THE FUTURE IS NOW

BRISBANE AIRPORT CORPORATION

Brisbane Airport Corporation
Annual Report 2018

BAC HOLDINGS LIMITED ACN 108 568 038

As part of the $135 million expansion of Brisbane Airport's International Terminal, a 90 metre floor-to-ceiling art work by Queensland College of Art student Michael Phillips was commissioned by Brisbane Airport Corporation as part of a competition. Michael's artwork beautifully illustrates the cover of this Annual Report.

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

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BRISBANE AIRPORT
ABOUT US

Brisbane Airport Corporation Pty Limited (BAC), the operator of Brisbane Airport (BNE), is a proud, private, unlisted Queensland company, helping employ thousands of Queenslanders and creating economic opportunities for the state and city of Brisbane equating to more than $4 billion annually. BNE is Queensland's most important transport hub, Australia's third-busiest airport, and is well on its way to becoming the future gateway to Australia.

At BAC, we believe our role extends beyond simply providing effective and efficient aviation services and facilities. It is also about building a place for our community to work and play, a precinct that fosters cultural and economic growth, and a hub that builds opportunities for our great city and region. BAC manages the airport with a strong focus on responsible development, ensuring BNE meets the needs of present generations and is viewed with pride by future generations.

As a business, BAC is guided by the Four Pillars of Sustainability which encompasses the key areas of the business and speaks to the organisation's philosophy and core values more broadly. These four pillars – Economic, Operational, Environmental and Social Sustainability – are at the crux of everything we have done in FY18 and will continue to enhance BNE as a prosperous and sustainable airport well into the future.

OWNERSHIP STRUCTURE

25%	QIC
18.7%	Schiphol Group
17%	Colonial First State Global Asset Management
15.1%	National Asset Management Limited (Brisbane Airport Trust)
13.8%	ifm investors
4.9%	mtaa super
4%	CommonwealthBank GroupSuper
1.5%	sunsuper

No curfew means we operate

24/7

365 DAYS A YEAR

2 MAJOR TERMINALS

2,700

HECTARES OF LAND

425+

BUSINESSES

located at BNE providing nearly 24,000 jobs

Forecast of

50,000

JOBS BY 2029

350

FULL-TIME
BAC EMPLOYEES

63% male / 37% female

+1,500

OUTSOURCED STAFF

including cleaners, maintenance and security

33

AIRLINES

83

DESTINATIONS

51 DOMESTIC
32 INTERNATIONAL

BRISBANE AIRPORT
ABOUT US

460

AVERAGE DAILY DOMESTIC
FLIGHT MOVEMENTS
(excl weekend)

110

AVERAGE DAILY INTERNATIONAL
FLIGHT MOVEMENTS
(excl weekend)

213,114

TOTAL FLIGHT MOVEMENTS

3,704 Average weekly movements

BNE ECONOMIC CONTRIBUTION

CURRENT CONTRIBUTION

$2.6b direct

To Queensland's economy p.a.

$1.4b indirect

Through substantial supply chains, to Queensland's economy p.a.

$4.4b

Total contribution to Australia's economy

FORECAST CONTRIBUTION

$5.3b direct

Forecast contribution to Queensland's economy p.a. by 2040/41

$2.7b indirect

Forecast contribution to Queensland's economy p.a. by 2040/41

$8.7b

Forecast total contribution to Australia's economy p.a. by 2040/41

1 IN EVERY 100 JOBS IN QUEENSLAND IS AT BNE

IN FY18 BAC PRIVATELY INVESTED MORE THAN **$351 MILLION IN INFRASTRUCTURE**

CHAIRMAN'S MESSAGE

The 2018 financial year was a strong one for BAC Holdings Limited.

A number of notable achievements marked the year:

- Total revenue of $776.5 million, which grew 14.2 per cent, or $96.8 million, on FY17
- EBITDA of $571.7 million, which was a $67.5 million, or 13.4 per cent, lift on the prior year; and
- Profit before tax totalled $328.9 million, which represented a very healthy $74.2 million, or 29.1 per cent increase on FY17.

But it is not just in the financials that the indicators of success can be found. Our core business is aviation and the year provided evidence to support our optimism for the future, not only of the airport business but of its important contribution to the nation.

In FY18 international passenger numbers grew 5.2 per cent and domestic passengers grew 1.5 per cent. This resulted in total passenger growth of 2.4 per cent or a record 23.4 million passengers using Brisbane Airport during the financial year.

With a stronger recovery in the domestic market over FY19, and continued growth in international services, we can be hopeful of another record-breaking year for passenger numbers at BNE.

As Queensland's primary gateway Brisbane Airport plays a vital role in connecting Queensland businesses with markets across the country and around the globe. BNE is, perhaps more importantly, infrastructure for the people of Queensland to enable them to connect with each other and with the world. Our commitment to the community is that we deliver infrastructure to them as they need it, and with a level of service and quality they expect and deserve.

But what we achieve as a business as we build the Brisbane Airport of the future we can only do with partners. Alignment with the needs and ambitions of all levels of government, with our airline customers, tourism operators and promoters, freight businesses and industry leaders is essential.

Our partners in delivery are, of course, the many excellent companies that work with us to construct runways, taxiways, terminals, retail outlets and so much more. There are also those who help us keep the airport safe and secure, provide products and services the modern traveller needs, and make the experience of Brisbane Airport not just efficient, but enjoyable.

We thank all them for their partnership in making BNE not just the best airport in Australia, but one of the top 20 in the world.

Our ability to operate this business successfully is also dependent on the support of the community and I note also that research conducted in FY18 revealed a very strong level of support for the business.

Eighty-two per cent of respondents to the survey, conducted across greater Brisbane, reported a belief that the general community would have a positive impression of Brisbane Airport.

In relation to our new runway, the flagship investment in the airport's growth, more than 60 per cent of respondents agreed the runway would:

- Be essential to meet the needs of population growth in the region
- Be beneficial for passengers through the ability to increase flights and destinations
- Benefit the tourism industry; and
- Be essential to avoid flight delays.

The strong support for the airport and the runway project at community level is reflected in very high levels of interest in the project across all levels of government, and business and industry sectors.

Central to the success of this business, and one of the most important duties of the Board and management, is a commitment to safety and security. During the year the Board signed off on a new WHS Strategy focusing on greater collaboration across the company to improve systems, capability, leadership and culture.

BAC's commitment to the safety and security of our people and indeed all people at the airport was reflected in the fact that no non-conformances were identified in the annual external audit against the AS4801 Australian and New Zealand standard for Occupational Health and Safety.

At the end of FY18 BAC farewelled CEO and Managing Director Julieanne Alroe, who led the company for close to a decade. Her contribution to BAC, the airport and the country is well-known and we are most grateful for her service.

The Board was delighted to secure Gert-Jan de Graaff as Julieanne's replacement and we welcome him back to Brisbane.

I thank the Directors for their commitment and contribution and the shareholders for the continued contribution to this very important business. And I congratulate the staff for another excellent year.

David Peever
Chairman of the Board

CEO'S MESSAGE

When I left BAC in 2012, the future Brisbane Airport, with a parallel runway system second to none in the world, strong aviation links to the biggest growth markets, freshly renovated and expanded terminals and a reinvigorated profile as one of the region's property hotspots, seemed a long way off.

But that future is here. Right now, and in the next couple of years, Brisbane Airport will fulfil so much of the potential that was identified more than 20 years ago when this site was expanded and our current main runway and terminals were built. In the ensuing years billions of dollars have been invested to bring us to this point, on the cusp of history.

FY18 was an important year in this process.

Our investment in better facilities, better processes and better services at BNE is a reflection not only of our own business growth objectives, but also a reflection of an airport's obligation to invest in the infrastructure that supports the communities and economies that support them.

In FY18 BAC invested $351 million across 297 projects that are bringing the future to life, including:

- $135 million International Terminal Concourse and Apron expansion to meet growing international demand
- $13 million upgrading and expanding self-service check-in and bag drop facilities also at the International Terminal
- $7 million improving our Inter-terminal Transfer Facility to reduce minimum connection times between terminals and increase our processing capabilities; and
- $24 million upgrading the taxiway linking the runway system to the Aerotech Park precinct to allow access for new fleets of larger aircraft like Boeing 777, 787 Dreamliner and Airbus 330.

These investments in the capacity of the airport to meet its airline customers' needs and to enable the entrance of new carriers and new services into BNE, provide the essential aviation infrastructure that future Queensland needs.

The growth predicted so many years ago is already here. International passenger numbers grew in FY18 by 5.2 per cent. Of particular note is new services and carriers from China. Hainan Airlines commencing services connecting BNE to Shenzhen and Air China, delivering the long-awaited Beijing route.

Added to our existing services into Shanghai and Guangzhou, these routes mark a fresh era for BNE in the Chinese market. But BAC's strategy of a balanced portfolio of city-pairs, across a diverse range of markets, insulates the business from economic and political upheaval in any particular region of the world.

While the domestic market overall remained sluggish in FY18 there are promising indications across parts of our extensive intra-state network. Growth between BNE and Proserpine, for example, the gateway to the Whitsunday region, was up 19.4 per cent – a sign that Queensland is indeed experiencing a resurgence in the tourism industry. And the promising signs from some of the resources regions suggests we may see recovery on other regional QLD routes over FY19.

Our core city pairs of Sydney and Melbourne performed well, delivering 2.2 per cent and 1.7 per cent growth respectively.

A strong emphasis on risk management and sustainability, placing environmental responsibilities at the forefront of our business, is a hallmark of BAC and a reflection of our future-focus. The benefits of embedding eco-efficiency initiatives and values into the business are significant cost savings and the guarantee of supply as the airport grows.

Key achievements during FY18 include:

- The reduction of more than 4,000 tonnes of CO2
- 23 per cent of waste diverted from landfill
- The installation of a 6MW solar system consisting of around 22,000 panels across six sites. The solar energy generated per annum is equivalent to powering 1,700 homes for a year, with a carbon off-set equivalent to planting more than 50,000 trees; and
- Eight honey bee hives were introduced into our Biodiversity Zone creating a home for 400,000 European honey bees.

The coming years present great opportunity and some real challenges and I thank the Board and shareholders for their support and commitment.

BAC's performance in FY18 was a reflection of the prudent, strong and wise stewardship of Julieanne Alroe who led this business for nearly 10 years. I remain honoured to have been given the opportunity to build on her significant achievements.

I thank also the broader BAC team whose dedication to the business and to this airport is unquestionable.

Gert-Jan de Graaff
Chief Executive Officer

HOW WE PERFORMED

We are proud of what we have achieved in FY18 and have clear ambitions moving forward that will help us realise our goal of being a world-best airport and the preferred choice for passengers, airlines, business and the community.

FINANCIAL PERFORMANCE

Total Revenue

$777 million

(+14% from FY17)

Aeronautical

$311 million

40% of revenue (+19%)

Landside transport

$139 million

18% of revenue (+7%)

Retail

$87 million

11% of revenue (+5%)

Investment property

$102 million

13% of revenue (+19%)

Operating property

$49 million

6% of revenue (+7%)

Other revenue

$51 million

7% of revenue (+10%)

Government-mandated security charges

$38 million

5% of revenue (+39%)

PASSENGERS

5,930,090
INTERNATIONAL PASSENGERS
(+5.2%)

17,505,162
DOMESTIC PASSENGERS
(+1.5%)

8,134,179
INTERNATIONAL SEATS
(+5.8%)

22,241,082
DOMESTIC SEATS
(-0.2%)

23,435,252
TOTAL PASSENGERS
(+2.4%)

223,388
TRANSITS/TRANSFERS IN 2017/18
(+24.8%)

FREIGHT

49,128 TONNES
INTERNATIONAL IMPORTS
IN 2017/18 (+14.6%)

73,222 TONNES
INTERNATIONAL EXPORTS IN 2017/18
(+5.2%)

HOW WE PERFORMED

NEW AIRLINES

Hainan Airlines (International)
Air China (International)
Malaysia Airlines (International)

NEW DESTINATIONS

Shenzhen, China (International)
Beijing, China (International)
Inverell (Domestic)

TOP GROWTH MARKETS INTERNATIONAL

+20% China (including Hong Kong)	+14.7% India	+13.9% Korea
+10.2% Taiwan	+7.7% UK	

TOP GROWTH MARKETS DOMESTIC

+19.4% Proserpine	+6.3% Mackay	+5.5% Canberra
+2.2% Sydney	+1.7% Melbourne	

HOW WE PERFORMED

(B) BAC makes the most of Queensland's sunshine to generate clean, renewable energy.

FUTURE-READY INFRASTRUCTURE

In FY18, BAC privately invested more than $351 million across 297 projects. The major highlights include:

- $135 million International Terminal Concourse and Apron expansion **(A)**
- $24 million Hotel Taxiway upgrade, allowing larger aircraft up to the size of Code E (Boeing 777, 787 Dreamliner and Airbus 330) to access Aerotech Park
- $13 million International Terminal self-service check-in and bag drop upgrade
- $7 million Inter-terminal Transfer Facility reducing minimum connection times between terminals and delivering increased processing capabilities.

ENVIRONMENT

BAC manages the airport with a strong focus on risk management and sustainability, placing its environmental responsibilities at the forefront of all activities and operations undertaken at BNE.

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.

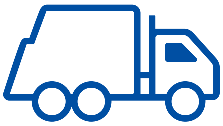
The benefits of embedding eco-efficiency initiatives and values into the business are significant cost savings and the guarantee of supply as the airport grows.

KEY SUSTAINABILITY ACHIEVEMENTS DURING FY18:

22,000
panels make up the new 6MW solar system located at six sites across the airport

1,700
homes could be powered by the solar energy generated by the 6MW system

The carbon offset is equal to planting
50,000
trees or taking 1,500 cars off the road each year



23%
of waste generated onsite was diverted from landfill in FY18

2.19KW
of electricity is consumed per passenger each year. A 13% reduction on FY17

A reduction of more than
4,000t
of CO2 was achieved in FY18

8
hives were introduced into BNE's Biodiversity Zone

Housing
400,000
European honey bees

Producing around
500kg
of honey a year

BNE – IT ALL STARTS HERE

More than just an aviation hub, BNE is an airport and precinct of the people, a gateway to the world and a thriving suburb that supports and fosters local and international business and offers access to services beyond aviation.

BAC strives to be a passenger's champion, placing the utmost importance on being a great host and providing world-class infrastructure and facilities. Indeed, great customer service is at the heart of BNE's operations, with considerable forward-thinking applied to ensure the airport is a place people enjoy travelling through and want to come back to.

UNIQUELY BRISBANE

As the first and last experience passengers and visitors have of Brisbane, BAC has invested significant capital in creating a unique and engaging sense of place within the terminals, a place that proudly showcases the very best Brisbane and Queensland has to offer.

