Annual Report 2022

BRISBANE AIRPORT CORPORATION

BAC HOLDINGS LIMITED
ACN 108 568 038

Contents

To help us assess our decisions and reach our goals, BAC is in the process of aligning to the Integrated Reporting Framework, providing greater reflection and transparency in our financial governance, management commentary and sustainability reporting. Feedback on our Annual Report is welcome from all stakeholders as we embark on a journey of adopting integrated reporting principles.

Acknowledgement of Country

We acknowledge the Turrbal people, the Traditional Custodians of the land on which we work, and pay respect to their Elders past and present.

Chairperson's message

Brisbane Airport (BNE) is integral to creating Queensland's future and is proudly taking on the challenge of connecting Australia to the rest of the world every day.

BNE again rose to the challenge in FY22 when the airline industry was teased with a false start, fresh hurdles, and extended pain from COVID-19 variants. Just two days into the start of the year, National Cabinet halved the number of international arrivals into Brisbane, down to just 650 passenger arrivals per week, or just two per cent of pre-COVID-19 levels.

Queensland's lifeblood, domestic travel, would also remain challenged until the reopening of interstate borders just prior to Christmas, followed by Australia's international border opening in late February. This was cause for great celebration as it signalled a fresh new start and resurgence for BNE and the industry.

Since then, the momentum of aviation activity has grown rapidly and has set a solid foundation for the coming financial year.

During FY22, total revenue increased by 11.9 per cent compared to the previous year to $500.6 million and EBITDA was up 40.0 per cent to $306.1 million.

A total of 9.4 million domestic passengers passed through our Domestic Terminal in FY22. While this was up 24.3 per cent on FY21, it was still 46.4 per cent below pre-COVID-19 FY19 levels.

BNE hosted 827,000 passengers through the International Terminal in FY22, representing a 231 per cent increase on FY21, but this remained 86.8 per cent below pre-COVID-19 FY19 traffic.

Whilst we are not at pre-COVID-19 levels, we are seeing strong signs of recovery and wide support for the airline industry.

The pandemic has delivered huge pent-up demand for global travel and I commend the Palaszczuk Government for its commitment of $100 million to secure more direct international flights to Queensland, matched also by $100 million in support from Queensland's airports.

This initiative will secure a predicted 5.3 million airline seats per year into Queensland and is a vital move given an extremely competitive environment.

I am also happy to report that we will soon see the world's second largest carrier, United Airlines, commence San Francisco to Brisbane flights in the first quarter of 2023. We look forward to seeing further routes pioneered as a result of this far-sighted fund.

July 1 this year was a milestone moment for the Brisbane Airport Corporation (BAC), marking 25 years since its birth as a privatised entity.

The inaugural Annual Report released in 1997 declared:

"The fact of the matter is that Queensland needs the future Brisbane Airport can provide."

These words remain just as true today.

It isn't just about tourism or domestic travel that makes BNE such a key factor in the success of Queensland, we are also a large employer of Queenslanders currently providing 24,000 onsite jobs and this number is forecast to grow to 60,000 jobs by the year 2050.

Strong management and focusing on our strategic pillars are the key to our success and for the second year in a row, BAC's diversified property interests were key to surviving the downturn in the aviation and retail operations. Despite the tough operating period, BAC continued to position itself for recovery, investing $120.7 million across all parts of the business.

The success of our business doesn't just lie with management, our business would not be in the strong position it is today without our staff and volunteers, their incredible efforts and commitment have not only brought us safely through the pandemic, but laid the foundation for our very bright future.

To see Brisbane voted as the Best Airport, having the Best Airport Staff, and being the Cleanest Airport at the Skytrax Global Awards (Australia/Pacific) in June, clearly demonstrates what an incredible team we have.

I wish to extend my thanks to the shareholders, the Board, our CEO and Executive team, all staff and volunteers of BNE for their unwavering and agile efforts during FY22 and look forward to continuing to work with you into FY23.

David Peever
Board Chair

CEO's message

Flood. Tornado. Delta. Omicron. FY22 has provided an ensemble of challenges.

There were times in the first eight months of the financial year that I can honestly say were the toughest in my 25 plus years in aviation.

As a team however we came together, responded and planned for conditions to improve and I am extremely proud of our how our frontline people adapted, innovated and overcame. And I'm not just talking about the challenges presented by COVID-19.

In October, BNE was hit by a tornado, impacting airside operations, ground transport and infrastructure.

