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 (continued)

3.4 Property, plant and equipment (continued)

Accounting policies (continued)

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 new parallel runway.

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 – 2.0
Expansion, extension, line marking, earthworks and overlay	2.5 – 14.3
Runway overlay	8.3
Minor assets less than $1,000	100.0
Roads and car parks	
Roads and car park infrastructure	1.3 – 5.0
Security, signage, lighting and other	2.5 – 10.0
Buildings	
Passenger terminal buildings and other permanent buildings	2.5
Fit-out, finishing, services, heating, ventilation and air-conditioning	5.0 – 10.0
Security, signage, lighting and other	5.0 – 28.9
Minor assets less than $1,000	100.0
Plant and equipment	
Mains services and fences and gates	2.0 – 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 2020 was undertaken resulting in the recognition of a provision for impairment of $10.4 million for projects which were deferred or are expected to change significantly.

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.4 Property, plant and equipment (continued)

	Runways, taxiways and aprons $000	Roads and car parks $000	Buildings $000	Plant and equipment[3] $000	Leased land $000	Capital work in progress $000	Total $000
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 and amortisation							
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**
Cost or deemed cost							
At 1 July 2018	915,169	532,302	1,020,760	733,007	102,885	915,906	4,220,029
Additions/transfers	3,526	73,598	24,859	96,539	1,650	221,088	421,260
Disposals	(8,117)	(37)	(1,378)	(25,243)	-	-	(34,775)
At 30 June 2019	**910,578**	**605,863**	**1,044,241**	**804,303**	**104,535**	**1,136,994**	**4,606,514**
Accumulated depreciation and amortisation							
At 1 July 2018	139,733	113,829	356,452	310,964	15,853	-	936,831
Depreciation and amortisation	17,047	14,935	45,252	47,805	1,119	-	126,158
Disposals	(8,117)	(11)	(1,188)	(24,964)	-	-	(34,280)
At 30 June 2019	**148,663**	**128,753**	**400,516**	**333,805**	**16,972**	**-**	**1,028,709**
Carrying amounts							
At 30 June 2020	**747,960**	**474,224**	**655,722**	**502,175**	**88,221**	**1,311,945**	**3,780,247**
At 30 June 2019	761,915	477,110	643,725	470,498	87,563	1,136,994	3,577,805

A total of $57.9 million (2019: $60.6 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 3.30% to 6.02% (2019: 6.34% to 6.74%) per annum.

[3] Plant and equipment include right of use assets with a carrying value of $3.4 million (2019: $3.3 million). Refer to note 2.3.

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2020 $000	2019 $000
Contracted for but not provided for and payable:		
Within one year	41,016	212,906
One year or later and no later than five years	4,477	4,090
	45,493	**216,996**

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 2020 valuation was based on independent assessments made by CBRE, an accredited independent valuer (2019: 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.

CBRE included a statement within their valuation reports noting that in their view, significant valuation uncertainty exists in the current market environment. The statement ensures transparency of the fact that in the current extraordinary market circumstances, less certainty can be attached to the valuations and continued periodic assessment should be performed subsequent to the date of the valuation assessment. The BAC Group will manage this increased uncertainty through active management of the investment portfolio.

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 (continued)

3.6 Investment property (continued)

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	
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**
2019				
Balance at 1 July	1,364,318	7,942	8,933	1,381,193
Additions/(transfers)	48,853	(2,623)	(1,001)	45,229
Reclassified to property, plant and equipment	(1,650)	-	-	(1,650)
Fair value adjustments	71,030	(270)	-	70,760
Balance at 30 June	**1,482,551**	**5,049**	**7,932**	**1,495,532**

A total of $1.6 million (2019: $3.0 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 3.30% to 6.02% (2019: 6.34% to 6.74%) 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		**2020 $000**	**2019 $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	1,552,725	1,487,600
		1,552,725	**1,487,600**

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 5.25% and 9.5% (2019: 5.5% and 10.1%).

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.6 Investment property (continued)

Significant unobservable inputs (continued)

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 7.0% and 10.5% (2019: 7.25% and 10.75%) having regard to the risk of each property's net cash flows.