'Uniquely Brisbane' is part of BNE's DNA, from architecture that makes the most of Queensland's sunshine, to world-class dining and local produce and products on offer within the restaurants and retail stores, to cutting-edge art installations, and the use of local timbers, stone and flora in the décor, resulting in a unique experience that is memorable for all the right reasons.

DESTINATION DEVELOPMENT

When opened in 2020, Brisbane's new runway will effectively double the capacity of BNE, attracting more airlines, passengers and business. 'Destination Development' is an area of significant focus for BAC in the lead-up to this milestone with the business committed to leveraging BNE's appeal to attract more carriers and services.

In the past 12 months, BNE has seen the introduction of two new services to/from China – a twice-weekly service to Shenzhen with Hainan Airlines and a four-weekly service to Beijing with Air China.

Malaysia Airlines now provides a direct service to Kuala Lumpur four times a week and Philippine Airlines offers a direct service to Manila four times a week.

Domestically, passengers now have access to a twice-weekly service to Alice Springs with Virgin Australia and a direct Inverell service with Fly Corporate. Looking ahead, Vietjet Air has committed to making BNE its first Australian long-haul destination with plans to launch direct flights to/from Ho Chi Minh City in 2019.

When opened in 2020, Brisbane's new runway will effectively double the capacity of BNE

BNE – IT ALL STARTS HERE

AMBASSADORS

BNE's Airport Ambassador team is 163 strong and is the heart of everything BAC strives for – to be an extraordinary host.

Ambassadors are the "day makers", roaming the Domestic and International Terminals for 12 hours a day, seven days a week, 365 days a year providing efficient, informative and compassionate assistance to hundreds of thousands of travellers and visitors.

This year, BNE's Airport Ambassador team volunteered nearly 31,000 hours, assisting around 390,000 domestic and international passengers, including the thousands of athletes and officials who travelled through BNE for the 2018 Commonwealth Games.

A team of 35 Ambassadors – the Food ResQ team – donated more time to rescue nearly 52 tonnes of untouched food for Oz Harvest, which was then distributed to schools in Brisbane for their breakfast programs.

"Today wouldn't have been possible without your help. My husband and I cannot thank you enough for making our tour around the airport a lot less stressful for Havana, thank you for being so patient and understanding. You're amazing for doing what you do."

Mother of a daughter with Autism

ACCESS FOR ALL

Building Australia's most accessible airport is about fostering greater social inclusion and removing the barriers that often inhibit travel.

BAC has invested more than $3 million in the last five years implementing its Disability Access Management Plan in addition to the funding for Disability Discrimination Act (DDA) Compliance incorporated into other major projects.

In FY18, BAC:

- Collaborated with organisations that represent the interest of various disability groups, with regular airport tour days held with Vision Australia, Guide Dogs Queensland, and a number of special schools **(A)**
- Rolled out training with frontline airport workers with a special emphasis on providing assistance to those living with a hidden disability
- Was the first airport in Australia to open a dedicated 'Changing Places' facility at the Domestic Terminal. The facility is larger than standard accessible bathrooms and is fitted-out with specialised equipment including a hoist, adult change table, and a toilet with moveable handrails. **(B)**

Looking forward, BAC will continue to work closely with its airline partners and a number of organisations representing the interests of various disability groups to ensure everybody's access needs are met, while continually upgrading services to remove barriers for those with special needs.

"I want to share our recent success of taking one of our men on his first ever flight. This fellow has significantly high and complicated needs due to his Autism. It all could not have gone any better. At every juncture, people were understanding and accommodating. We now are having discussions with others regarding the possibility of opening the skies for them. Thank you BAC for all the behind-the-scenes support and training which makes these opportunities possible".

Angela Leneham Director (Education), The Tertiary PLACE Inc.

HOW WE CONNECT

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

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

South-East Asia
- Bangkok (BKK)
- Denpasar (DPS)
- Kuala Lumpur (KUL)
- Manila (MNL)
- Singapore (SIN)

Middle East
- Abu Dhabi (AUH)
- Dubai (DXB)

North America
- Honolulu (HNL)
- Los Angeles (LAX)
- 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)

32 INTERNATIONAL PORTS

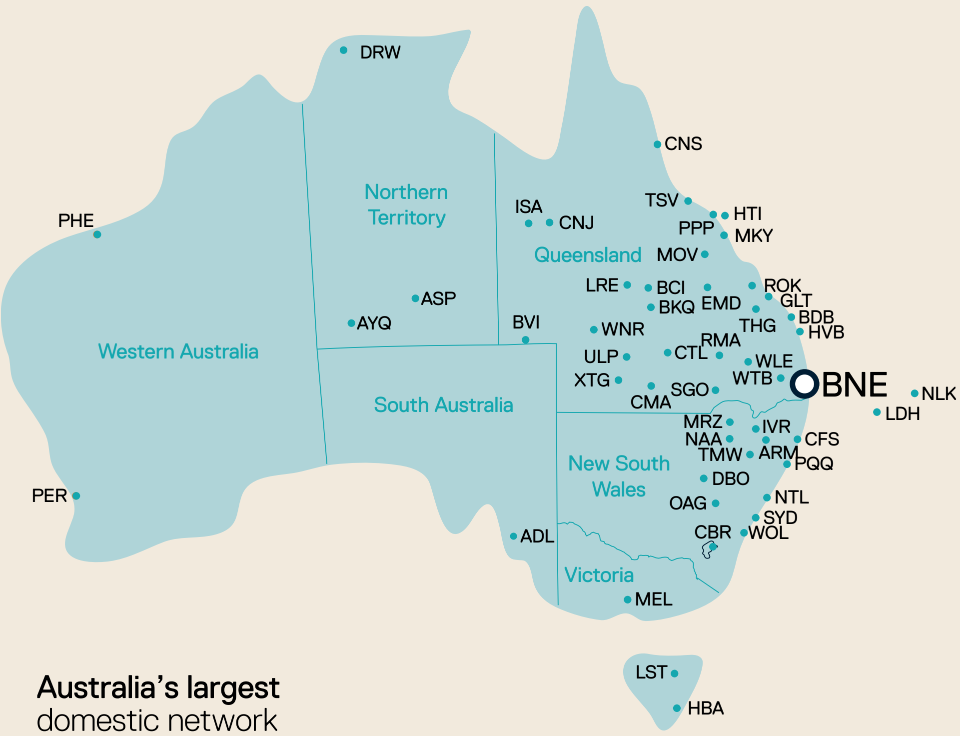
Air Canada
Aircalin
Air New Zealand
Air China
Air Vanuatu
Air Niugini
Cathay Pacific
Alliance Airlines
China Eastern Airlines
China Airlines
Emirates
China Southern Airlines
Eva Air
Etihad
Fly Corporate
Fiji Airlines
Hainan Airlines

Due to its location, Brisbane is the shortest flight time between an Australian state capital city and the major freight distribution hubs of Hong Kong, Guangzhou and Shanghai, meaning it is an air-freight gateway for fresh produce, seafood and meat to Asia.

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

Queensland (27 ports)

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



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)

Australia's largest domestic network

51 DOMESTIC PORTS

Jetstar
Hawaiian Airlines
Malaysia Airlines
Korean Air
Nauru Airlines
Malindo Air
Qantas/ QantasLink
Philippine Airlines
Samoa Airways
Rex
Solomon Airlines
Singapore Airlines
Tigerair
Thai Airways
Virgin Australia

OUR PEOPLE

A company's success is deeply reliant on its people and their ability to do their job efficiently and effectively. At BAC we know our greatest asset is our people, because it is our people who shape our unique culture and reputation. We are committed to attracting and nurturing talent, and providing a fulfilling working environment that empowers people to make decisions within their area of expertise.

LEARNING AND DEVELOPMENT

Learning and Development (L&D) is a key area of focus at BAC. A full-time resource is dedicated to managing the personal and professional development of our people. Around $850,000 was spent in FY18 on training and development, with all BAC employees attending at least one training and development activity and 92 per cent attending an external program. The ongoing success of BAC, both in profitability and reputation, is testament to the commitment placed on L&D.

WORKPLACE HEALTH AND SAFETY

BAC is committed to providing healthy and safe environments for all employees, contractors and visitors to Brisbane Airport. In FY18, the Workplace Health and Safety (WHS) team strived to achieve greater efficiency, consistency and integration in reporting through the implementation of a new WHS management system, MYOSH, to replace a number of other software programs. All BAC hazards and risks are being reviewed as they are added to the new system, and risk assessments will continue to be a top priority for WHS in FY19.

Other significant achievements for FY18 include:

- The approval of a new WHS Strategy by the Board, focusing on greater collaboration across BAC to continually improve systems, capability, leadership and culture
- No non-conformances identified in an external audit against AU/NZ 4801 (the Australian and New Zealand Standard for Occupational Health and Safety).

Looking ahead, some key goals include:

- Reviewing and reinvigorating the WHS Leadership Program at a Board, Senior Management and People Managers level
- External review of WHS management framework
- Improved communication of BAC requirements to contractors regarding induction and other WHS processes.

GIVING BACK

Beyond the workplace, BAC is incredibly proud of its people and the contribution they make to the wider community. Our people are so much more than the successes and milestones achieved within BNE. Our people have big hearts, and are also deeply embedded within the community and culture that makes Brisbane so unique.

Beyond the workplace, BAC is incredibly proud of its people and the contribution they make to the wider community

CASE STUDY >

BAC Financial Controller

Leticia Dorman, BAC Financial Controller, is on the Board of Cherish Women's Cancer Foundation, a nationally registered not-for-profit organisation established to generate funding for research and clinical trials that will provide kinder ways to treat women with gynaecological cancers. All Board members are volunteers, with Leticia offering her financial expertise to the charity for the past two years. Cherish raised $217,000 in FY18.

< CASE STUDY

Strategic Portfolio Office Manager

Robbie Pretorius, Strategic Portfolio Office Manager, is the Chairman of the Golf Day Coordinating Committee with his local church, where money is raised for community members in need and children less fortunate in associated missionaries in Myanmar, India, South Africa and the Philippines. Robbie has volunteered for the last four years, with $27,000 raised and distributed last year alone.

CASE STUDY >

Design Symposium

Steven Grant, Master Plan Programme Manager, and Matthew Shinkel, Aviation Infrastructure Development Manager, collaborated with St Paul's School in Bald Hills to host a two-day Design Symposium (#Y3D2017). Year three students were encouraged to implement design thinking to create the futuristic Brisbane Airport 2028, including improved infrastructure, air travel, entertainment, security, baggage handling and catering.

OUR COMMUNITY

BAC is proud to support, promote and give back to the community we call home.

More than
$485,000
DONATED
to Royal Flying Doctor Service, Crime Stoppers, Surf Life Saving Queensland and Life Flight

More than
$60,000
DONATED
to more than 60 local charities, community groups and schools

$40,000
DONATED
from charity currency collections globes in terminal to Burnie Brae's Project Pantry

More than
$21,000
RAISED
from the annual Lost Property Auction to Australia Zoo Wildlife Warriors

BAC also actively supports a number of local sports organisations, cultural institutions and the not-for-profit arts sector, with the shared goal of making Brisbane a world-class tourism destination.

This year through BAC's partnership program we distributed more than $480,000 to 20 partners including:

- Brisbane Roar W-League Football Club
- Brisbane Festival
- Museum of Brisbane
- Queensland Theatre
- Brisbane Powerhouse
- La Boite Theatre Company
- Queensland Symphony Orchestra; and
- Queensland Ballet.

ARTIST-IN-RESIDENCE

Now in its third year, the highly successful Artist-in-Residence program saw LEGO Brick artist Ben Craig (aka Ben the Brick Builder) undertake a specially commissioned collection of LEGO brick creations on display in the terminals.

The pieces captured the passenger experience and travel destinations through unique and engaging dioramas.

COMMUNITY ENGAGEMENT

BAC has a multi-faceted Community Engagement Program that is dedicated to generating informed, respectful, transparent and on-going communication with residents within our surrounding communities. Topics discussed include airport development, aircraft technologies, potential impacts from increased aircraft operations and airspace management.

COMMUNITY AND INDUSTRY CONSULTATION

BAC is committed to keeping the community informed about what is happening at BNE. Our community consultation activities provide opportunities for people to ask questions, provide feedback and to learn more about our operations.

The Brisbane Airport Community Aviation Consultation Group (BACACG) is an independently chaired forum to promote engagement between BNE and our surrounding communities. It focuses on matters relating to aircraft operations, airport development and aircraft noise. BACACG includes representatives of neighbouring federal electorates as well as federal, state and local government agencies. The Brisbane Airport Technical Noise Working Group (TNWG) supplements the BACACG. Matters raised at BACACG requiring complex or detailed responses are referred to the TNWG, which includes airline representatives, government agencies such as Air Services Australia and BAC.

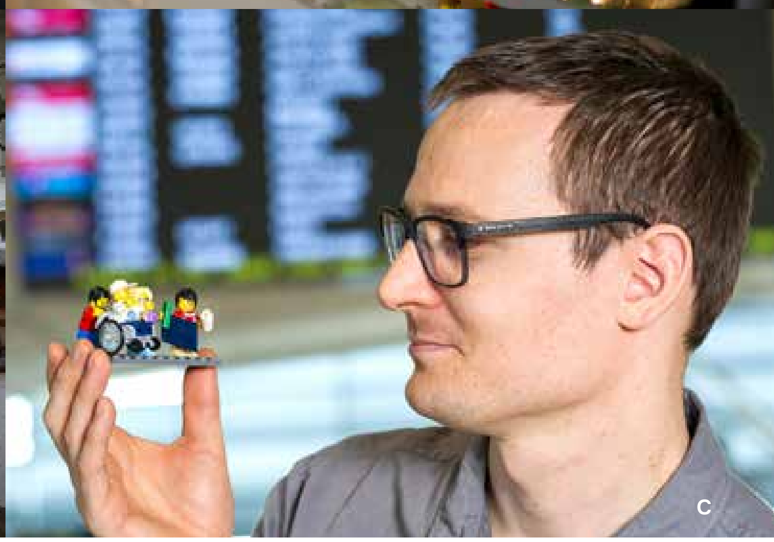
IN FY18 BAC:

Attended
5
local festivals

Conducted
23
community presentations

Hosted
95
tours for community groups across the airport

Provided
2,800
responses to written enquiries from the public



(A) BAC is a proud supporter of the not-for-profit arts sector
(B) A cross-section of the International Terminal in LEGO Bricks
(C) Ben Craig, BNE's Artist-in-Residence in FY18
(D) Brisbane Festival installation in the International Terminal

OUR COMMUNITY


A

BAC is committed to keeping the community informed about what is happening at BNE

RECONCILIATION ACTION PLAN

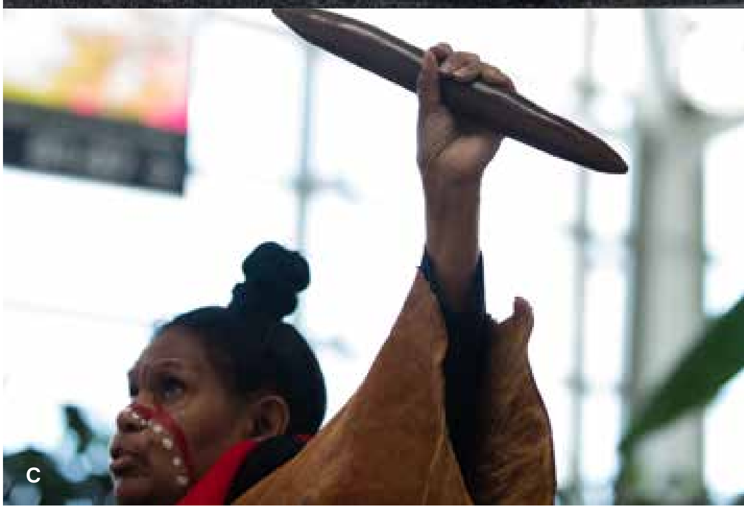
BAC aims to contribute meaningfully to 'Closing the Gap' between Aboriginal and Torres Strait Islander people and fellow Australians. Our vision for reconciliation is to facilitate active and productive relationships with a chain of connections between Aboriginal and Torres Strait Islander people (culture, creative works and experiences), the airport community, visitors to Brisbane and the wider Australian community.