In February, we were again struck by extreme conditions during a one-in-300-year flood event which saw 640 millimetres of rain at the airport which closed the Legacy Runway. BNE managed to remain open throughout the event by switching flights to our new parallel runway which is in its second year of operation. This adaptation was critical with Brisbane in the grip of a flood emergency.

Despite the early challenges of FY22, I am happy to report that the final four months of FY22 saw signs of recovery. Domestic passenger volumes headed toward their pre-COVID-19 levels, and international travel volumes rose to almost half. The pace of recovery has exceeded estimates made only months earlier, providing a solid platform for the start of FY23.

Aviation contributed $201.6 million to the business and by the close of FY22 there were 20 international airlines operating to 21 ports and six domestic airlines operating to 53 destinations.

Despite the pandemic, demand for well-connected industrial space was high, with 12 new projects in the delivery phase and zero per cent vacancy rate across the precinct.

Retail activity began the road back to recovery, while 1.1 million customers returned to airport parking which was an increase of 45 per cent on FY21.

This recovery has not come without pain. The downsizing that occurred during FY21 and FY22 was essential for the survival of many parts of our industry but the rapid rise in demand provided numerous challenges across all parts of the supply chain and these challenges still remain. The supply chain issues are a global challenge and BAC and service providers are now focussed on attracting, training and retaining staff. In an effort to address these shortages and ensure our customers are provided with a high level of service, a BNE Careers Expo has been designed to attract staff to work across our precinct.

Locally we continue to seek solutions to limit noise for the Brisbane community through the Brisbane New Parallel Runway Flight Paths Post Implementation Review process and this year installed six additional noise monitors across the city bringing the total to 13.

In FY22, we gave the green light to deliver a $72 million Queensland Regional Aeromedical Base that will connect more Queenslanders to major hospitals and life-saving medical care. This will provide patient transfer facilities for the Royal Flying Doctor Service, LifeFlight and Queensland Health and the Queensland Ambulance Service.

We have also commenced construction on Airport Industrial Park Stage Two. Never before have we witnessed so much market demand for premium high-amenity sites developed with sustainability top of mind.

Looking ahead, our teams are focussed on delivering security upgrades to the Domestic and International Terminals, to meet new Home Affairs standards for screening equipment, and boost capacity. Planning is also underway for a new third terminal, to meet Queensland's future growth needs. This strategy will ensure the airport is equipped with capacity not just for the 2032 Brisbane Olympic and Paralympic Games, but for decades to come.

We also signed the World Economic Forum's Clean Skies for Tomorrow 2030 Ambition Statement, building on its commitment to sustainability leadership in aviation. We have brought forward by 25 years our plans to reach net zero for Scope 1 and 2 emissions at BNE, not because we have to, but because we want to, for the benefit of the community, locally and globally.

FY22 may have again delivered sobering financial results and diverse challenges, but it ends with gold prospects, a strong and dedicated team and a future strategy for sustainability seeing us ready for the decade ahead.

Gert-Jan de Graaff
Chief Executive Officer

About us

Brisbane Airport Corporation Pty Limited (BAC), the operator of Brisbane Airport (BNE), is a private, unlisted Queensland company that proudly takes on the challenge of connecting Australia to the world and creating the future. Our passion and perseverance have cemented BNE as a crucial gateway for Queensland, a leading hub for Australia, and a source of pride for our communities.

BNE is more than just an airport. It's a thriving community, made up of tens of thousands of people who do their best, every day. It's an Airport City, with a diverse economy that drives innovation and produces significant economic benefits. It's a crucial link, facilitating the flow of people, goods and ideas across Queensland, Australia and the world.

BAC's unique privilege and responsibility is to ensure BNE maintains its position as an award-winning, world-class hub while protecting its legacy of creating a brighter future for everyone.

We value and respect the Traditional Custodians of the land on which we operate, and we wish to support and foster the rich heritage of the Turrbal people.

BAC operates BNE under a 99-year lease from the Australian Government on this land, totalling 2,700 hectares and located approximately 10 kilometres east of the Brisbane CBD.

OUR VISION, VALUES AND PURPOSE

At BAC our vision is clear – *Connect the World. Create the Future.* We're building an Airport City that connects people, creates community and fuels our economy and in order to achieve this we must be a successful and sustainable airport for everyone. But we also need to be more than just an airport. We need to be a place where business grows, a place people come even when they're not flying. We need to be a place that creates jobs for generations to come, to create a world-leading Airport City that our communities trust and are proud of.