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:

	2020 $000	2019 $000
Fair value adjustment from valuation by CBRE	31,402	70,760
Less: straightlining of lease income and lease incentives	(11,284)	(11,811)
Fair value recognised in profit or loss	**20,118**	**58,949**

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% (2019: 2.5%) and a post-tax discount rate of 7.65% (2019: pre-tax discount rate 10.24%) 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 financial year, a number of downside cash flow scenarios were considered as part of the impairment testing. These were consistent with the sensitivity scenarios adopted for the BAC Group's 20 year business plan. 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. An additional consideration under downside sensitivity testing was the potential requirement for management to extend rental relief support for investment property and retail tenants beyond the timeframe incorporated within the central case forecasts.

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 (continued)

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 19-day terms. Trade payables and other current liabilities are as follows:

	Note	2020 $000	2019 $000
Trade payables and accruals		67,682	100,892
RPS dividend		47,865	23,525
Employee benefits	3.9	9,113	8,472
Unearned lease revenue		2,925	7,019
Contract liabilities		1,003	2,117
Retentions and deposits held on behalf of third parties		1,900	3,379
Lease liabilities		659	475
		131,147	**145,879**

Contract liabilities reflect unearned revenue under contracts with customers. The amount of revenue recognised during the year relating to contract liabilities totalled $2,117,117 (2019: $1,536,139).

3.9 Employee benefits

Keeping it simple …

The BAC Group has 24 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.

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.

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.9 Employee benefits (continued)

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	2020 $000	2019 $000
Current			
Wages and salaries accrued		1,149	918
Liability for annual leave		3,190	2,808
Liability for long service leave		4,774	4,746
	3.8	**9,113**	**8,472**
Non-current			
Present value of unfunded obligation		8,782	8,934
Fair value of plan assets		(13,486)	(13,005)
Recognised asset for defined benefit obligation	3.2	**(4,704)**	**(4,071)**
Liability for annual leave		634	-
Liability for long service leave		2,289	1,817
ELTIP		1,458	879
	3.10	**4,381**	**2,696**
Net non-current employee benefits		**(323)**	**(1,375)**

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	2020 $000	2019 $000
Unearned revenue		3,961	4,106
Employee benefits	3.9	4,381	2,696
Lease liabilities		2,565	2,637
		10,907	**9,439**

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.

<u>Derivative structured products</u>

During the year, the BAC Group entered into derivative forward exchange contract ('FEC') overlay with various counterparties under an International Swaps and Derivatives Association ('ISDA') to early settle the foreign exchange gains on existing cross currency swaps, providing additional liquidity to the BAC Group while preserving the existing cross currency swap economic hedges in hedge accounting relationships and maintaining fully hedged to foreign currency risks. The derivative FEC overlay is a series of offsetting cross currency swaps and FECs which are derivative contracts in their legal form. The BAC Group does not enter derivative contracts for speculative trading purposes.

For accounting purposes, the derivative FEC overlay is classified as a non-current financial liability measured at amortised cost. The cash proceeds received from derivative FEC overlay was used to terminate and reset a component of the existing interest rate swaps to prevailing market rates.

This note provides information about the contractual terms of the BAC Group's interest-bearing liabilities and borrowings. For more information about the BAC Group's exposure to interest rate risk, see note 4.3(c).

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.1 Interest-bearing liabilities and borrowings (continued)

	2020 $000	2019 $000
Current		
Secured domestic bond issues	350,000	200,000
Secured domestic bond transaction costs	(277)	-
Total current	**349,723**	**200,000**
Non-current		
Secured bank loan	850,000	589,000
Secured bank loan transaction costs	(2,456)	(2,075)
Secured domestic bond issues	1,200,000	700,000
Secured domestic bond issue transaction costs	(9,262)	(4,247)
Secured USPP bond issues	2,462,658	1,913,498
Secured USPP bond issue transaction costs	(6,228)	(5,227)
Derivative structured products	168,956	-
Derivative structured products transaction costs	(327)	-
RPS	470,970	471,176
	5,134,311	**3,662,125**
Fair value adjustment on USPP bond issues	-	16,638
Total non-current	**5,134,311**	**3,678,763**
Total interest-bearing liabilities and borrowings	**5,484,034**	**3,878,763**

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.1 Interest-bearing liabilities and borrowings (continued)