BNE is the first and only airport in Australia to formally commit to celebrating and promoting the traditions, laws and customs of Aboriginal and Torres Strait Islander people through its 2016-2018 Reconciliation Action Plan (RAP). BAC is now in the process of working with Reconciliation Australia to develop its next RAP to ensure further progress is made in delivering real outcomes that better the lives of Aboriginal and Torres Strait Islander people.

Nearly 30 targets were accomplished from the first RAP with three of the key achievements from FY18 including:

- Establishing and implementing a range of cultural protocols, including the raising of Aboriginal and Torres Strait Islander flags at the International Terminal roundabout, hosting Welcome to Country and Aboriginal performances at a number of airline launches, including an Acknowledgment of Country in all significant staff events and in the BNE Magazine, and a digital Acknowledgement of Country displayed on the large screens in the International Terminal
- Becoming a member of Supply Nation in an effort to increase the percentage of goods and services procured from Indigenous-owned businesses
- Engaging two Career Trackers students and offering employment following their internships with BAC.


B


C

(A) Artist Michael Phillips.

(B) (C) Cultural protocols are incorporated into all major BAC events.

FY18 –
THE YEAR THAT WAS

FIRST QUARTER

July 2017: Brisbane's new runway enters final stage of construction with the Airfield Contract awarded to Skyway.

August 2017: Miele Australia signs up for a new warehouse at BNE – a 7,065m2 tailored warehouse, office and showroom facility.

September 2017: BAC signs a 'Sister-Airport' agreement with the Chongqing Airport Group of China.

September 2017: Hainan Airlines' inaugural flight from Shenzhen, China touches down at BNE, marking the beginning of twice-weekly services. **(A)**

September 2017: BAC hosts its second annual EcoFair which promotes sustainability through a series of free exhibitions, demonstrations and activities.

SECOND QUARTER

October 2017: BNE launches its first ever consumer marketing campaign featuring Cameron Smith, Pete Murray and Catriona Rowntree.

October 2017: BNE opens Australia's first airport 'Changing Places' facility for passengers with special needs.

November 2017: Julieanne Alroe, BAC CEO and Managing Director, announces her retirement.

December 2017: The Gold Coast 2018 Commonwealth Games Queen's Baton arrives in Brisbane after 288 days abroad. **(B)**

December 2017: Air China begins new direct flights between BNE and Beijing.

A


B

AWARDS

BAC continues to be recognised for its commitment to excellence across a range of national and international awards:

- **MyTravelResearch.com International Toilet Tourism Awards**
  Best Accessible Toilet for Changing Places accessible toilet facilities and Assistance Animals bathrooms.
- **Australian Competition and Consumer Commission (ACCC)**
  Brisbane Airport retains favourable rating for quality of service for 14 years in a row.
- **International Airport Review Awards**
  Construction and Design Award for BNE's Runway Overlay Project.
- **National Australian Airports Association Awards**
  Brisbane Airport was the only airport in Australia to take out three award categories including:
  - Customer Experience – for BNE's Customer Experience Program.
  - Infrastructure Development – for BNE's Runway Overlay Project.
  - Technology (Major Airport) – for BNE's innovative TrackerAIRSIDE program.
- **Annual Australian Institute of Project Management (AIPM) Awards**
  - Queensland Construction/Engineering Project of the Year – Runway Overlay Project.
  - Queensland AIPM Program/Project Director of the Year – Robert Scodellaro.
- **3rd Future Travel Experience Asia Awards in Singapore**
  - Best Airport (Oceania region).
- **Lord Mayor's Business Awards**
  - HSBC Award for Doing Business in Asia.

THIRD QUARTER

January 2018: BAC appoints Gert-Jan de Graaff as the new CEO, leading BAC from June 2018.

January 2018: BNE achieves seven per cent year-on-year growth in international passengers – the largest increase in a decade.

March 2018: Queensland College of Art (QCA) student Michael Phillips wins a commission to create a 90m floor-to-ceiling art work for the expansion of BNE's International Terminal northern departures concourse.

March 2018: BNE hosts Routes Asia 2018 – the only route development event dedicated to the Asia-Pacific region. **(C)**

FOURTH QUARTER

April 2018: BNE's $135 million expansion of the northern International Terminal and Apron is officially opened by The Hon. Michael McCormack MP, Acting Prime Minister. **(D)**

June 2018: Twice-weekly Virgin Australia return services between Brisbane and Alice Springs commence.

June 2018: Gert-Jan de Graaff commences as BAC Chief Executive Officer.

June 2018: Malaysia Airlines commences non-stop flights between BNE and Kuala Lumpur.

June 2018: BAC creates Australia's first airport gigabit precinct.

C


D

FY19 AMBITIONS –
THE FUTURE IS NOW

BAC is always looking to the future, seeking opportunities and investments that will enable BNE to maximise its capacity potential and ensure strong economic and social growth for Brisbane and Queensland.

MAJOR PROJECTS CONTINUING TO PROGRESS INCLUDE:

BNE Auto Mall and Test Track, with more than $85 million invested in major earth and civil works.

$40 million redevelopment of the Domestic Terminal, which will deliver 50 new and refurbished retail offerings and an improved passenger experience.

$12.6 million check-in and bag drop upgrade, delivering 96 new self-service kiosks and 32 new automatic bag drops at the International Terminal.

Brisbane's new runway is in the final phase of completion, with the Dryandra Road Underpass and the majority of the Airfield works to be completed in FY19.

A new multi-storey car park for the International Terminal is currently in the public consultation period, with construction set to commence in the first half of 2019.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BAC Holdings Limited financial statements
for the year ended 30 June 2018

FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

The Directors present their report along with the consolidated financial report 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 2018.

1. Principal activities

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

2. Operating and financial review

	2018 $000	2017 $000
Revenue from ordinary activities	**776,535**	**679,703**
Operating expenses	**(204,859)**	**(175,559)**
Revenue from ordinary activities less operating expenses	**571,676**	**504,144**
Depreciation and amortisation	(116,597)	(108,674)
Impairment of property, plant and equipment	(710)	(638)
Finance costs	(111,702)	(114,658)
Operating results	**342,667**	**280,174**
Redeemable preference shares dividend	(59,149)	(55,481)
Change in fair value of investment property	15,093	(7,527)
Gain on derivatives not hedge accounted	30,267	37,506
Unrealised foreign exchange (loss)	-	(2)
Profit before income tax	**328,878**	**254,670**
Income tax expense	(98,732)	(74,202)
Profit for the year	**230,146**	**180,468**

The core underlying business grew strongly in the year ended 30 June 2018, which is reflected by a $96.8 million or 14.2% increase in total revenue from ordinary activities to $776.5 million on the prior year.

Revenue from aeronautical activities was $310.7 million, an increase of $49.1 million or 18.8%. This was due to growth in international and domestic passengers (up 2.4%) and pricing increases per aeronautical agreements.

Revenue from landside transport activities was $139.5 million, an increase of $8.8 million or 6.7%. This was contributed by passenger growth, high performance in ride sharing services, and the maximisation of car park occupancy and returns.

Investment property revenue was $101.7 million, an increase of $16.3 million or 19.0%. A key driver of the increase was due to an adjustment to straight-lined lease revenue by management. The remainder of the increase was due to new tenancies, higher turnover rent and annual rent increases.

Revenue from retail activities was $86.8 million, an increase of $4.3 million or 5.2%. The increase was as result of higher duty free and terminal retail activity.

DIRECTORS' REPORT

2. Operating and financial review (continued)

Total operating expenses were $204.9 million, an increase of 16.7%. Maintenance and contract services were $46.7 million, an increase of $3.0 million or 6.9%, resulting from additional maintenance on increased number of assets and terminal upgrades. Utilities were $40.1 million, an increase of $2.4 million or 6.4%, reflecting growth of the airport precinct and increased electricity prices.

Revenue from ordinary activities less operating expenses was $571.7 million, an increase of 13.4%.

The BAC Group's investment property portfolio recorded a valuation increment of $51.2 million (revaluation increase of 3.9% on the investment property value) compared to a revaluation decline of $7.5 million (revaluation decrease of 0.6% on the investment property value) in the prior year. As a result of the above-mentioned adjustment to straight-lined lease revenue, there was a decrease to the gain/(loss) on fair value of the investment property of $36.1 million, which included an adjustment for previous years' investment property lease incentives.

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 $342.7 million, an increase of $62.5 million from the prior year profit of $280.2 million.

Profit before income tax was $328.9 million (2017: $254.7 million), an increase of $74.2 million on the prior year. The key driver of this increase was an uplift in revenue in addition to favourable movement in fair value of derivatives.

The Company is in a net current liability position of $116.3 million at 30 June 2018 (2017: $265.4 million) which is fully covered by the undrawn bank facilities of $442.0 million (2017: $900.0 million).

3. Dividends

The redeemable preference shares dividend payable by BACH has been accrued in the financial statements ($47.0 million (2017: $55.5 million)). Dividends and distributions declared and paid by BACH during the current financial year were $155.0 million (2017: $7.6 million) which is made up of $136.0 million in ordinary share dividends and $19.0 million for a special distribution.

4. State of affairs

There were no significant changes in the state of affairs of the BAC Group during the year.

5. Events subsequent to reporting date

In the period between the end of the financial year and the date of this report, no item, transaction or event of a material or unusual nature has arisen that is likely to significantly affect the operations of the BAC Group, the results of those operations or the state of the affairs of the BAC Group, in future financial years.

6. Likely developments

The BAC Group will continue to pursue its objectives consistent with the Airport Master Plan and Business Plan.

DIRECTORS' REPORT

7. Directors

The Directors of BACH at any time during or since the end of the financial year are:

Name and qualifications	Experience, special responsibilities and other directorships
 DAVID PEEVER BEc, MSc (Mineral Economics) Chairman and Non-Executive Director **Date appointed:** 05/05/2017	David was appointed as Director and Chairman of the Board on 5 May 2017. He is currently Chairman of Cricket Australia and the World Twenty20 2020 Ltd and a Director of the International Cricket Council. David is a Non-Executive Director of the Australian Foundation Investment Company, Naval Group and a member of the Foreign Investment Review Board. Until July 2017, he chaired 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. 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.
 JULIEANNE ALROE BEc, GAICD CEO & Managing Director **Date appointed:** 01/07/2009 **Date resigned:** 18/06/2018	Julieanne was appointed to the position of CEO & Managing Director at Brisbane Airport Corporation Pty Limited in July 2009 and resigned as a Director on 18 June 2018. Julieanne currently holds board positions with Infrastructure Australia Board (Chair), Tourism and Events Queensland (Deputy Chair) and is a member of The University of Queensland Senate. She is also a Member of the Council of Governors of the American Chamber of Commerce Qld, Urban Futures Brisbane, is the Inaugural President of the Queensland Futures Institute, a member of the Brisbane Infrastructure Council (BIC) and a member of the Queensland Climate Advisory Council (QCAC). Prior to her appointment as CEO & Managing Director, Julieanne developed extensive experience within the aviation industry after holding a number of roles at Sydney Airport Corporation. These roles included executive management positions in the commercial, operations, corporate affairs, and planning and infrastructure departments. Previous board appointments include the position of Chairman of Airports Coordination Australia Ltd and Airports Council International Safety and Technical Standing Committee. She was also a Board member of The Queensland Theatre Company, Australia Trade Coast Ltd and the International Grammar School Sydney. Julieanne has a Bachelor of Economics from The University of Queensland and was granted the Doctor of the Griffith University (honoris causa) in December 2016. She also is a Graduate of the Australian Institute of Company Directors.

DIRECTORS' REPORT

7. Directors (continued)

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

PAUL DESOUZA
BCom, BBus(Acc)(Hons), CA

Non-Executive Director

Date 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). 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.

Paul is a member of Chartered Accountants Australia and New Zealand, holds a Bachelor of Commerce from The University of Queensland and a Bachelor of Business Accountancy (Honours) from the Queensland University of Technology.

Paul is Chairman of the Finance, Audit and Risk Management ('FARM') Committee.

CHRIS FREEMAN AM,
BCom, FAICD, FFin, FDIA

Non-Executive Director

Date 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 and Member Brisbane City Council Urban Futures Board, and is a 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 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. He holds a Bachelor of Commerce from The University of Queensland and has completed advanced management programs at the University of Hawai'i, INSEAD in France and Mt Eliza Staff College. 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.

Chris is Chairman of the Property Committee and a member of the Human Resources and Remuneration ('HRR') Committee.

DIRECTORS' REPORT

7. Directors (continued)

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

BELINDA GIBSON
BEc, LLB,
LLM, FAICD, FGIA

Non-Executive Director

Date appointed: 05/05/2017

Belinda is a non-executive director of Citigroup Australian retail bank, Ausgrid (representing the NSW State interests in the Ausgrid partnership) and Thorn Group Ltd.

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 past director of AirServices Australia, the air traffic control agency. She also provided legal advice to major airlines for many years.

She is a Trustee of the Australian Museum and of its affiliate, the Lizard Island Reef Research Foundation.

She has a Bachelor of Economics and of Laws from the University of Sydney and a Master of Law from The University of Cambridge. She is a fellow of the Australian Institute of Company Directors and a fellow of the Governance Institute of Australia.

Belinda is a member of the HRR Committee.

CHRIS MCARTHUR
BE, MBA, FAICD

Non-Executive Director

Alternate Director for
John Ward

Date appointed as Director:
25/11/2008

Date appointed as Alternate Director for John Ward:
07/12/2007

Chris is the Head of Asset Management, Australia and Partner, Infrastructure Investments, with 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 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 and former Director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd.