How we do things is just as important as what we do, and our values underpin our operating approach and interactions with the world around us. Our values are the guideposts that will enable us to make our vision become a reality. Our culture is anchored in these values that we refer to as the 'Four Cs':

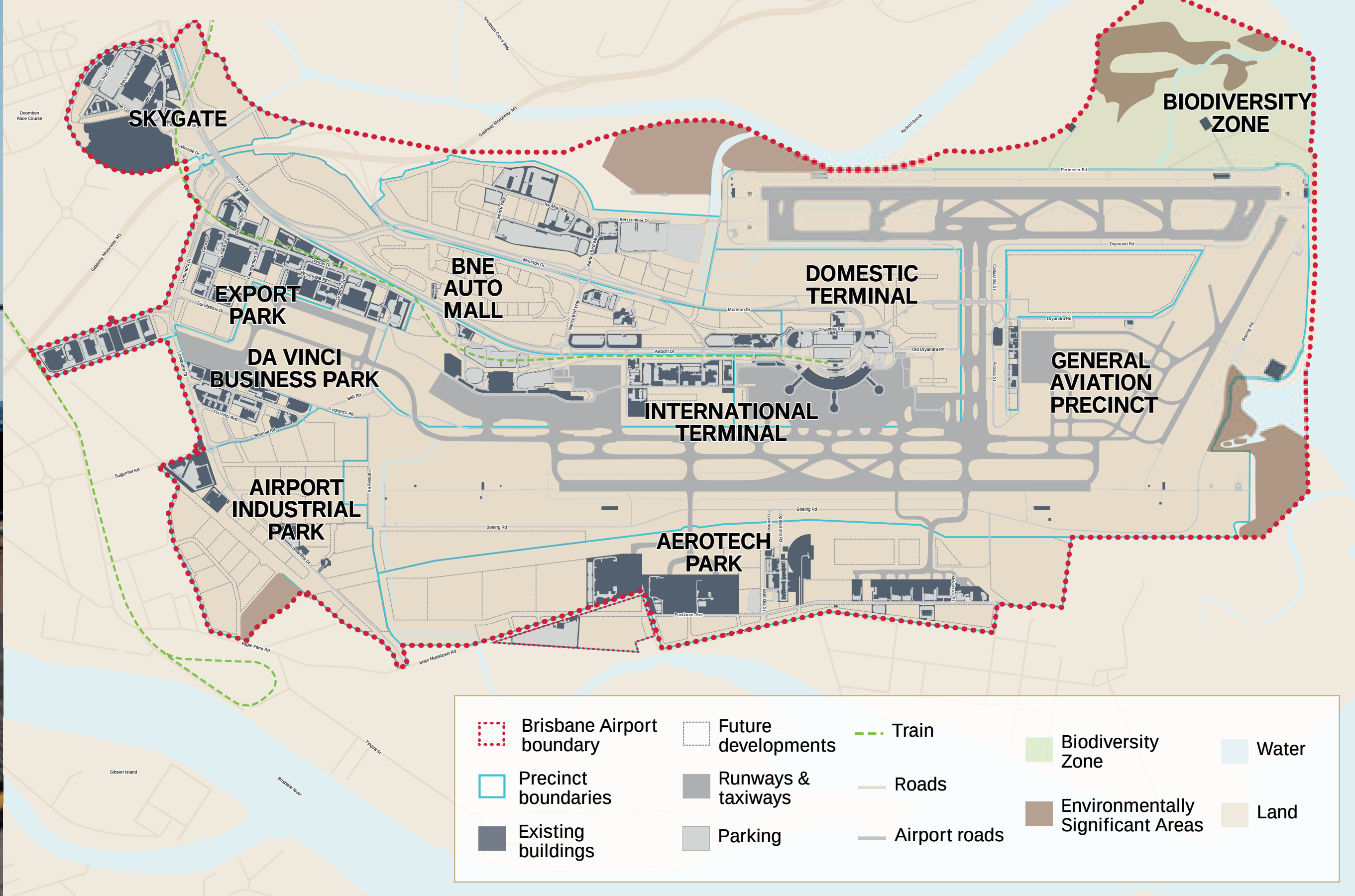
- **Collaboration:** working together is at the heart of everything we do
- **Communication:** successful teamwork requires us to listen and talk openly, honestly, and respectfully
- **Courage:** having the courage to speak up, make hard decisions and ask difficult questions is what allows us to continue to grow
- **Care:** when we care about the work we do, the environment we work in and the people we work with, it shows.