Annual nominal interest rate	Financial year of maturity	Face value 2020 $000	Carrying amount 2020 $000	Face value 2019 $000	Carrying amount 2019 $000
Bank loan - AUD					
BBSY + margin - Tranche C	2021	-	-	139,000	137,887
BBSY + margin - Tranche B	2022	390,000	388,823	450,000	449,038
BBSY + margin - Tranche A	2022	460,000	458,618	-	-
		850,000	847,441	589,000	586,925
Domestic bonds - AUD					
Fixed 8.0%	2020	-	-	200,000	200,000
Fixed 6.0%	2021	350,000	349,827	350,000	349,490
Fixed 3.9%	2025	350,000	346,533	350,000	346,263
Fixed 3.1%	2026	250,000	248,507	-	-
Fixed 4.5%	2031	600,000	595,698	-	-
		1,550,000	1,540,565	900,000	895,753
USPP bonds - AUD					
BBSW + margin	2026	100,000	99,722	100,000	99,705
Fixed 6.8%	2023	30,000	29,954	30,000	29,955
Fixed 8.3%	2027	98,863	98,447	98,863	98,423
Fixed 4.4%	2029	130,000	129,500	130,000	129,480
Fixed 5.6%	2030	152,550	151,842	152,550	151,789
Fixed 5.5%	2037	50,000	49,810	50,000	49,832
Fixed 3.5%	2030	26,000	25,879	-	-
Fixed 3.7%	2032	24,000	23,888	-	-
		611,413	609,042	561,413	559,184
USPP bonds - USD					
Fixed 5.2%	2022	218,627	225,984	213,904	217,955
Fixed 3.9%	2023	68,503	72,380	67,023	68,867
Fixed 5.3%	2024	218,627	241,465	213,904	226,358
Fixed 3.6%	2025	36,438	39,154	35,651	36,809
Fixed 4.0%	2025	87,451	97,224	85,561	90,098
Fixed 3.7%	2027	94,738	104,912	92,692	97,043
Fixed 3.8%	2027	145,751	167,090	142,602	149,638
Fixed 4.2%	2028	113,686	134,599	111,230	120,755
Fixed 3.9%	2029	145,751	172,121	142,602	150,983
Fixed 3.9%	2030	36,438	41,880	35,651	37,914
Fixed 4.1%	2032	145,751	179,056	142,602	152,667
Fixed 3.6%	2030	155,954	182,402	-	-
Fixed 3.7%	2032	157,411	189,121	-	-
		1,625,126	1,847,388	1,283,422	1,349,087
Derivative structured products					
Fixed 2.3%	2025	13,089	13,064	-	-
Fixed 1.6%	2027	15,243	15,213	-	-
Fixed 1.7%	2027	5,669	5,658	-	-
Fixed 2.0%	2025	40,535	40,457	-	-
Fixed 3.7%	2023	31,828	31,766	-	-
Fixed 2.1%	2024	51,559	51,459	-	-
Fixed 2.1%	2024	11,033	11,011	-	-
		168,956	168,628	-	-
RPS - AUD					
Fixed 10.0%	2023	470,970	470,970	471,176	471,176
		5,276,465	**5,484,034**	**3,805,011**	**3,862,125**

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

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 9.9% (2019: 9.9%) per annum. The fixed annual dividend rate is 10.0% (2015 to 2022) 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 the company, 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.

Finance facilities

The BAC Group has bank facilities of $1,640.0 million (2019: $900.0 million), of which $790.0 million is undrawn (2019: $311.0 million). $125.0 million expires in November 2020, $450.0 million expires in September 2021, $760.0 million expires in October 2021, $80.0 million expires in November 2021 and $225.0 million expires in November 2022.

The BAC Group was in a net current asset position of $788.2 million at 30 June 2020 (2019: net current liability of $87.3 million).

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 (2019: $4.0 million) was undrawn as at 30 June 2020 (2019: undrawn).

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.

<u>Current versus non-current classification</u>

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.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.2 Derivative financial instruments (continued)

Accounting policies (continued)

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.

Cross currency interest rate swaps[4]

	Average pay fixed rate %	Average pay floating rate	Average foreign exchange rate	Notional maturity profile USD000
Less than 1 year	-	-	-	-
1 to 5 years	5.348	3m BBSW + 246bps	0.9983	432,000
More than 5 years	5.504	3m BBSW + 185bps	0.7915	683,000

Interest rate swaps[5]

	Average pay fixed rate %	Notional maturity profile AUD000
Less than 1 year	-	-
1 to 5 years	0.2915	1,725,000
More than 5 years	5.8000	1,375,000

[4] 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.