Chris has a Bachelor of Engineering from the University of Melbourne where he also holds an MBA from the Melbourne Business School. He is a Fellow of the Australian Institute of Company Directors.

In addition to being a Director of the BAC Group, Chris is also an Alternate Director for John Ward. Chris is Chairman of the HRR Committee and a member of the FARM Committee.

JOS NIJHUIS

Non-Executive Director

Date appointed: 01/01/2015

Having joined Royal Schiphol Group as a board member in 2008, Jos was appointed President & CEO from 1 January 2009 until 1 May 2018. He is a Non-Executive member of the board of directors of Groupe ADP (Aéroports de Paris). Jos started his career as an accountant and worked for many years (1980-2008) at PricewaterhouseCoopers in various management capacities, most recently as CEO and Chairman of the Board of Management.

He is a member of the Supervisory Board of Okura Hotel Amsterdam B.V. He is co-Chairman of the Cyber Security Council and Jos is also active in the social sector as a member of the Dutch National Opera and Ballet Board of Governors.

DIRECTORS' REPORT

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
 MICHAEL THOMPSON BCom Non-Executive Director **Date appointed:** 23/11/2016	Michael is an Executive Director of Infrastructure for IFM Investors. He is responsible for sourcing, evaluating and executing Australian and international infrastructure investments, and managing existing investments within the Australian infrastructure portfolio. Michael was seconded to IFM Investors' New York office in August 2008 and returned to the Melbourne office in December 2011. Prior to joining IFM Investors which he joined in February 2008, Michael was Director and Head of Energy Mergers & Acquisitions in the corporate advisory division of PwC. Previously, Michael was a Director in the Specialised Capital Group at Westpac, where he originated and executed equity investments in the energy and infrastructure sectors. He has also held senior energy and infrastructure investment banking roles at Citigroup and Merrill Lynch. Michael holds a Bachelor of Commerce from the University of Melbourne. Michael is a member of the FARM Committee and Property Committee.
 JOHN WARD BSc, FIML, FAICD, FCILT, FRAeS Non-Executive Director **Date 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 Limited, 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.
 TONY HARRINGTON AM, FCA, SFFin Alternate Director for Jos Nijhuis **Date appointed:** 01/01/2017	Mr Harrington has a distinguished career in financial and professional services, with over 35 years of business and strategic leadership experience, in Australia and internationally. Most recently, Mr Harrington 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 at PwC and was a member of the PwC Global Executive Leadership Team. From 2000 to 2008, Mr Harrington 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, Mr Harrington was Deputy Chairman of the Firm and National Managing Partner of Taxation Services. Mr Harrington holds a Bachelor of Commerce from the University of New South Wales. He is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of FINSIA and Chairman of The Australian Charities Fund. He was appointed a Member of the Order of Australia (AM) in 2011 in recognition of his charitable work.

DIRECTORS' REPORT

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
 ROSS ISRAEL BCom, LLB, SFFin Alternate Director for Paul DeSouza **Date appointed as Alternate Director for Paul DeSouza:** 26/06/2017	Ross co-founded QIC Global Infrastructure in early 2006. Ross provides overall leadership to the team which currently manages 12 direct investments out of offices in Brisbane, Sydney, Melbourne, New York and London. He has had oversight on all of the team's investments. Ross is a member of QIC's Executive Committee and the QIC Global Infrastructure Investment Committee. Ross has over 27 years of experience in the field of corporate finance and funds management with specialist skills in infrastructure, asset management, capital raisings and M&A. Prior to QIC, Ross was with AMP Capital from 2000 to 2005. He co-led the AMP team responsible for the creation of the Diversified Utility and Energy Trusts ('DUET'), after which he was seconded into the management joint venture between AMP Capital and Macquarie Bank established prior to DUET's listing on the ASX in August 2004. He was DUET's Chief Operating Officer until his departure to QIC. Prior to joining AMP Capital, Ross worked for ABN AMRO and BZW in their Australian Infrastructure Corporate Advisory and London M&A teams, and with Ernst & Young in their Sydney Corporate Tax division. Ross is currently a Director of Lochard Energy and an Alternate Director of Brisbane Airport Corporation and Port of Brisbane. Ross holds a Bachelor of Commerce and Bachelor of Law from The University of Queensland.
 KIRSTEN WHITEHEAD BCom/LLB (Hons), GDLP Alternate Director for Belinda Gibson **Date appointed as Alternate Director for Belinda Gibson:** 22/05/2017	Kirsten joined QIC in early 2010 and is currently responsible for portfolio management for QIC Global Infrastructure's separately managed accounts and large co-investors. Her role is focused on infrastructure investment management, investment structuring, associated portfolio construction, managing client mandate requirements and asset management. Kirsten is also a member of the QIC Global Infrastructure Asset and Investment Management Committee. 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 had a long standing involvement in the management of QIC's investment in Brisbane Airport. 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. Kirsten holds a Bachelor of Commerce/Bachelor of Laws (Honours) from The University of Queensland and a Graduate Diploma of Legal Practice from the College of Law, New South Wales.

DIRECTORS' REPORT

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
 **ALAN WU** **MCom, CFA, GAICD** Alternate Director for Chris McArthur **Date 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. Alan holds a Master of Commerce (Funds Management) from the University of New South Wales, and a Bachelor of Commerce (Accounting and Finance) from the same university. He is a CFA charter holder and a graduate member of the Australian Institute of Company Directors.

8. Company Secretary

 **ADAM STOKER MTax, LLB (Hons), BMedSc, AGIA, MAICD** Group Company Secretary **Date appointed: 23/12/2017**	Adam was appointed Group Company Secretary of the BAC Group in December 2017, and is responsible for all company secretarial matters. Adam is Acting General Counsel (appointed July 2017) and prior to that was Senior Legal Counsel managing the delivery of legal service and solutions across the business as well as providing support in relation to company secretarial and governance related duties (appointed August 2016). Before commencing with Brisbane Airport, Adam was Corporate Counsel at a global mining company, where he delivered legal services across several business units in Australia, New Zealand and Singapore. Since 1 July 2013, he has been Vice Chairman of the Building and Construction Industry (Portable Long Service Leave) Authority which manages funds for long service leave payments to be made to eligible workers in the building and construction industry. From 1 January 2015 until 31 March 2018, Adam was a Director of the Board of Professional Engineers Queensland, responsible for managing and regulating persons providing professional engineering services in Queensland.

Gregory Seeto was Group Company Secretary of the BAC Group from July 2017 to December 2017. Sarah Thornton was Group Company Secretary prior to July 2017.

DIRECTORS' REPORT

9. Directors' meetings

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

Director	Board meetings		FARM C'tee meetings		HRR C'tee meetings		Property C'tee meetings		Board Sub-C'tee meetings		SHA* Transaction C'tee meetings		FY19 Debt C'tee meetings[1]	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
D Peever (Director and Chairman of the Board)	16	17	1#	-	3#	-	-	-	-	-	1	1	-	-
J Alroe (CEO & Managing Director until 18 June 2018)	15	16	3#	-	1#	-	4#	-	1	1	1	1	-	-
P DeSouza	17	17	5	5	1#	-	1#	-	1	1	1	1	-	-
C Freeman	17	17	5#	-	2	3	4	4	-	-	-	-	-	-
B Gibson	17	17	3#	-	3	3	-	-	-	-	1#	-	-	-
C McArthur (Director and also Alternate Director for J Ward)	11	17	5	5	3	3	-	-	-	-	1	1	-	-
J Nijhuis	5	17	1#	-	-	-	-	-	-	-	-	-	-	-
M Thompson	17	17	4	5	-	-	4	4	1	1	-	-	-	-
J Ward	17	17	5	5	-	-	-	-	-	-	-	-	-	-
T Harrington (Alternate Director for J Nijhuis)	12	17	3#	-	1#	-	-	-	-	-	1#	-	-	-
R Israel (Alternate Director for P DeSouza)	-	17	-	-	-	-	-	-	-	-	-	-	-	-
K Whitehead (Alternate Director for B Gibson)	-	17	-	-	-	-	-	-	-	-	-	-	-	-
A Wu (Alternate Director for C McArthur)	6	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.
* Shareholder Agreement
# Attended the relevant committee meeting as an invitee.

If any Circulating Written Resolutions of Directors are made during the year pursuant to rule 20.17 of the Constitution, these are included in the number of Board meetings held and attended. Rule 20.17 states that such a resolution is 'as valid and effectual as if it had been passed at a duly convened meeting of the Board'. Six Circulating Written Resolutions were made in the 2018 financial year.

[1] The FY19 Debt Committee was formed on 29 June 2018 and no meetings were held in the 2018 financial year.

DIRECTORS' REPORT

10. Indemnification

BACH on behalf of itself and its subsidiaries (including BAC) has entered into Deeds of Indemnity, Insurance and Access ('Deeds') with each Director, Alternate Director and Company Secretary and certain BAC senior managers ('Officers') and BAC has entered into a Deed of Indemnity, Insurance and Access with the CEO, Gert-Jan de Graaff.

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.

11. Insurance

During the year, the BAC Group has 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.

12. Environmental regulation

The operations of BAC are subject to a range of both Commonwealth and State legislation. Primary environmental compliance is governed by the Airports Act 1996 (Cth) and associated Airports Regulations 1997 and the Airports (Environment Protection) Regulations 1997 (Cth). The latter legislation specifically addresses issues of soil, air, water, preservation of habitat and excessive noise, but excludes gaseous emissions or noise from aircraft. Governance of environmental issues not specifically dealt with by the Commonwealth legislation reverts to the appropriate State legislation and local government by-laws. Locally, the Airport Environment Officer ('AEO'), appointed by the Department of Infrastructure, Regional Development and Cities ('DIRDC'), is responsible for administering the Airports (Environment Protection) Regulations 1997 (Cth).

The 2018 financial year also saw increased media and regulator attention towards per- and polyfluoroalkyl substances ('PFAS') used by aviation related tenants and Airservices Australia at Brisbane Airport, following a loss of containment of aqueous film forming foam fire retardant from Qantas Hangar 3 on Monday, 10 April 2017. BAC has continued to take all reasonable and practicable measures to comply with its general environmental duty to avoid and/or minimise pollution. BAC has also continued to exercise 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 environmental regulations to which BAC is subject.

13. Non-audit services

During the year, Deloitte Touche Tohmatsu ('Deloitte'), the BAC Group's auditor, performed certain other services in addition to their statutory duties.

The Board considered the non-audit services provided during the year 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 the year are set out in note 2.4 to the financial statements.

14. Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 92 of the 2018 Annual Report and forms part of the Directors' Report for year ended 30 June 2018.

15. Rounding off

BACH is an entity of a kind referred to in Australian Securities and Investments Commission (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 28 September 2018 in accordance with a resolution of the Directors.

David Peever
Director

CORPORATE GOVERNANCE STATEMENT

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 of the BAC Group are committed to embracing good corporate governance policies, practices and procedures. Fundamentally, the BAC Group believes good corporate governance is based on a strong organisational culture underpinned by shared principles and values.

The Board and management acknowledge that there are a number of models for good corporate governance, each of which has some principles of commonality, with other areas tailored for varying corporate structures, legal jurisdictions and local conditions. In Australia, these models include:

- the Australian Securities Exchange ('ASX') Corporate Governance Council 'Corporate Governance Principles and Recommendations' (3rd Edition);
- Investment and Financial Services Association Limited ('IFSA') 'Blue Book: Corporate Governance – a Guide for Fund Managers and Corporations';
- the Governance Institute of Australia 'The Guidelines: Whole-of-organisation governance' (October 2015); and
- the Corporate Governance Standards issued by Standards Australia.

The Board has considered each model and, having regard to BACH not being an ASX listed company, adopted a number of key common aspects consistent with the BAC Group's particular circumstances and overarching governance documents – each BAC Group Constitution and the BACH Shareholders' Agreement.

This statement outlines the main corporate governance practices that were in place during the 2018 financial year.

(a) Board of Directors

Role of the Board

The Board is responsible for the overall corporate governance of the BAC Group including participation in charting its strategic direction, objective 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 CEO. The Board has also established a risk management framework including a system of internal control, a business risk management process and a delegation 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 Board Code of Conduct.

The BAC Group has written agreements in place with each Director and senior manager setting out the terms of their appointment. New Directors participate in a comprehensive induction program and all Directors participate in various ongoing professional development activities. The Company Secretary also has a dual line of reporting to the Board and the CEO.

Size and composition of the Board

The BACH Constitution, the BACH Shareholders' Agreement and the Board Charter determine the number of Directors on and composition of the Board, including that there must be not less than three and no more than nine Directors (excluding Alternate Directors) (or one additional Director if the CEO is appointed as a Managing Director). Currently, there are eight Non-Executive Directors, including the Chairman.

A Director may from time to time appoint an Alternate Director by giving notice in writing in the prescribed form. At the date of this statement, five Alternate Directors are appointed.

The names of the Directors and Alternate Directors of the BAC Group in office at the date of this statement are set out in the Directors' Report.

Key meeting protocols

Resolutions at Board meetings are generally decided by a simple majority of votes cast by Directors, with each Director entitled to cast one vote.

A quorum for Board meetings is at least one Director (or Alternate Director) representing each Shareholder or Pooling Group that has nominated a Director, unless the requirement is waived in writing by all Directors or waived in writing by an individual Director in respect of a meeting or meetings. The Chief Financial Officer is invited to the meetings at the discretion of the Board.

CORPORATE GOVERNANCE STATEMENT

(a) Board of Directors (continued)

The Board generally holds eight scheduled meetings each year, plus a 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), if required.

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

- Finance, Audit and Risk Management ('FARM') Committee;
- Human Resources and Remuneration ('HRR') Committee; and
- Property Committee.

The Board also establishes various committees as the needs of the business require and as described in items (e) to (g) below.

The Board has established a risk management framework for the BAC Group including a system of internal control, and a business risk management process.

Board performance assessment

During the 2018 financial year, the Board undertook a board evaluation that was facilitated by an external independent specialist organisation. A detailed report was provided which commented on the system of governance and the depth and broad range of skills amongst Directors, prioritisation of strategic matters and management succession. Board improvement opportunities included prioritisation of the Board's long term agenda, Board management alignment, succession planning and recognition of the challenge of Board member roles and shareholder perspectives.

(b) FARM Committee

The Board has established the FARM Committee, the composition, role and responsibilities of which are governed by a Charter.

The role of the Committee includes monitoring the established framework of internal control and risk management for the BAC Group and reviewing any changes to or improvements of that framework. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies, or for inclusion in the financial report.

The overall objective of the Committee is to assist the Board to discharge its corporate governance responsibilities to exercise due care, diligence and skill in relation to the BAC Group's:

- reporting of financial information to users of financial reports;
- application of accounting policies;
- financial management;
- internal control system;
- financial policies and practices;
- compliance systems and oversight; and
- monitoring and control of risk management systems.