At BAC, we operate under a simple purpose, to deliver value to our Four Bosses:

- **Community:** BNE exists to serve its community, and by having an open and honest relationship with our community we can all grow together
- **Customers:** our customers have choices, and to make it easy for them to choose BNE we keep their best interests at the heart of our decision-making
- **Employees:** our most important asset is our people, whose passion for BAC is the fuel for our success
- **Shareholders:** by creating value for everyone we also create sustainable value for our shareholders who believe in us and want us to succeed.

This purpose demonstrates our belief that our role extends beyond simply providing effective and efficient aviation services and facilities. Instead, we shape Queensland's future, helping employ thousands of people and creating economic benefit equating to more than $4 billion annually and set to double by 2040.

Boundary of operation




Departures
Lift

BAC BUSINESS MODEL

How we create value

CAPITAL INPUTS

Finances
- Cash: $74m
- Debt: $3,596m
- Equity: $1,523m

Infrastructure
- Terminals, office/industrial commercial and office buildings, parking structures, recreational activities, green spaces, 2,700 hectares of which <500 hectares is developable land

Employees
- 327 employees
- Staff wages and benefits $49.5m
- In-house management and leadership development programs

Environment
- Climate protection with emission reduction targets
- Waste and water recycling targets
- Biodiversity Zone

Society
- Transparent multi-channel stakeholder engagement
- Direct and indirect value creation for the region
- Community engagement through multiple forums

PRODUCT AND SERVICE OUTPUTS

Business units

Aviation

Our core business and covers all services (including infrastructure delivery) for the facilitation of aircraft movements and passenger travel at BNE

Consumer activities

Operating as a landlord in providing service to our retail lease holders across the terminals and at Skygate. Also includes the operation of our landside transport services

Real estate

Developer and manager of our portfolio of industrial, commercial and office properties across a range of ground leases and building leases

ACHIEVEMENTS 2022

FINANCES
- Maintaining appropriate liquidity management
- Focus on cost efficiencies and margin led growth

INFRASTRUCTURE
- $120.7m of capital investment delivering a range of aeronautical and commercial assets
- Significant works underway delivering a major upgrade to security at the Domestic and International Terminals
- Skytrax 2022 World Airport Awards – Best Airport for Australia/Pacific

EMPLOYEES
- Altitude Program launched – accelerated leadership program for high performers
- Skytrax 2022 World Airport Awards – Best Airport Staff for Australia/Pacific
- Diversity and Inclusion Council launched

ENVIRONMENT
- Airports Council International Airport Carbon Accreditation – maintained Level 3 for the sixth year in a row
- Refresh of our Sustainability Strategy

SOCIETY
- Engagement with Airservices Australia to explore options to reduce the impact of aircraft noise on our surrounding communities
- More than $600,000 in philanthropic donations, sponsorships and partnerships
- Delivered our third Reconciliation Action Plan

OUTCOMES

Finances
- Net cash from operations: $242m Distribution to shareholders: $0
- Commitment to investment grade credit rating will facilitate capacity to fund ongoing growth

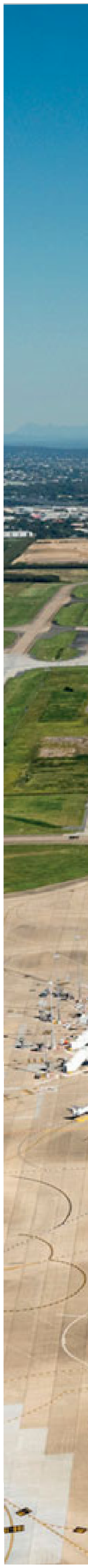
Infrastructure
- Road, lighting and parking facilities upgrades and expansions delivered
- Completion and opening of a new Qantas flight training facility
- Investment property portfolio valued at $2b+

Employees
- 38% female workforce
- Internal staff pulse survey: Net promoter score 27
- 475 health and safety interactions undertaken by our business leadership team
- New BAC jobs: 42

Environment
- Sustainability Strategy to deliver net zero emissions (Scope 1 and 2) by 2025
- Commitment to 10% Sustainable Aviation Fuel through BNE by 2030

Society
- 88% of community rate BNE's reputation as 'good' to 'excellent'

OUR STRATEGY



Our future direction is guided by three key strategies. The BNE 2050 Strategic Brief sets out our long-term aspirations for BNE as we grow to meet the needs of future generations. The Sustainability Strategy outlines our commitment to creating a sustainable future at BNE. The Corporate Strategy details the objectives we need to achieve over the coming years to bring us closer to achieving our aspirations and sustainability ambitions.