[5] Interest rate swaps convert floating rate interest exposure to fixed rate obligation.

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.2 Derivative financial instruments (continued)

2020	Fair value hedges	Cash flow hedges		Total
	Interest bearing liabilities	Interest bearing liabilities	Interest rate risk on highly probable floating rate debt	
	Cross currency interest rate swap[6]	Cross currency interest rate swap and interest rate swap[4,7]	Interest rate swap	
	$000	$000	$000	$000
Carrying amount of hedging instruments				
Assets	486,994	29,849	-	516,843
Liabilities	-	(5,806)	(276,004)	(281,810)
	486,994	**24,043**	**(276,004)**	**235,033**
At 30 June 2020				
Cumulative fair value adjustment on hedged item[8]	(492,473)	(21,546)	-	(514,019)
Effective portion recognised in reserves[9]	-	(9,892)	359,449	349,557
During the year				
Change in fair value of the hedging instrument	424,941	(211,205)	81,704	295,440
Change in fair value of the hedged item	(407,172)	229,572	-	(177,600)
Effective portion recognised in cash flow hedge reserve from change in fair value of hedging instrument[7]	-	(206,182)	22,254	(183,928)
Effective portion recognised in cost of hedging reserve from change in fair value of hedging instrument	-	(3,799)	-	(3,799)
Hedge ineffectiveness recognised in profit or loss[10]	(17,769)	16,288	1,321	(160)
Amount recognised in profit and loss for discontinued hedges[8]	-	-	4,886	4,886
Amount reclassified from cash flow hedge reserve to profit or loss[8]	-	178,786	44,351	223,137
Amount reclassified from cost of hedging reserve to profit or loss	-	252	-	252

[6] Cross currency interest rate swaps are split designated in cash flow and fair value hedge relationships in order to hedge against USD borrowings.
[7] 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.
[8] The cumulative fair value adjustment is included in the BAC Group's interest bearing liabilities.
[9] The effective portion includes fair values of foreign currency basis spreads recognised in the cost of hedging reserve, and figures are before tax.
[10] Hedge ineffectiveness is recognised in finance costs. 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 (continued)

4.2 Derivative financial instruments (continued)

2019	Fair value hedges	Cash flow hedges		Total
	Interest bearing liabilities	Interest bearing liabilities	Interest rate risk on highly probable floating rate debt	
	Cross currency interest rate swap	Cross currency interest rate swap and interest rate swap	Interest rate swap	
	$000	$000	$000	$000
Carrying amount of hedging instruments				
Assets	62,053	242,611	-	**304,664**
Liabilities	-	(7,363)	(357,708)	**(365,071)**
	62,053	**235,248**	**(357,708)**	**(60,407)**
At 30 June 2019				
Cumulative fair value adjustment on hedged item	(85,301)	(251,118)	-	**(336,419)**
Effective portion recognised in reserves	-	21,051	287,957	**309,008**
During the year				
Change in fair value of the hedging instrument	76,337	98,299	(119,548)	**55,088**
Change in fair value of the hedged item	(79,466)	(65,560)	-	**(145,026)**
Effective portion recognised in cash flow hedge reserve from change in fair value of hedging instrument	-	57,082	115,178	**172,260**
Effective portion recognised in cost of hedging reserve from change in fair value of hedging instrument	-	(2,691)	-	**(2,691)**
Hedge ineffectiveness recognised in profit and loss	3,129	(6,836)	4,500	**793**
Amount recognised in profit and loss for discontinued hedges	-	-	4,886	**4,886**
Amount reclassified from cash flow hedge reserve to profit and loss	-	(73,146)	(2,508)	**(75,654)**
Amount reclassified from cost of hedging reserve to profit and loss	-	251	-	**251**

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

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 Finance, Audit and Risk Management ('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 ('EY'). 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.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(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.

The 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, specifically the Virgin Group. 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 doubtful debts:

Description	**$000**
Provision for the Virgin Group following voluntary administration	15,490
ECL relating to rental relief provided to tenants	21,756
Impairment of the straightlining asset	11,802
General ECL from provision matrix	2,800
Other specific provisions for doubtful debts	2,052
	53,900

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.