The Board has an External Audit Policy which covers:

- appointment, removal and rotation of the external auditor;
- performance of the external auditor;
- external auditor independence;
- provision of non-audit related services;
- responsibility of the external auditor; and
- audit delivery and reporting.

Both the BAC Group and its external auditor comply with the requirements of the Corporations Act 2001 (Cth) and APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

The external auditor, Deloitte, has declared its independence to the Board. The FARM Committee has examined material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues were fully complied with.

The following processes have also been implemented to further reinforce control of external auditor independence:

- the external auditor is to provide the BAC Group with annual independence declarations;
- the FARM Committee's Charter specifically makes reference to its role in establishing and monitoring external auditor independence; and
- the Finance Department Quarterly Compliance Report includes a specific declaration regarding external auditor independence.

CORPORATE GOVERNANCE STATEMENT

(c) HRR Committee

The BAC Board established the HRR Committee, the composition, role and responsibilities of which are governed by a Charter.

The Committee's role is to undertake appropriate activities to enable it to recommend to the Board, and thereafter monitor and report to the Board, on the following:

Board and Board committees:

- the aggregate level of Board remuneration for Non-Executive Directors and fees for membership of any Board committees;
- the level of individual Directors' Board remuneration and committee fees by category of directorship or membership respectively; and
- professional training and development for Non-Executive Directors.

Management and staff:

- CEO remuneration benchmarking, Key Performance Indicators ('KPI') performance and assessment;
- staff remuneration design, policies and practices (including short, medium and long term incentive and bonus arrangements) in line with market conditions, industry standards and legal obligations;
- performance review and performance management systems;
- staff development policies and practices;
- management succession planning at the senior level and other business critical roles;
- work health and safety ('WHS') planning and compliance, consistent with the FARM Committee's overarching responsibility for oversight of key risk management and compliance matters;
- management systems to ensure compliance with various regulatory requirements in respect of human resources management; and
- provision of advice on any other human resource or remuneration matters referred to the Committee by the Board.

(d) Property Committee

The BAC Board established the Property Committee, the composition, role and responsibilities of which are governed by a Charter.

The Committee's key objectives are to:

- enable greater Director focus on BAC's property business generally;
- consider alternative funding options for property development; and
- provide management with timely feedback and guidance on major property proposals.

(e) Shareholder Agreement Transaction Committee

The BAC Group Board established the Shareholder Agreement Transaction Committee for the purpose of assisting the Board to finalise amendments to the Shareholders' Agreement and buyback and cancellation of Performance Shares.

The Committee ceased on 23 May 2018, following execution of documents that gave effect to amendments to the Shareholders' Agreement that become effective on 25 June 2018.

(f) Board Sub-Committee

The BAC Group Board established a Board Sub-Committee for the purpose of reviewing and approving the release of BAC's Euro Medium Term Note ('EMTN') Programme for listing on the Singapore Exchange ('SGX') and release to investors of documentation and delegated approval in relation to pricing and tenor of new FY18 debt raisings.

The Committee's function ceased on 30 June 2018 as its mandate related to FY18 financing activities only.

(g) FY19 Debt Committee

The BAC Board established the FY19 Debt Committee for the purpose of approving the final form of the updated EMTN Offering Circular for the EMTN Programme update, the release of the updated EMTN Offering Circular to the SGX in connection with the relisting of BAC's EMTN Programme, and delegated approval in relation to changes to volume, tenor and margin limit of new debt raisings.

CORPORATE GOVERNANCE STATEMENT

(h) Shareholder relations

The Board has approved a Shareholder Investor Relations Policy, the purposes of which are to promote and enhance:

- effective and clear communications with shareholders;
- regular and timely updates on business performance;
- balanced information sharing across the shareholder group;
- access to key corporate documents;
- access to balanced and readily understandable information about key corporate proposals;
- a disciplined, professional approach to the flow of information from the BAC Group to shareholders at all times; and
- the use of appropriate channels of effective two-way communications at all levels.

The policy sets out a series of scheduled communication with shareholders, as well as materiality threshold for notifications to shareholders.

(i) Risk management

Financial control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has established an internal control framework that can be generally described as follows:

- financial and management reporting – there is a comprehensive budgeting system with an annual budget and five year Business Plan approved by the Board. Actual results are reported against budget and revised forecasts for the year are prepared regularly. BACH and BAC report to equity and debt holders on a quarterly basis;
- quality and integrity of personnel – BAC's standards in respect of values and expectations of employees and contractors are clearly defined, including through induction programs. Formal appraisals are conducted at least annually for all employees;
- operating unit controls – the BAC Group adopts financial controls and procedures including information system controls;
- functional speciality reporting – the BAC Group prepares Board information papers as required on various issues which arise in the course of operations in addition to Board requested information;
- investment appraisal – the BAC Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures and levels of authority;
- BAC has established the Confidential Reporting Policy to encourage Directors, management, other employees, contractors and suppliers who have witnessed, or know about, any misconduct to report it to the Corporate Risk and Compliance Manager. The policy sets out how BAC will respond to, and investigate reports of, misconduct, and outlines the protections available to those who lodge a report in good faith; and
- BAC also has a separate Fraud and Corruption Control Policy that sets out the procedures for the investigation of reports of fraudulent or corrupt conduct that are made under the Confidential Reporting Policy.

Each year, the CEO and Chief Financial Officer provide a Management Representation Letter to the BAC Group's external auditors and formally provide sign-off to the Board addressing matters such as internal control, compliance with accounting standards, asset values, liabilities, related party transactions and contingencies. In addition, Management provides a Quarterly Risk and Compliance Report to the Board which reports on compliance, incidents and enterprise risk management matters and relevant management actions or controls. The BAC Group's external auditor also attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit.

Business risk management

The BAC Group has established a system of risk oversight and management that encompasses the culture, processes and structures that are directed towards identifying, assessing and managing risks that could have a material impact on the business. To this end, the BAC Group has formal Board policies on risk management and legal compliance, with the objective of these programs being to provide management with the guidelines and framework consistent with the respective Australian Standard AS/NZS ISO 31000:2009 'Risk management – Principles and guidelines' and compliance framework through AS ISO 19600:2015 'Compliance management systems – Guidelines'. The BAC Group continues to facilitate and encourage a culture of appropriate risk management and compliance amongst its staff.

Further, sound risk management practice underpins the BAC Group's planning and decision making. As such, the BAC Group has established a Compliance and Risk Management Committee which has been chaired by the Corporate Risk and Compliance Manager, to oversee the integration and application of risk management principles across the operations of the business.

CORPORATE GOVERNANCE STATEMENT

(i) Risk management (continued)

In particular, the BAC Group has adopted a multi-faceted approach which reflects the current nature of its business activities. This comprises generalised and specific risk management initiatives including:

- enterprise-wide strategic risk identification, evaluation and treatment;
- major project risk identification, evaluation and treatment;
- significant contract risk assessments;
- regulatory compliance;
- WHS management systems (see further details later in this statement); and
- environmental risk program.

Risk analysis is also embedded in the BAC Group's annual business planning process and Board strategy workshop. During the year, Management reported to the Board as to the effectiveness of the BAC Group's management of its material business risks and the Board satisfied itself that these material business risks are being managed effectively.

Internal audit

The BAC Group has a Board approved Internal Audit Policy and a three year Internal Audit program in place, which considers emerging risks and is integrated with risk management, compliance and the external statutory audit. The Internal Audit program includes a series of risk-based and routine reviews based on an annual plan agreed with management and the FARM Committee, with the objective of providing assurance to the Board on the adequacy of the BAC Group's risk framework and the completeness and accuracy of risk reporting by management. The Internal Audit program is delivered under an outsourced arrangement by an external internal audit service provider.

Financial reporting

The CEO and the Chief Financial Officer have provided a written statement to the Board that:

- in their view, the BAC Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the BAC Group risk management and internal compliance and control system is operating effectively in all material respects.

Monthly results are reported against the budget approved by the Board and revised forecasts for the year are prepared regularly.

(j) Environmental management

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 2014 Master Plan and AES on 13 January 2015. The AES continues to set the strategic direction for environmental management and sustainability until the end of 2019. The range of the environmental legislation which applies to Brisbane Airport is identified throughout the document.

Environmental performance

The AES outlines a range of action items to demonstrate compliance with the Airports Regulations 1997 (Cth) and the Airports (Environment Protection) Regulations 1997 (Cth). The most significant includes the ongoing management of its Environmental Management System consistent with ISO 14001:2015 'Environmental management systems' and accreditation under the Airports Council International Airport Carbon Accreditation program.

Environmental compliance

Compliance is overseen by a range of regulatory and self-monitoring initiatives. BAC's performance against the implementation of the commitments in the AES has been, and will continue to be, reviewed on a regular basis in consultative meetings with the AEO and annually in the Annual Environment Report to DIRDC. BAC maintains registers and records pursuant to the Airports Act and Regulations.

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.

Major developments

All large development projects on airport are assessed against the Airports Act requirements for a Major Development Plan ('MDP'). When triggered, BAC must submit an MDP for the approval of the DIRDC Minister. The MDP process includes an automatic referral from the DIRDC Minister to the Environment Minister under section 160 of the Environment Protection and Biodiversity Conservation Act 1999 (Cth) ('EPBC Act') for determination of the environmental assessment process and to provide advice on environmental matters back to the DIRDC Minister.

CORPORATE GOVERNANCE STATEMENT

(j) Environmental management (continued)

Typically, the Environment Minister will accredit the Airports Act MDP process as the appropriate assessment vehicle for a major development but may decide an alternative assessment, as provided for in the EPBC Act, is appropriate. All MDPs must contain an assessment of the environmental impacts of the project and detail plans for addressing the impacts. All MDPs, prior to submission, are subject to a mandatory 60 business day public comment period.

Sustainability

To embed sustainability into the BAC Group's culture, a dedicated sustainability section was included in the 2014 BAC Airport Master Plan within the AES. In 2016, BAC also prepared a Corporate Sustainability Strategy ('CSS') and is currently implementing the actions within the CSS. The CSS and sustainability section of the AES outline specific initiatives and projects with the aim to make BAC recognised as a leader in sustainability in Queensland.

New parallel runway

The new parallel runway ('NPR') received Commonwealth and Queensland Government approval in late 2007, and is needed to address the continuing growth in air travel through Brisbane Airport. This growth is expected to exceed peak hour capacity of the airport's current runway system in the busy periods of the day.

Phase 1 (site clearing, drainage works, dredging and reclamation of the NPR footprint) was successfully completed in June 2015. Phase 2 Engineering Design is complete. Status of the various Phase 2 construction contracts is:

- seawall and site access road – complete;
- Dryandra Road underpass – contract awarded January 2017. Works on schedule and the underpass will open to the public in late September 2018; and
- airfield works – contract awarded June 2017. Works are proceeding well with pavement construction underway. Contract completion is on schedule for May 2020.

Following completion of all commissioning and operational readiness and testing by BAC the new runway is expected to be operational by September 2020.

(k) Work health and safety

Overview

The business is subject to State legislation in the WHS field. WHS compliance is primarily governed by the Work Health and Safety Act 2011 (Qld) and the associated Work Health and Safety Regulation 2011 (Qld). This legislation provides a range of 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 such as the Electrical Safety Act 2002 (Qld) (and its associated Regulation) as well as various other 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.

Work health and safety 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 six months and a full re-accreditation audit conducted every three years in order to retain accreditation. BAC was successful in the surveillance audit undertaken during the 2018 financial year.

The compliance framework forms the basis of a holistic methodology to health and safety driven by the Board and senior management and is underpinned by a cooperative, consultative approach by all relevant parties (including employees, contractors and tenants) to managing WHS risks arising out of BAC's business activities. This, combined with ongoing reviews of BAC's WHS performance against measureable objectives and targets, ensures that "due diligence" is exercised in the management of WHS risks.

CORPORATE GOVERNANCE STATEMENT

(l) 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 Bullying, Harassment and Unlawful Discrimination Policy which was reviewed in early 2017 and the Diversity and Inclusion Policy which was reviewed in 2018. These policies:

- provide guidance for the development and 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 also includes origin, age, race, cultural heritage, lifestyle, education, physical ability, appearance, language and other factors;
- require the establishment of clear measurements and reporting to management, the Board and the HRR Committee;
- encourage the adoption of diversity and inclusion strategies and incorporate flexible approaches to the individual needs of the workforce; and
- prohibit any form of bullying, harassment or unlawful discrimination.

Diversity compliance

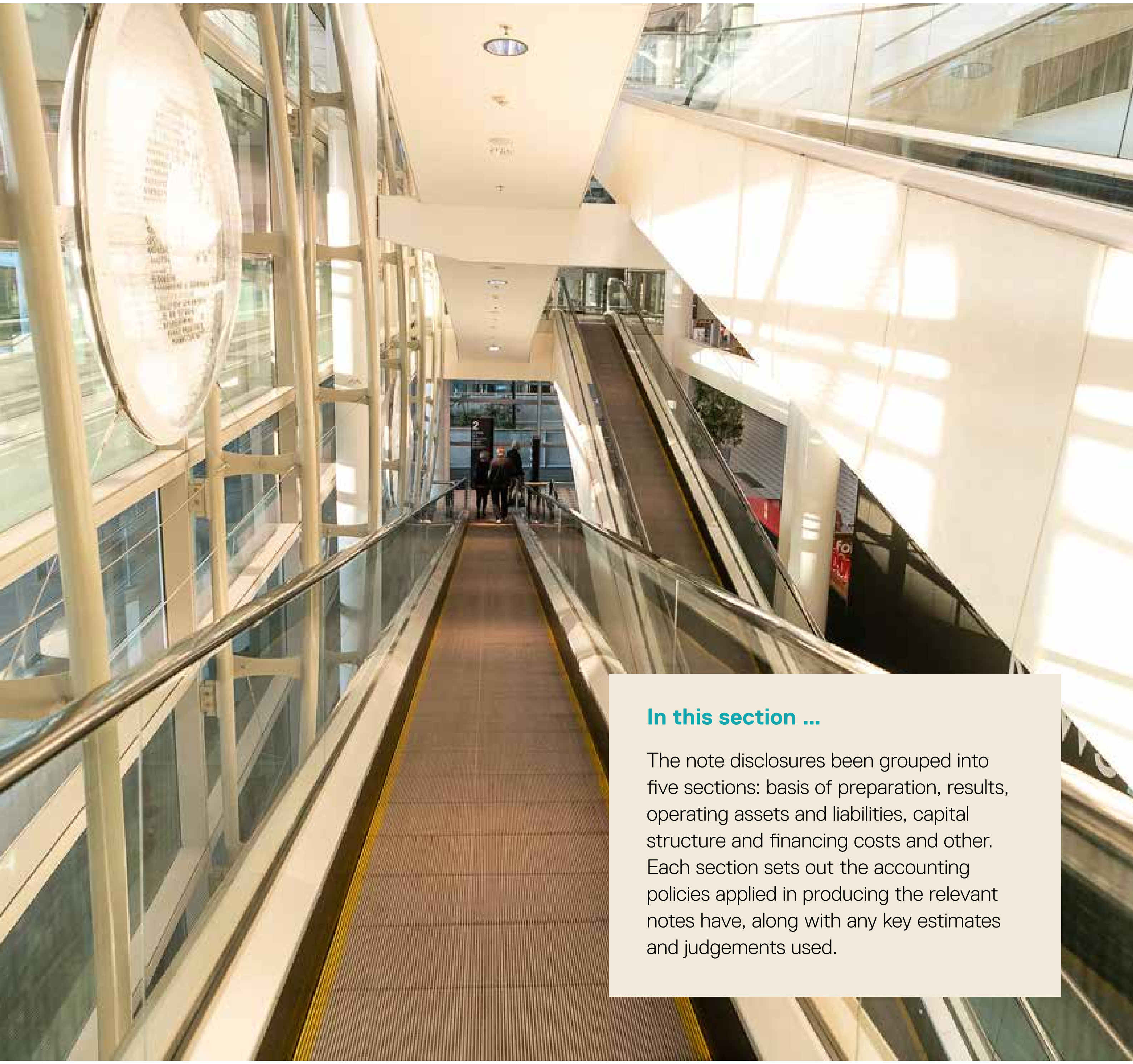
Compliance in this area is in accordance with a number of pieces of legislation (including the Anti-Discrimination Act 1991 (Qld) and the Workplace Gender Equality Act 2012 (Cth)). In terms of gender diversity in the BAC Group's senior leadership positions, during the 2018 financial year there were:

- either one or two women Directors on the Board of eight or nine Directors; and
- either two or three women senior managers on the nine or 10 member senior management team.