1. BNE 2050 Strategic Brief

At BAC, we recognise that the decisions we make today will have a direct impact on the future of our business. We have developed a BNE 2050 Strategic Brief to guide us as we draft our future master plans, business strategies and project briefs.

Our aspiration is about truly being an Airport City and a place that is the best possible distillation of all that's great about Brisbane and Queensland.

We aspire to:

Be more than an airport

We will be a true Airport City – a diversified, self-sufficient hub that connects people, enables all kinds of businesses to flourish and is a destination for locals and visitors alike each and every day.

Be Australia's best gateway

We will anticipate the needs of our varied passenger groups and then exceed their expectations, so BNE is the easiest and best airport to use. We will use our state's hallmark irreverence for 'tradition' and be the first to try new ideas and innovate. We will use our adventurous spirit to expand our horizons and in doing so we will be Australia's best-connected airport.

Be a source of pride for future generations

We will embody Queensland's entrepreneurial spirit and community-mindedness to build a place that locals know represents their interests and their ambitions. It's about being a good neighbour in the community, an asset to local and international businesses, and an ambassador for Queensland and Australia.

Our Guiding Principles help us make the decisions now that will enable us to reach our 2050 aspirations. They will guide us toward the right decisions, practices and processes.

Safe and Secure
(The Heart)

Safety and security is at the heart of everything we do

Smart and Intuitive
(The Brains)

We find smart and intuitive solutions for all services, infrastructure and experiences

Customer Centric
(The Love)

We listen to the customer and put them at the centre of our decisions

Value Creation
(The Balance)

What we do creates real value for our Four Bosses

Trusted Partner
(The Integrity)

We treat all our bosses with respect by doing what we say we will do

Uniquely BNE
(The Vibe)

BNE is easily recognisable as the gateway for Brisbane and Queensland

Sustainable
(The Legacy)

BNE is an Airport City that future generations trust and are proud of

Connected
(The Backbone)

Locally and globally, BNE will be connected digitally, physically and visually

2. Sustainability Strategy

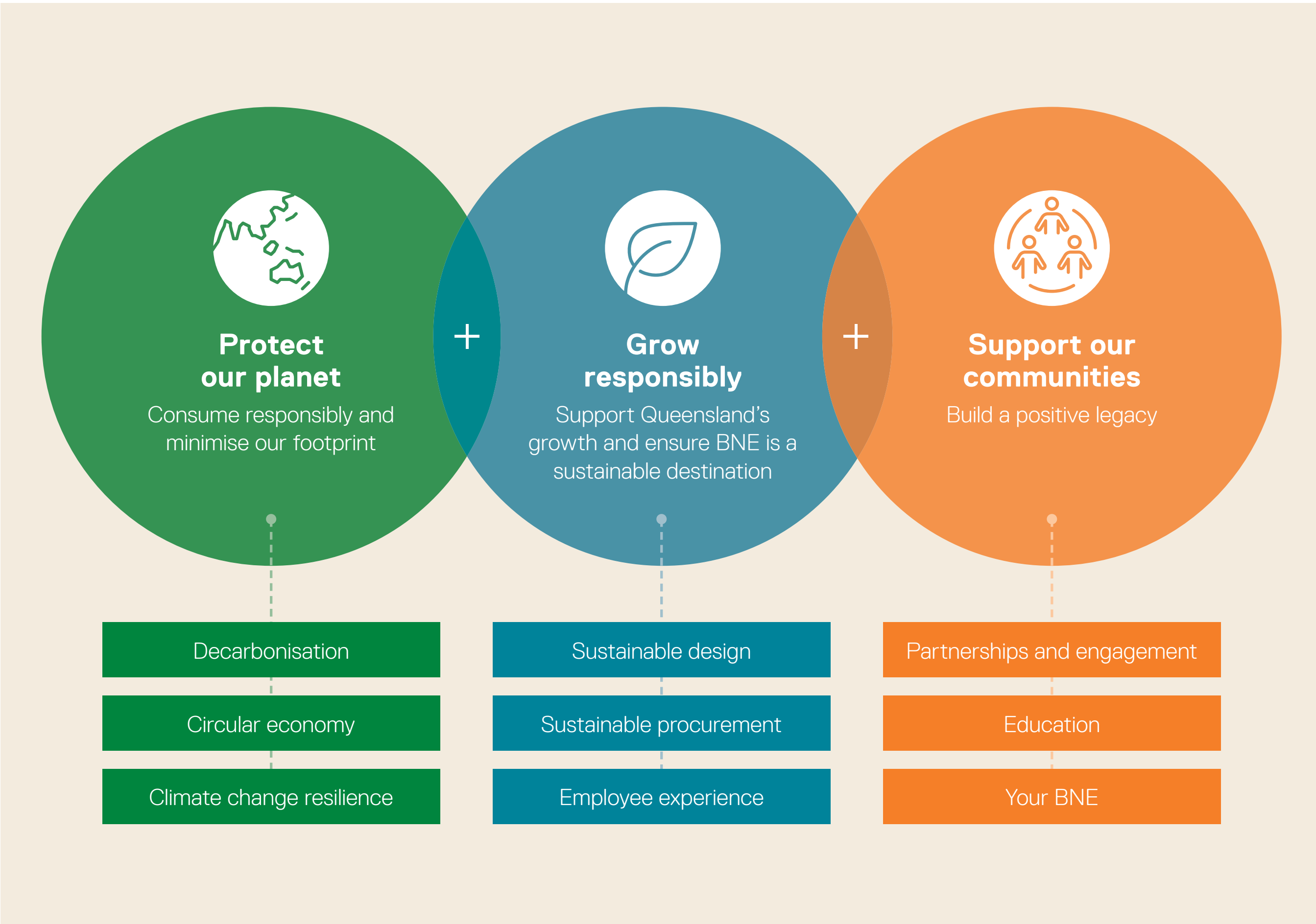
If we are to achieve our vision and future aspirations, we must develop the airport and operate it in a manner that future generations trust and are proud of.