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(a) Credit risk (continued)

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	2020 $000	2019 $000
Cash and cash equivalents	Current	3.1	1,184,988	165,982
Trade receivables, accrued income and contract assets	Current	3.2	76,992	95,800
Sundry receivables	Current	3.2	2,680	1,603
Finance lease receivable	Current	3.2	134	120
Sundry receivables	Non-current	3.2	5,755	13,689
Finance lease receivable	Non-current	3.2	21,273	21,407
Derivative instruments		4.3(d)	511,037	338,485
			1,802,859	**637,086**

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

	2020 $000	2019 $000
Aeronautical	55,450	72,036
Property	20,266	22,342
Other	1,276	1,422
	76,992	**95,800**

The most significant customer accounted for 42.5% of the trade receivables, accrued income and contract assets carrying amount at 30 June 2020 (2019: 39.5%).

Impairment losses

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

	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**

	2019 Gross $000	2019 Impairment $000	2019 Net $000
Not past due (0 – 30 days)	32,750	-	32,750
Past due (31 – 60 days)	26,481	-	26,481
Past due (61 – 90 days)	18,824	-	18,824
Past due (more than 90 days)	18,277	(532)	17,745
	96,332	**(532)**	**95,800**

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(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.

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:

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[11]		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[12]		2,569	219,981	67,337	289,887

2019	Note	Less than 1 year $000	1 – 5 years $000	More than 5 years $000	Total $000
Floating bank loan		7,097	596,128	-	603,225
Floating bonds		3,290	13,460	105,862	122,612
Fixed bonds		297,875	997,661	1,554,187	2,849,723
RPS		47,049	588,117	-	635,166
		355,311	**2,195,366**	**1,660,049**	**4,210,726**
Trade payables and accruals	3.8	100,892	-	-	100,892
Lease liability	3.8/3.10	475	2,637	-	3,112
Derivatives		58,042	251,508	110,126	419,676

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.

[11] 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.
[12] 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 (continued)

4.3 Financial risk management (continued)

(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.

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.

<u>BAC Group policy</u>
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

<u>Minimum economic hedging requirement under finance documents</u>
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.

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

	2020 $000	2019 $000
Nominal fixed interest rate instruments		
Financial liabilities	**(4,326,466)**	**(3,116,011)**
Nominal variable interest rate instruments		
Financial assets – cash and cash equivalents	1,184,988	165,982
Financial liabilities	(950,000)	(689,000)
Net financial asset/(liability)	**234,988**	**(523,018)**

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.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

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.

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 2020 USD000	Face value 2020 AUD000	Face value 2019 USD000	Face value 2019 AUD000
Total foreign exchange exposures hedged	**1,115,000**	**1,625,126**	**900,000**	**1,283,422**

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; and
- isolation of sensitivity analysis for each risk. For example, the interest rate sensitivity analysis assumes the foreign exchange rates remain constant.

The 30 June 2020 foreign exchange rate of AUD 1 to USD 0.6861 (2019: AUD 1 to USD 0.70) was used in the translation of USD denominated borrowings.

Analysis for fixed interest rate instruments

The BAC Group does not account for any fixed interest rate financial assets and liabilities at fair value through profit or loss, and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit before tax for fixed interest rate instruments.

Analysis for variable interest rate instruments

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:

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(c) Market risk (continued)

Sensitivity on interest rate and foreign exchange risk (continued)

Movement in interest rates	Profit/(loss) before tax 2020 $000	Profit/(loss) before tax 2019 $000	Equity before tax 2020 $000	Equity before tax 2019 $000
100 basis point increase in interest rates:				
Interest expense on variable interest rate instruments	(4,873)	(3,464)	-	-
Fair value of interest rate swaps	11,319	3,074	94,360	89,202
Fair value of cross currency swaps	(19,754)	(1,033)	(1,161)	(803)
Net impact	**(13,308)**	**(1,423)**	**93,199**	**88,399**
100 basis point decrease in interest rates:				
Interest expense on variable interest rate instruments	4,873	3,464	-	-
Fair value of interest rate swaps	(11,279)	(3,232)	(94,400)	(96,254)
Fair value of cross currency swaps	19,754	628	1,161	1,916
Net impact	**13,348**	**860**	**(93,239)**	**(94,338)**