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.

FINANCIAL STATEMENTS

30 June 2018



In this section ...

The note disclosures 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 have, along with any key estimates and judgements used.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $000	2017 $000
Revenue from ordinary activities			
Aeronautical		310,650	261,591
Landside transport		139,499	130,739
Investment property		101,666	85,408
Retail		86,817	82,529
Operating property		48,769	45,679
Government mandated security		37,807	27,230
Interest		4,010	3,894
Other		47,317	42,633
Total revenue from ordinary activities		**776,535**	**679,703**
Operating expenses			
Maintenance and contract services		(46,671)	(43,655)
Staff		(43,025)	(39,317)
Utilities		(40,071)	(37,676)
Corporate and administration		(37,285)	(27,681)
Government mandated security		(37,807)	(27,230)
Total operating expenses		**(204,859)**	**(175,559)**
Revenue from ordinary activities less operating expenses		**571,676**	**504,144**
Depreciation and amortisation		(116,597)	(108,674)
Impairment of property, plant and equipment		(710)	(638)
Finance costs		(111,702)	(114,658)
Operating results		**342,667**	**280,174**
Redeemable preference shares dividend		(59,149)	(55,481)
Change in fair value of investment property	3.6	15,093	(7,527)
Change in fair value of derivatives		30,267	37,506
Unrealised foreign exchange loss		-	(2)
Profit before income tax		**328,878**	**254,670**
Income tax expense	2.5	(98,732)	(74,202)
Profit for the year		**230,146**	**180,468**
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gain, net of tax		260	1,688
Items that may be reclassified subsequently to profit or loss			
Hedge reserve, net of tax		(27,743)	21,668
Total other comprehensive income		**(27,483)**	**23,356**
Total comprehensive income		**202,663**	**203,824**

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 2018

	Note	2018 $000	2017 $000
Current assets			
Cash	3.1	113,185	94,741
Trade receivables and other	3.2	86,061	69,615
Inventories		1,258	1,014
Total current assets		**200,504**	**165,370**
Non-current assets			
Trade receivables and other	3.2	34,287	63,484
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	3,283,198	3,021,477
Investment property	3.6	1,381,193	1,286,828
Derivative instruments	4.3(d)	187,541	192,019
Total non-current assets		**5,709,233**	**5,386,822**
Total assets		**5,909,737**	**5,552,192**
Current liabilities			
Trade payables and other	3.8	170,343	129,133
Interest-bearing liabilities and borrowings	4.1	127,832	299,829
Current tax payable		18,616	1,814
Total current liabilities		**316,791**	**430,776**
Non-current liabilities			
Interest-bearing liabilities and borrowings	4.1	3,194,274	2,648,095
Deferred tax liabilities	2.6	537,080	509,204
Derivative instruments	4.3(d)	303,036	319,529
Other liabilities	3.10	9,758	143,453
Total non-current liabilities		**4,044,148**	**3,620,281**
Total liabilities		**4,360,939**	**4,051,057**
Net assets		**1,548,798**	**1,501,135**
Equity			
Issued capital		78,388	78,388
Reserves		(147,615)	(120,132)
Retained earnings		1,618,025	1,542,879
Total equity		**1,548,798**	**1,501,135**

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 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Cash receipts from customers		818,847	732,853
Payments to suppliers and employees		(280,249)	(224,500)
Cash generated from operations		**538,598**	**508,353**
Interest paid		(160,479)	(155,880)
Interest received		3,906	3,781
Income taxes paid		(42,274)	(37,548)
Net cash from operating activities	3.1	**339,751**	**318,706**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		51	302
Acquisitions of property, plant and equipment		(311,042)	(203,639)
Acquisitions of investment property		(39,994)	(36,319)
Net cash used in investing activities		**(350,985)**	**(239,656)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities and borrowings		995,341	460,664
Repayments of interest-bearing liabilities and borrowings		(645,000)	(470,000)
Repayments of finance leases		(145)	-
Redeemable preference share dividend paid		(165,518)	-
Dividends paid		(155,000)	(7,647)
Net cash generated from/(used in) financing activities		**29,678**	**(16,983)**
Net increase in cash held		**18,444**	**62,067**
Cash and cash equivalents at 1 July		94,741	32,674
Cash and cash equivalents at 30 June	3.1	**113,185**	**94,741**

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 2018

	Issued capital $000	Defined benefit superannuation fund deficit reserve $000	Hedge reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2017	**78,388**	**(906)**	**(119,226)**	**1,542,879**	**1,501,135**
Profit for the year	-	-	-	230,146	230,146
Other comprehensive income					
Defined benefit superannuation fund actuarial gain, net of tax	-	260	-	-	260
Hedge reserve, net of tax	-	-	(27,743)	-	(27,743)
Total other comprehensive income	**-**	**260**	**(27,743)**	**-**	**(27,483)**
Total comprehensive income	**-**	**260**	**(27,743)**	**230,146**	**202,663**
Dividends and distributions	-	-	-	(155,000)	(155,000)
Balance at 30 June 2018	**78,388**	**(646)**	**(146,969)**	**1,618,025**	**1,548,798**

	Issued capital $000	Defined benefit superannuation fund deficit reserve $000	Hedge reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2016	**78,388**	**(2,594)**	**(140,894)**	**1,370,058**	**1,304,958**
Profit for the year	-	-	-	180,468	180,468
Other comprehensive income					
Defined benefit superannuation fund actuarial gain, net of tax	-	1,688	-	-	1,688
Hedge reserve, net of tax	-	-	21,668	-	21,668
Total other comprehensive income	**-**	**1,688**	**21,668**	**-**	**23,356**
Total comprehensive income	**-**	**1,688**	**21,668**	**180,468**	**203,824**
Dividends	-	-	-	(7,647)	(7,647)
Balance at 30 June 2017	**78,388**	**(906)**	**(119,226)**	**1,542,879**	**1,501,135**

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. The financial statements for the BAC Group also comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The accounting policies have been applied consistently to all years presented in these financial statements.

The financial statements were approved by the Board of Directors on 28 September 2018.

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 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.

BACH and the BAC Group have the ability to pay their debts in full as and when they become due and payable. Refer to note 4.1 for details of the BAC Group's finance facilities.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 1: BASIS OF PREPARATION (continued)

1.6 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;
- depreciation - note 3.4 and;
- investment property - note 3.6.

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.

1.7 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

1.8 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.

1.9 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.

1.10 New and amended accounting standards

Keeping it simple …

New and revised accounting standards were issued by the Australian Accounting Standards Board during the year; however, they were deemed not relevant to the BAC Group. The standards noted in this section were released in prior financial years; the BAC Group intends to adopt new standards, amendments to standards and interpretations when mandatory.

Accounting policies and disclosures

The BAC Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2017 as outlined below. The adoption did not have any impact on the financial position or performance of the BAC Group. Several other amendments apply for the first time on from 1 July 2017, 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	**Amendments to Accounting Standards – Disclosure Initiative: Amendments to AASB 107**
Nature of the change	The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
Impact	The BAC Group has provided the information for both the current and the comparative period in Note 4.4.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 1: BASIS OF PREPARATION (continued)

1.10 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 2017, 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 ending 30 June 2018 but will be applicable to the BAC Group in future reporting periods are detailed below:

Title of standard	**AASB 9 Financial Instruments**
Nature of change	AASB 9, which is a new standard, replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.
Impact	The BAC Group has performed an assessment on the standard. There is not expected to be any material impact on the financial position or performance of the Company from adopting AASB 9. Additional disclosures are expected to be required for the financial accounts for the year ended 30 June 2019.
Mandatory application date	This standard will be mandatory for the BAC Group’s 30 June 2019 financial statements.

Title of standard	**AASB 15 Revenue from Contracts with Customers**
Nature of change	AASB 15, which is a new standard, was issued by the Australian Accounting Standards Board in December 2014. It specifies the accounting treatment for revenue arising from contacts with customers. The core principle of AASB 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.
Impact	The BAC Group has performed an assessment on the standard. There is not expected to be any material impact on the financial performance of the BAC Group from adopting this standard.
Mandatory application date	This standard will be mandatory for the BAC Group’s 30 June 2019 financial statements.

Title of standard	**AASB 16 Leases**
Nature of change	AASB 16, which is a new standard, was issued by the Australian Accounting Standards Board in February 2017. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most operating leases, even when they pay constant annual rentals.
Impact	It is not expected that AASB 16 will materially impact existing commitments for the BAC Group; however, the BAC Group is yet to undertake a full review and assess the effect of AASB 16 on profit and classification of cash flows.
Mandatory application date	This standard will be mandatory for the BAC Group’s 30 June 2020 financial statements.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 1: BASIS OF PREPARATION (continued)

1.10 New and amended accounting standards (continued)

Title of standard	**Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014 -2016 Cycle and Other Amendments**
Nature of the change	The amendments clarify certain requirements in: ▪ AASB 140 Investment Property – change in use.
Impact	There is not expected to be any impact on the financial position or performance of the BAC Group from adopting this standard
Mandatory application date	This amendment will be mandatory for the BAC Group's 30 June 2019 financial statements.

1.11 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 uses 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
SECTION 2: RESULTS

In this section …
This section sets out the disclosures explaining the BAC Group revenue, finance costs 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 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. Aeronautical rebates are provided based on incentive agreements with individual airlines. Revenue is recognised on an accruals basis when the service is provided.

Landside transport revenue
Landside transport revenue comprises revenue from public and staff car parks, ground facilities fees and car rental operators. Revenue is recognised on an accruals basis when the services 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 lease terms.

Retail revenue
Retail revenue comprises revenue comprising rental income from retail tenants whose sale activities include duty free, food and beverage, banking and currency, and advertising services. Revenue is recognised on an accruals basis when the service is provided.

Government mandated security revenue
The BAC Group is required by the Australian Government to undertake certain security measures, the costs of which are recoverable in full 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.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: RESULTS (continued)

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 Other commitments

Operating lease receivable commitments

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:

	2018 $000	2017 $000
Within one year	149,895	197,719
One year or later and no later than five years	417,556	460,848
Later than five years	1,129,859	1,193,144
	1,697,310	**1,851,711**

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 its fair value at inception of the lease. The lease is due to expire in 2047.

	2018 $000	2017 $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	57,431	59,919
	72,359	**74,847**
Future finance charges	(50,724)	(53,116)
	21,635	**21,731**

Finance lease payable

The finance lease payable relates to an asset acquired under a finance lease recognised at its fair value at inception of the lease. The lease is due to expire in 2024.

	2018 $000	2017 $000
Within one year	(567)	(205)
One year or later and no later than five years	(2,225)	(2,595)
Later than five years	-	(130)
	(2,792)	**(2,930)**
Future finance charges	510	689
	(2,282)	**(2,241)**

NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: RESULTS (continued)

2.4 Auditor's remuneration

	2018 $	2017 $
Amounts received or due and receivable by the auditor* for:		
Audit services		
Audit fees - 2018 financial year	210,000	-
Audit fees - 2017 financial year	-	222,500
Other regulatory/contract audit services	204,000	140,325
	414,000	**362,825**
Other services		
Transactional related assurance	-	47,000
Other	547,256	340,523
	547,256	**387,523**

* The BAC Group has appointed Deloitte Touche Tohmatsu (Deloitte) for the 30 June 2018 financial year audit. For the year ended 30 June 2017, KPMG were the auditors for the BAC Group.

2.5 Taxation

Accounting policies

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that 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 the carrying amounts of assets and liabilities for financial reporting purposes and the 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.

Tax consolidation

BACH is the head entity in the tax-consolidated group comprising 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, the 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 the timing of the entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax sharing and funding 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.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: RESULTS (continued)

2.5 Taxation (continued)

Taxation recognised in profit or loss and other comprehensive income

	2018 $000	2017 $000
Current tax expense		
Current year expense	(58,585)	(25,200)
Over/(under) provided in prior years	(493)	2,268
	(59,078)	**(22,932)**
Deferred tax expense		
Origination and reversal of temporary differences	(39,654)	(51,270)
Total income tax expense recognised in profit or loss	**(98,732)**	**(74,202)**
Defined benefit superannuation fund actuarial (loss)	(112)	(725)
Hedge reserve	11,890	(9,286)
Total income tax expense recognised in other comprehensive income	**11,778**	**(10,011)**

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

	2018 $000	2017 $000
Profit for the year	**230,146**	**180,468**
Income tax expense	98,732	74,202
Profit before income tax	**328,878**	**254,670**
Income tax using the corporate tax rate of 30%	(98,664)	(76,401)
Increase in income tax due to:		
Other non-deductible expenses	(68)	(69)
Over provided in prior years	-	2,268
Income tax expense on pre-tax accounting profit	**(98,732)**	**(74,202)**

2.6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Property, plant and equipment	-	-	(629,946)	(601,335)	(629,946)	(601,335)
Finance lease receivable	-	-	(1,692)	(1,597)	(1,692)	(1,597)
Derivatives	34,648	38,254	-	-	34,648	38,254
Lease incentive asset	-	-	(13,419)	(8,900)	(13,419)	(8,900)
Inventories	-	-	(377)	(304)	(377)	(304)
Prepayments	-	-	(1,768)	(5,305)	(1,768)	(5,305)
Employee benefits	1,573	1,553	-	-	1,573	1,553
Other provisions	2,723	3,373	-	-	2,723	3,373
Interest-bearing liabilities and borrowings	66,221	59,805	-	-	66,221	59,805
Accruals	4,957	5,252	-	-	4,957	5,252
Deferred tax assets/(liabilities)	**110,122**	**108,237**	**(647,202)**	**(617,441)**	**(537,080)**	**(509,204)**

NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: RESULTS (continued)

2.6 Deferred tax assets and liabilities (continued)

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

	Balance at 1 July 2017 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2018 $000
Property, plant and equipment	(601,335)	(28,611)	-	(629,946)
Finance lease receivable	(1,597)	(95)	-	(1,692)
Derivatives	38,254	(15,496)	11,890	34,648
Lease incentive asset	(8,900)	(4,519)	-	(13,419)
Inventories	(304)	(73)	-	(377)
Prepayments	(5,305)	3,537	-	(1,768)
Employee benefits	1,553	132	(112)	1,573
Other provisions	3,373	(650)	-	2,723
Interest-bearing liabilities and borrowings	59,805	6,416	-	66,221
Accruals	5,252	(295)	-	4,957
Deferred tax (liabilities)/assets	**(509,204)**	**(39,654)**	**11,778**	**(537,080)**

The movement in temporary differences during the previous year is:

	Balance at 1 July 2016 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2017 $000
Property, plant and equipment	(560,610)	(40,725)	-	(601,335)
Finance lease receivable	(1,298)	(299)	-	(1,597)
Derivatives	47,628	(88)	(9,286)	38,254
Lease incentive asset	(7,068)	(1,832)	-	(8,900)
Inventories	(272)	(32)	-	(304)
Prepayments	(8,842)	3,537	-	(5,305)
Employee benefits	2,525	(247)	(725)	1,553
Other provisions	2,819	554	-	3,373
Interest-bearing liabilities and borrowings	70,969	(11,164)	-	59,805
Accruals	6,226	(974)	-	5,252
Tax (liabilities)/assets	**(447,923)**	**(51,270)**	**(10,011)**	**(509,204)**

NOTES TO THE FINANCIAL STATEMENTS
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. This includes property, plant and equipment, investment property, inventories as well as trade and other receivables and payables. In this section, you will find further information 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:

	2018 $000	2017 $000
Cash in bank	113,181	94,731
Cash on hand	4	10
Cash and cash equivalents	**113,185**	**94,741**

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

	Note	2018 $000	2017 $000
Profit for the year		**230,145**	**180,468**
Adjustments for:			
Depreciation and amortisation		116,597	108,674
Impairment of property, plant and equipment		710	638
Capitalised borrowing costs		(56,600)	(45,637)
Change in fair value of investment property	3.6	(51,210)	7,527
Change in fair value of non-designated derivatives		(30,267)	(37,506)
Unrealised foreign exchange loss		-	2
Amortisation of borrowing costs		2,615	2,775
Finance lease interest		185	-
(Gain)/Loss on sale of property, plant and equipment		(920)	733
RPS dividend		59,149	55,481
Income tax expense	2.5	98,732	74,202
Cashflow before changes in working capital and provisions		**369,136**	**347,357**
Change in trade receivables and other		12,750	(1,492)
Change in inventories		(243)	(107)
Change in trade payables and other		382	10,496
Income taxes paid		(42,274)	(37,548)
Net cash from operating activities		**339,751**	**318,706**

NOTES TO THE FINANCIAL STATEMENTS
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 30 days.

Trade receivables and other are as follows:

	Note	2018 $000	2017 $000
Current			
Trade receivables and accrued income		75,474	53,894
Sundry receivables		2,393	1,540
Prepayments		8,087	14,085
Finance lease receivable		107	96
		86,061	**69,615**
Non-current			
Sundry receivables		8,611	29,668
Prepayments		-	8,495
Finance lease receivable		21,527	21,635
Employee benefits	3.9	4,149	3,686
		34,287	**63,484**

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:

	2018 $000	2017 $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 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
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.

Capital work in progress relating to investment property had previously been included in the property, plant and equipment capital work in progress. Investment property work in progress is now detailed in note 3.6.

Maintenance

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

Aircraft 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
Roads and car parks	
Roads and car park infrastructure	2.5 – 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 – 33.3
Minor assets less than $1,000	100
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
Leased land	
Operating land	1.0

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

NOTES TO THE FINANCIAL STATEMENTS
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 $000	Leased land $000	Capital work in progress $000	Total $000
Cost or deemed cost							
At 1 July 2017	856,949	520,993	918,718	643,313	102,885	798,997	3,841,855
Additions/transfers	58,220	11,309	102,752	89,892	-	116,909	379,082
Disposals	-	-	(710)	(198)	-	-	(908)
At 30 June 2018	**915,169**	**532,302**	**1,020,760**	**733,007**	**102,885**	**915,906**	**4,220,029**
Accumulated depreciation and amortisation							
At 1 July 2017	124,800	99,935	313,397	267,511	14,736	-	820,379
Depreciation and amortisation	14,933	13,894	43,055	43,598	1,117	-	116,597
Disposals	-	-	-	(145)	-	-	(145)
At 30 June 2018	**139,733**	**113,829**	**356,452**	**310,964**	**15,853**	**-**	**936,831**
Cost or deemed cost							
At 1 July 2016	834,511	521,826	874,303	624,044	102,885	667,165	3,624,733
Additions/transfers	22,438	(256)	45,422	52,599	-	131,833	252,035
Disposals	-	(577)	(1,007)	(33,330)	-	-	(34,914)
At 30 June 2017	**856,949**	**520,993**	**918,718**	**643,313**	**102,885**	**798,997**	**3,841,855**
Accumulated depreciation and amortisation							
At 1 July 2016	111,169	87,147	274,520	259,128	13,619	-	745,583
Depreciation and amortisation	13,631	13,365	39,866	40,695	1,117	-	108,674
Disposals	-	(577)	(989)	(32,312)	-	-	(33,878)
At 30 June 2017	**124,800**	**99,935**	**313,397**	**267,511**	**14,736**	**-**	**820,379**
Carrying amounts							
At 30 June 2018	**775,436**	**418,473**	**664,308**	**422,043**	**87,032**	**915,906**	**3,283,198**
At 30 June 2017	732,149	421,058	605,321	375,802	88,149	798,997	3,021,477

A total of $54.5 million (2017: $44.5 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 6.65% to 6.83% (2017: 6.82% to 7.04%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2018 $000	2017 $000
Contracted for but not provided for and payable:		
Within one year	324,345	345,224
One year or later and no later than five years	102,664	288,435
	427,009	**633,659**

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 amounts 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 and subject to similar leases. The determination of fair value is therefore more heavily supported by market evidence as opposed to other factors. The 2018 valuation was based on independent assessments made by CBRE, an accredited independent valuer (2017: 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 and the size of the market for the asset type.

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.

<u>Capital work in progress</u>

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.

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

NOTES TO THE FINANCIAL STATEMENTS
SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.6 Investment property (continued)

Accounting policies (continued)

Capital work in progress (continued)

Capital work in progress relating to investment property had previously been included in the property, plant and equipment capital work in progress as set out in note 3.4. Investment property work in progress is now detailed below.

The movement in investment property is as follows:

	Completed investment property $000	Work in progress $000	Total $000
2018			
Balance at 1 July	1,264,995	21,833	1,286,828
Additions/(transfers)	51,435	(5,780)	45,655
Reclassified to property, plant and equipment	(2,500)	-	(2,500)
Fair value adjustments	50,388	822	51,210
Balance at 30 June	**1,364,318**	**16,875**	**1,381,193**
2017			
Balance at 1 July	1,245,880	11,318	1,257,198
Additions/(transfers)	26,642	10,515	37,157
Reclassified to property, plant and equipment	-	-	-
Fair value adjustments	(7,527)	-	(7,527)
Balance at 30 June	**1,264,995**	**21,833**	**1,286,828**

A total of $2.1 million (2017: $1.1 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 6.65% to 6.83% (2017: 6.82% to 7.04%) 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		2018 $000	2017 $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	1,381,193	1,286,828
		1,381,193	**1,286,828**

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 5.5% and 10.1% (2017: 5.5% and 10.0%).

Discount rate: the rate used to discount the net cash flows generated from rental and investment activities during the period of analysis. The discount rates used in the valuation range between 7.0% and 10.75% (2017: 7.25% and 10.75%) having regard to the risk of each property's net cash flows.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.6 Investment property (continued)

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 the profit or loss for lease straight-lining and incentives relating to investment properties. The reconciliation of the amounts is as follows:

	2018 $000	2017 $000
Fair value adjustment from valuation by CBRE	51,210	(7,527)
Less: straight-lining of lease income and lease incentives	(36,117)	-
Fair value recognised in profit or loss	**15,093**	**(7,527)**

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 five years (from its Business Plan), with key assumptions of a terminal growth rate of 2.5% (2017: 2.5%) and a pre-tax discount rate of 10.35% (2017: 10.64%) per annum.

Sensitivity to changes in assumptions

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.

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 30 day terms.

Trade payables and other current liabilities are as follows:

	Note	2018 $000	2017 $000
Trade payables and accruals		102,867	90,668
RPS dividend		47,049	18,464
Employee benefits	3.9	7,848	7,434
Unearned revenue		9,574	9,958
Retentions and deposits held on behalf of third parties		2,604	2,480
Finance lease payable		401	129
		170,343	**129,133**

NOTES TO THE FINANCIAL STATEMENTS
SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.9 Employee benefits

Keeping it simple …
The BAC Group has 31 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.

Wages, salaries and annual leave
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the BAC Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance, superannuation and payroll tax.

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.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.9 Employee benefits (continued)

Liabilities for employee benefits can be analysed as follows:

	Note	2018 $000	2017 $000
Current			
Wages and salaries accrued		514	527
Liability for annual leave		2,261	2,790
Liability for long service leave		5,073	4,117
	3.8	**7,848**	**7,434**
Non-current			
Present value of unfunded obligation		10,341	9,933
Fair value of plan assets		(14,490)	(13,619)
Recognised asset for defined benefit obligation	3.2	**(4,149)**	**(3,686)**
Liability for long service leave		2,060	1,960
ELTIP		1,563	181
	3.10	**3,623**	**2,141**
Net employee benefits		**(526)**	**(1,545)**

3.10 Other non-current liabilities

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

Other non-current liabilities can be analysed as follows:

	Note	2018 $000	2017 $000
RPS dividend		-	134,799
Unearned revenue		4,254	4,401
Employee benefits	3.9	3,623	2,141
Finance lease payable		1,881	2,112
		9,758	**143,453**

Prior to the financial year 2018, the payment of RPS dividends was subject to an annual free cash test. In the event that this test was not met, a waiver was required to be sought and granted prior to 30 June of each year for payment to be made.

From June 2018, the free cash test no longer applies to the calculation of the RPS dividend.

NOTES TO THE FINANCIAL STATEMENTS
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 the 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) being 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.

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).

	2018 $000	2017 $000
Current		
Secured bank loan	128,000	-
Secured bank loan transaction costs	(168)	-
Secured wrapped bond issue	-	300,000
Secured wrapped bond issue transaction costs	-	(171)
	127,832	**299,829**
Non-current		
Secured bank loan	180,000	-
Secured bank loan transaction costs	(1,605)	-
Secured domestic bond issues	900,000	550,000
Secured domestic bond issue transaction costs	(5,200)	(1,831)
Secured USPP bond issues	1,655,112	1,633,729
Secured USPP bond issue transaction costs	(5,411)	(5,336)
RPS	471,378	471,533
	3,194,274	**2,648,095**
Total interest-bearing liabilities and borrowings	**3,322,106**	**2,947,924**

NOTES TO THE FINANCIAL STATEMENTS
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 2018 $000	Carrying amount 2018 $000	Face value 2017 $000	Carrying amount 2017 $000
Bank loan - AUD					
BBSY + margin - Tranche B	2019	128,000	127,832	-	-
BBSY + margin - Tranche C	2021	180,000	178,395	-	-
BBSY + margin - Tranche D	2023	-	-	-	-
		308,000	306,227	-	-
Domestic bonds - AUD					
Fixed 8.0%	2020	200,000	199,107	200,000	198,725
Fixed 6.0%	2021	350,000	349,710	350,000	349,444
Fixed 3.9%	2026	350,000	345,983	-	-
		900,000	894,800	550,000	548,169
Wrapped bonds - AUD					
BBSW + margin	2018	-	-	300,000	299,829
		-	-	300,000	299,829
USPP bonds - AUD					
BBSW + margin	2026	100,000	99,660	100,000	99,615
Fixed 6.8%	2023	30,000	29,941	30,000	29,926
Fixed 8.3%	2027	98,864	98,359	98,864	98,297
Fixed 5.6%	2030	152,550	151,687	152,550	151,643
Fixed 5.5%	2037	50,000	49,823	50,000	49,901
		431,414	429,470	431,414	429,382
USPP bonds - USD					
Fixed 5.2%	2022	202,977	203,736	195,325	197,451
Fixed 3.9%	2023	63,599	63,721	61,202	62,157
Fixed 5.3%	2024	202,977	206,795	195,325	202,182
Fixed 3.6%	2025	33,829	33,847	32,554	32,997
Fixed 4.0%	2025	81,191	81,982	78,130	80,519
Fixed 3.7%	2027	87,957	88,418	84,641	86,455
Fixed 3.8%	2027	135,318	133,280	130,217	131,844
Fixed 4.2%	2028	105,548	107,930	101,569	106,724
Fixed 3.9%	2029	135,318	133,172	130,217	132,257
Fixed 3.9%	2030	33,829	34,168	32,554	33,546
Fixed 4.1%	2033	135,318	133,181	130,217	132,879
		1,217,861	1,220,230	1,171,951	1,199,011
RPS - AUD					
Fixed 10.0%	2022	471,378	471,378	471,533	471,533
		3,328,653	**3,322,105**	**2,924,898**	**2,947,924**

NOTES TO THE FINANCIAL STATEMENTS
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% (2017: 9.9%) per annum. Prior to June 2018 the dividend was paid on an annual (in arrears) basis. From July 2018 onwards, the dividend will be paid on a semi-annual (in arrears) basis. 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 Company has bank facilities of $750.0 million (2017: $900.0 million), of which $442.0 million is undrawn (2017: all undrawn). $300.0 million expires in December 2018, $225.0 million expires in November 2020 and $225.0 million expires in November 2022.

The Company is in a net current liability position of $116.3 million at 30 June 2018 (2017: $265.4 million) which is fully covered by the undrawn bank facilities of $442.0 million (2017: $900.0 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 (2017: $4.0 million) was undrawn as at 30 June 2018 (2017: 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 financial 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, or in the case of derivatives qualifying for hedge accounting, in other comprehensive income.