<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>

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 2020 $000	Profit/(loss) before tax 2019 $000	Equity before tax 2020 $000	Equity before tax 2019 $000
10% appreciation	(12)	1,603	19,097	19,226
10% depreciation	(2,040)	(1,046)	(13,575)	(15,223)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(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 2020 $000	Fair value 2020 $000	Carrying amount 2019 $000	Fair value 2019 $000
Assets carried at fair value					
Interest rate and cross currency swaps		**511,037**	**511,037**	**338,485**	**338,485**
Assets carried at amortised cost					
Cash and cash equivalents	3.1	1,184,988	1,184,988	165,982	165,982
Finance lease receivable – non-current	3.2	21,273	21,273	21,407	21,407
Employee benefits – non-current	3.2	4,704	4,704	4,071	4,071
		1,210,965	**1,210,965**	**191,460**	**191,460**
Liabilities carried at fair value					
Interest rate and cross currency swaps - non-current		276,004	276,004	398,892	398,892
		276,004	**276,004**	**398,892**	**398,892**
Liabilities carried at amortised cost					
Secured bank loan	4.1	847,441	857,678	586,925	586,925
Secured domestic bond issues	4.1	1,540,565	1,573,186	895,753	950,106
Secured USPP bond issues	4.1	2,456,430	2,340,501	1,908,271	2,031,693
Derivative structured products	4.1	168,628	167,543	-	-
RPS	4.1	470,970	495,241	471,176	506,360
RPS dividend	3.8	47,865	47,865	23,525	23,525
Lease liability – non-current	3.10	2,565	2,565	2,637	2,637
		5,534,464	**5,484,579**	**3,888,287**	**4,101,246**
Net liabilities		**4,088,466**	**4,038,581**	**3,757,234**	**3,970,193**

Fair value of financial instruments

As at 30 June 2020, the fair value of derivative instruments that are held for economic hedges, which are the BAC Group's only financial instruments carried at fair value, resulted in a net gain of $295.4 million (2019: net gain of $55.1 million) measured based on Level 2 valuation techniques as defined in the fair value hierarchy shown in note 1.12.

(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.

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.4 Changes in liabilities arising from financing activities[13]

	1 July 2019 $000	Cash flows $000	Foreign exchange movements $000	Fair value movements $000	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**

	1 July 2018 $000	Cash flows $000	Foreign exchange movements $000	Fair value movements $000	30 June 2019 $000
Secured bank loan	308,000	281,000	-	-	589,000
Secured domestic bond issues	900,000	-	-	-	900,000
Secured USPP bond issues	1,655,112	130,000	65,559	62,827	1,913,498
RPS	471,378	-	-	(202)	471,176
Lease liabilities - non-current	1,881	756	-	-	2,637
Total liabilities from financing activities	**3,336,371**	**411,756**	**65,559**	**62,625**	**3,876,311**

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.

	2020 '000	2019 '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 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.

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.5 Equity and reserves (continued)

Dividends and distributions

During the current financial year, BACH declared and paid ordinary dividends of $160.5 million.

	2020 $000	2019 $000
Dividend franking account:		
The taxable value of franking credits for subsequent financial years	**98,987**	**167,139**

Notes to the financial statements (continued)

SECTION 5: OTHER

5.1 Related parties

Keeping it simple …
The related parties include the Directors of the company, 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, Safety & Sustainability
Stephen Goodwin	Executive General Manager Operations
Floor Felten	Executive General Manager Strategy, Planning & Technology
Krishan Tangri	Executive General Manager Infrastructure, Development & Delivery
Jim Parashos	Executive General Manager Aviation Development & Partnerships
Scott Douglas	Executive General Manager Property (appointed 5 August 2019)
Martin Ryan	Executive General Manager Consumers

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 9 ('Plan 9') was 1 July 2017, with an initial base value of $1 per unit. Total units issued under Plan 9 were 2,578,402. The value of entitlements under Plan 9 payable at 30 June 2020 was $278,080 (2019: $664,502).

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 value of entitlements under Plan 10 payable at 30 June 2020 was nil (2019: $214,207).

SECTION 5: OTHER (continued)

5.1 Related parties (continued)

Key Management Personnel compensation

The KMP compensation for the year was as follows:

	2020 $	2019 $
Short term employee benefits	6,469,635	6,167,184
Post-employment benefits	386,600	1,023,424
Other long-term benefits	244,363	231,192
	7,100,598	**7,421,800**

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 $654,696 (2019: $651,842). As at 30 June 2020, the amount payable was $165,719 (2019: nil).