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

Current versus non-current classification

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.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.2 Derivative financial instruments (continued)

Accounting policies (continued)

<u>Hedge accounting</u>

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.

<u>Cash flow hedges</u>

Where a derivative financial instrument is designated as a hedge of 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 for a non-financial asset or non-financial liability 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.

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, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

<u>Fair value hedges</u>

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 or financial instrument 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.

4.3 Financial risk management

Keeping it simple …

The BAC Group activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange risk and price risk). The BAC Group seeks to minimise potential adverse effects on the BAC Group's 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

NOTES TO THE FINANCIAL STATEMENTS
SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

Overview (continued)

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 historically conducted by Deloitte, to be conducted by EY going forward. The internal audit reviews risk management controls and procedures and the results are reported to the FARM Committee.

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

(a) Credit risk

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

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

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

Trade and other receivables

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

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 three to six months' rent plus outgoings in the case of property tenants.

Aeronautical customers are analysed individually for creditworthiness and where required, they provide an unconditional bank guarantee.

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.

An allowance for impairment has been established that represents the BAC Group's estimate of incurred losses in respect of trade and other receivables.

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
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 are as follows:

	Note	2018 $000	2017 $000
Cash and cash equivalents	3.1	113,185	94,741
Trade receivables and accrued income - current	3.2	75,474	53,894
Sundry receivables - current	3.2	2,393	1,540
Finance lease receivable - current	3.2	107	96
Sundry receivables - non-current	3.2	8,611	29,668
Finance lease receivable - non-current	3.2	21,527	21,635
Derivative instruments - non-current	4.3(d)	187,541	192,019
		408,838	**393,593**

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

	2018 $000	2017 $000
Aeronautical	53,075	34,434
Property	21,952	18,939
Other	447	521
	75,474	**53,894**

The most significant customer accounted for 42.1% of the trade receivables and accrued income carrying amount at 30 June 2018 (2017: 30.3%).

Impairment losses

The ageing of the trade receivables and accrued income at reporting date is as follows:

	2018 Gross $000	2018 Impairment $000	2018 Net $000
Not past due (0 – 30 days)	29,210	-	29,210
Past due (31 – 60 days)	29,647	-	29,647
Past due (61 – 90 days)	12,234	-	12,234
Past due (more than 90 days)	5,869	(1,486)	4,383
	76,960	**(1,486)**	**75,474**

	2017 Gross $000	2017 Impairment $000	2017 Net $000
Not past due (0 – 30 days)	38,522	-	38,522
Past due (31 – 60 days)	12,029	-	12,029
Past due (61 – 90 days)	2,100	-	2,100
Past due (more than 90 days)	1,243	-	1,243
	53,894	**-**	**53,894**

(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.

NOTES TO THE FINANCIAL STATEMENTS
SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(b) Liquidity risk (continued)

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:

2018	Note	6 months or less $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000	More than 5 years $000	Total $000
Floating bank loan		132,766	2,740	5,748	183,034	-	327,288
Floating bonds		2,108	2,099	4,344	14,171	113,003	135,725
Fixed bonds[2]		56,571	56,131	305,579	811,198	1,729,032	2,958,511
RPS		47,049	23,525	47,049	588,117	-	705,740
		238,494	**84,495**	**362,720**	**1,596,520**	**1,842,035**	**4,124,264**
Trade payables and accruals	3.8	102,867	-	-	-	-	102,867
Finance lease payable	3.8/3.10	200	201	387	1,494	-	2,282
Derivatives[3]		22,829	22,235	44,100	135,121	114,430	338,715

2017	Note	6 months or less $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000	More than 5 years $000	Total $000
Floating bank loan		-	-	-	-	-	-
Floating bonds		305,190	1,981	4,237	14,357	101,287	427,052
Fixed bonds		49,376	49,577	101,689	943,162	1,553,356	2,697,160
RPS		-	-	94,099	141,148	470,494	705,741
		354,566	**51,558**	**200,025**	**1,098,667**	**2,125,137**	**3,829,953**
Trade payables and accruals	3.8	90,668	-	-	-	-	90,668
Finance lease payable	3.8/3.10	64	65	702	1,288	122	2,241
RPS dividend	3.8/3.10	18,464	-	134,799	-	-	153,263
Derivatives		35,662	35,662	71,324	229,637	320,970	693,256

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.

[2] 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 net effect of synthetic floating rate debt cash flows.
[3] Derivatives are interest rate swaps that are designated in cash flow hedge relationships

NOTES TO THE FINANCIAL STATEMENTS
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 the 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, and 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:

	2018 $000	**2017 $000**
Nominal fixed interest rate instruments		
Financial liabilities	**(2,920,653)**	**(2,524,898)**
Variable interest rate instruments		
Financial assets - cash and cash equivalents	113,185	94,741
Financial liabilities	(408,000)	(400,000)
Net financial liabilities	**(294,815)**	**(305,259)**

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.

NOTES TO THE FINANCIAL STATEMENTS
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 between 10 and 15 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 2018 USD000	Face value 2018 AUD000	Face value 2017 USD000	Face value 2017 AUD000
Total foreign exchange exposures hedged	**900,000**	**1,217,862**	**900,000**	**1,171,951**

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 2018 foreign exchange rate of AUD 1 to USD 0.74 (2017: AUD 1 to USD 0.77) 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 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
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)

	Profit/(loss) before tax		Equity before tax	
Movement in interest rates	**2018 $000**	**2017 $000**	**2018 $000**	**2017 $000**
100 basis point increase in interest rates:				
Interest expense on variable interest rate instruments	(654)	(9,341)	-	-
Fair value of interest rate swaps	3,652	-	83,244	87,381
Fair value of cross currency swaps	(1,448)	(2,747)	(1,085)	(4,336)
Net impact	**1,550**	**(12,088)**	**82,159**	**83,045**
100 basis point decrease in interest rates:				
Interest expense on variable interest rate instruments	654	9,341	-	-
Fair value of interest rate swaps	(3,865)	-	(91,245)	(96,736)
Fair value of cross currency swaps	1,720	3,140	942	4,955
Net impact	**(1,491)**	**12,481**	**(90,303)**	**(91,781)**

Analysis for variable interest rate instruments

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.

Analysis for USD rate movements

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

	Profit/(loss) before tax		Equity before tax	
Movement in USD rates	**2018 $000**	**2017 $000**	**2018 $000**	**2017 $000**
10% depreciation	(596)	908	(12,026)	(17,410)
10% appreciation	31	(1,110)	15,397	21,279

NOTES TO THE FINANCIAL STATEMENTS
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 2018 $000	Fair value 2018 $000	Carrying amount 2017 $000	Fair value 2017 $000
Assets carried at fair value					
Interest rate and cross currency swaps		**187,541**	**187,541**	**192,019**	**192,019**
Assets carried at amortised cost					
Cash and cash equivalents	3.1	113,185	113,185	94,741	94,741
Finance lease receivable - non-current	3.2	21,527	21,527	21,635	21,635
Employee benefit - non-current	3.2	4,149	4,149	3,686	3,686
		138,861	**138,861**	**120,062**	**120,062**
Liabilities carried at fair value					
Interest rate and cross currency swaps - non-current		303,036	303,036	319,529	319,529
		303,036	**303,036**	**319,529**	**319,529**
Liabilities carried at amortised cost					
Secured bank loan	4.1	306,227	306,227	-	-
Secured domestic bond issues	4.1	894,800	929,270	548,169	607,047
Secured wrapped bond issues	4.1	-	-	299,829	300,429
Secured USPP bond issues	4.1	1,649,700	1,814,802	1,628,393	1,902,781
RPS	4.1	471,378	494,170	471,533	490,695
RPS dividend	3.8/3.10	47,049	47,049	153,263	153,263
Finance lease payable - non-current	3.10	1,881	1,881	2,112	2,112
		3,371,035	**3,593,399**	**3,103,299**	**3,435,752**
Net liabilities		**3,347,669**	**3,570,033**	**3,110,747**	**3,443,200**

Fair value of financial instruments
As at 30 June 2018, 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 $12.0 million (2017: net gain of $33.2 million) measured based on Level 2 valuation techniques as defined in the fair value hierarchy shown in note 1.11.

(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
SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.4 Changes in liabilities arising from financing activities

	30 June 2017 $000	Cash flows $000	Foreign exchange movements $000	Fair value movements $000	30 June 2018 $000
Secured bank loan	-	308,000	-	-	308,000
Secured domestic bond issues	550,000	350,000	-	-	900,000
Secured wrapped bond issues	300,000	(300,000)	-	-	-
Secured USPP bond issues	1,633,728	-	45,911	(24,528)	1,655,111
RPS	471,533	-	-	(155)	471,378
Finance lease payable - non-current	2,112	(231)	-	-	1,881
Total liabilities from financing activities	**2,957,373**	**357,769**	**45,911**	**(24,683)**	**3,336,370**

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.

	2018 $000	2017 $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 hedging 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.

Performance shares
Prior to 25 June 2018, the controlled entity (BAC) had 100 performance shares on issue to its parent entity, BACH No. 2, which in turn had 100 performance shares on issue to BACH on the same terms and conditions. BACH had accordingly 100 performance shares on issue to its shareholders on the same terms and conditions. Holders of performance shares were not entitled to vote at shareholders' meetings or to receive notices, reports, audited accounts and statements of financial position of BACH. Dividends on performance shares were potentially payable based on the respective BAC Group entities reaching financial targets and having sufficient Free Cash.

On 25 June 2018, the BAC Group completed a capital reduction which resulted in the cancellation of the 100 performance shares at each of BAC, BACH No.2 and BACH respectively.

NOTES TO THE FINANCIAL STATEMENTS
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 ($136.0 million) and a special distribution ($19.0 million)

	2018 $000	2017 $000
Dividend franking account:		
The taxable value of franking credits for subsequent financial years	**188,853**	**195,684**

NOTES TO THE FINANCIAL STATEMENTS
SECTION 5: OTHER

5.1 Related parties

Keeping it simple …
The related parties include the Directors of the company, Key Management Personnel, 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 Key Management Personnel of the BAC Group at any time during the reporting year were the following:

Executives

Gert-Jan de Graaff	Chief Executive Officer (appointed 8 June 2018)
David Malek	Chief Financial Officer
Andrew Brodie	General Manager – Airline and Retail Management
Rachel Crowley	Head of Corporate Relations
Gwilym Davies	Head of People Performance and Culture
Stephen Goodwin	General Manager – Operations
Roel Hellemons	General Manager – Strategic Planning and Development (resigned 28 March 2018)
Floor Felten	General Manager – Strategic Planning and Development (appointed 5 February 2018)
Krishan Tangri	General Manager – Assets
John Tormey	General Manager – Commercial Businesses
Sarah Thornton	General Counsel and Company Secretary (ended 12 July 2017)
Gregory Seeto	Company Secretary (Acting) (from 13 July 2017 to 22 December 2017)
Adam Stoker	Company Secretary and Head of Corporate and Legal Services (Acting) (since 23 December 2017)

Transactions with Key Management Personnel
In addition to the salaries of Key Management Personnel, the BAC Group contributes to a post-employment defined benefit superannuation fund or a post-employment defined contribution superannuation fund on behalf of certain Key Management Personnel. In accordance with the terms of the defined benefit superannuation fund, Key Management Personnel 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
Key Management Personnel 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 2018 was $811,423 (2017: $0).

NOTES TO THE FINANCIAL STATEMENTS
SECTION 5: OTHER (continued)

5.1 Related parties (continued)

Key Management Personnel compensation

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

	2018 $	2017 $
Short term employee benefits	6,595,527	6,007,524
Post-employment benefits	306,093	286,402
Other long term benefits	193,702	700,147
	7,095,322	**6,994,073**

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

Other related party transactions

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

Technical Services Agreement

BAC has a Technical Services Agreement with Schiphol Nederland BV which provides:

- advisory services including staffing, planning, operations, marketing and third party liaison; and
- qualified personnel to fulfil various management positions.

The total fee for the year was $624,180 (2017: $580,306). As at 30 June 2018, the amount payable was $154,267 (2017: 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 $3,557,766 (2017: $3,493,662). As at 30 June 2018, the amount payable was nil (2017: $3,493,662).

Board fees and travel expenses

Board fees and travel expenses paid to the Directors for the year amounted to $1,159,059 (2017: $1,057,632).

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

- Colonial First State Asset Management (Australia) Limited, a company related to C McArthur, received $134,734 for the year (2017: $126,809);
- QIC Private Capital Pty Ltd, a company related to P DeSouza and M Papathanasiou, received $134,735 and nil respectively for the year (2017: $39,410 and $116,768); and
- IFM Investors (Nominees) Limited, a company related to M Thompson and J Morris, received $115,877 and nil respectively for the year (2017: $65,648 and $34,922).

NOTES TO THE FINANCIAL STATEMENTS
SECTION 5: OTHER (continued)

5.2 Parent entity disclosures

	2018 $000	2017 $000
Results of BACH		
Profit for the year	174,573	12,941
Total comprehensive income	**174,573**	**12,941**
Financial position of BACH		
Current assets	86,444	44,318
Non-current assets	932,688	1,061,610
Total assets	**1,019,132**	**1,105,928**
Current liabilities	47,049	18,465
Non-current liabilities	471,378	606,331
Total liabilities	**518,427**	**624,796**
Net assets	**500,705**	**481,132**
Equity		
Issued capital	470,494	470,494
Retained earnings	30,211	10,638
Total equity	**500,705**	**481,132**

5.3 Events subsequent to reporting date and other matters

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the BAC Group in future financial years.

The 2017 and 2018 financial years saw increased media and regulator attention towards per- and polyfluoroalkyl substances ('PFAS') used by aviation related tenants and Airservices Australia at Brisbane Airport. BAC has continued to exercise its rights under tenant lease agreements to require entities responsible for pollution to monitor and remediate contamination at Brisbane Airport.

The Company has become aware of some cracking to apron pavements designed by a contractor at the International Terminal. The assets are currently operational, however BAC is working with independent engineers and designers to determine the severity and potential impact to the underlying asset. BAC is pursuing all options at this stage to address the situation.

DIRECTORS' DECLARATION

In the opinion of the Directors of BAC Holdings Limited:

(a) the financial statements and notes set out on pages 50 to 87 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 2018 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 28 September 2018 in accordance with a resolution of the Directors.

David Peever
Director

INDEPENDENT AUDITOR'S REPORT

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

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 2018, 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 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 2018 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R.G. Saayman
Partner
Chartered Accountants
Brisbane, 28 September 2018

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Phone: +61 7 3308 7000
www.deloitte.com.au

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

28 September 2018

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 2018, 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

R.G. Saayman
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.

Registered office:

11 The Circuit
Brisbane Airport
Queensland 4008
Australia

Telephone: +61 7 3406 3000

Email: info@bne.com.au

Web address: www.bne.com.au

BRISBANE
AIRPORT
CORPORATION