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 $3,679,570 (2019: $3,618,665). As at 30 June 2020, the amount payable was $3,679,570 (2019: $3,618,665).

Board fees and travel expenses

In accordance with the Board Remuneration 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 2020 the Board undertook its annual review of 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 $1,540,437 (2019: $1,355,419).

Board fees, on behalf of the Directors, were paid to the following companies:

- Colonial First State Asset Management (Australia) Limited, a company related to Chris McArthur, received $150,211 for the year (2019: $137,428);
- QIC Private Capital Pty Ltd, a company related to Paul DeSouza, received $140,178 for the year (2019: $137,429); and
- IFM Investors (Nominees) Limited, a company related to Deepa Bharadwaj and Josh Crane, received $161,802 for the year (2019: Michael Thompson and Deepa Bharadwaj $118,194).

Notes to the financial statements (continued)

SECTION 5: OTHER (continued)

5.2 Parent entity disclosures

	2020 $000	2019 $000
Results of BACH		
Profit for the year	132,401	239,835
Total comprehensive income	**132,401**	**239,835**
Financial position of BACH		
Current assets	92,097	96,077
Non-current assets	932,688	932,688
Total assets	**1,024,785**	**1,028,765**
Current liabilities	47,865	23,525
Non-current liabilities	470,970	471,176
Total liabilities	**518,835**	**494,701**
Net assets	**505,950**	**534,064**
Equity		
Issued capital	470,494	470,494
Retained earnings	35,456	63,570
Total equity	**505,950**	**534,064**

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

The BAC Group is aware of structural cracking to an apron pavement designed by a contractor at the International Terminal. The asset is currently operational, however will require major rehabilitation in the near future to rectify the current cracking. The major rehabilitation of parts of the apron that are subject to aircraft traffic, but which have not yet cracked, will also be required in the near future to prevent further anticipated structural cracking of the apron pavement. The BAC Group has had independent engineers prepare a staged rectification plan (concept phase only and prepared solely for the purposes of legal proceedings commenced against the design contractor), and is continuing to work with those engineers in relation to the rectification design. In the meantime, the BAC Group is monitoring the apron pavement and implementing short-term maintenance solutions to ensure that the apron remains operational. Given the assessment by the independent engineer, the BAC Group has revised the useful life of the damaged sections of the apron. The BAC Group is continuing to pursue its legal rights in relation to the cracking.

SECTION 5: OTHER (continued)

5.4 Events subsequent to reporting date

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

- The BAC Group underwent an internal restructure resulting in a reduction in workforce through voluntary redundancies, forced redundancies and removing vacant positions. Termination payments totalling $5.4 million have been paid. A review and reset of the planned capital program was also carried out in addition to a review of operating expenditure which remains ongoing. These measures position the BAC Group against the further impacts of COVID-19.
- The COVID-19 pandemic has continued to evolve. With rising case numbers, the Victorian Government implemented Stage 4 lockdown across parts of the State, including Melbourne. The Queensland borders were also closed to other states impacting domestic travel. The extent of the impact of COVID-19 on the BAC Group's future operations will depend on the duration and actions taken to address the pandemic, which are uncertain as at the date these accounts were signed.
- The Government extended the existing JobKeeper scheme to 28 March 2021 with changes to the eligibility criteria and subsidy rates. The BAC Group will continue to assess its eligibility for this scheme.
- On 21 April 2020, Virgin Australia entered voluntary administration. The BAC Group engaged with the administrators at this time and have continued to communicate with them. A creditors meeting was held on 4 September 2020 where an agreement was reached and a final provision for amounts owed by the Virgin Group was recognised in the financial statements totalling $15.5 million.

Directors' declaration

In the opinion of the Directors of BAC Holdings Limited:

(a) the financial statements and notes set out on pages 33 to 79 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 2020 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 25 September 2020 in accordance with a resolution of the Directors.

David Peever
Director

Independent auditor's report

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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 2020, 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:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of their financial performance for the year then ended; and
(ii) 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 2020, 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.

Independent auditor's report (continued)

Deloitte.

- 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, 25 September 2020

Lead auditor's independence declaration

Deloitte.

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

25 September 2020

Dear Board Members

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrea Roy
Partner
Chartered Accountant

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

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Email: info@bne.com.au

Web address: www.bne.com.au

BRISBANE AIRPORT CORPORATION

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