We recognise that sustainability is essential for BNE because it enables long-term, responsible growth, which is key to delivering value to our communities, customers, employees, and shareholders. It builds on a long history of sustainability achievements, providing an exciting future pathway through a holistic approach that commits BAC to delivering positive, sustainable outcomes.

Our sustainability purpose is to

'Create a sustainable, world-leading Airport City that future generations trust and are proud of.'

In achieving this, we accelerate many of our commitments and can work within three actionable pillars.



ALIGNMENT TO UN SDGs

The 17 Sustainable Development Goals (UN SDGs) were developed in 2015 by the United Nations and they call for a global partnership to achieve a better and more sustainable future for all. Our strategy aligns with 10 of the 17 UN SDGs.

PILLAR	RELEVANT UN SDG			
PROTECT OUR PLANET	Deliver **an efficient and reliable energy network** to achieve 2025, 2030 and 2050 emission targets and meet tenant needs. (7 AFFORDABLE AND CLEAN ENERGY)	Progressing towards a **circular economy**, reducing natural resource consumption, and delivering environmental best practice outcomes. (12 RESPONSIBLE CONSUMPTION AND PRODUCTION)	**Achieving net zero** emissions by 2025 and adapting to a changing climate. (13 CLIMATE ACTION)	**Protect and manage** our coastal ecosystems by strengthening their resilience and restoration. (14 LIFE BELOW WATER)
GROW RESPONSIBLY	Promoting health and wellbeing to ensure our people are **healthy and happy** in all aspects in life. (3 GOOD HEALTH AND WELL-BEING)	Ensuring **diversity and inclusion** is a priority across all aspects of our business. (5 GENDER EQUALITY)	**Significant socio-economic impact**, facilitating 24,000 jobs and generating considerable value for Queensland families. (8 DECENT WORK AND ECONOMIC GROWTH)	**Responsible planning** for future growth through sustainable investment and building sustainable supply chains and destinations. (9 INDUSTRY, INNOVATION AND INFRASTRUCTURE)
SUPPORT OUR COMMUNITIES	**Engaging our community** on the burdens and benefits of our operations and giving back to our airport neighbours. (11 SUSTAINABLE CITIES AND COMMUNITIES)		**Building partnerships and collaborations** with the aviation industry, our supply chain and our community to accelerate sustainable outcomes. (17 PARTNERSHIPS FOR THE GOALS)	

OUR SUSTAINABILITY TARGETS

We recognise that being a leader in sustainability means constantly challenging ourselves to create the best future possible for BNE.

To achieve our future ambitions, we now commit to be a net zero (Scope 1 and 2) Airport City by 2025, which is a significant advancement from our original 2050 target. In 2022, we reaffirmed our 2030 waste and water targets, which will greatly reduce our environmental footprint.

But we won't stop here. We will continue to review our targets and commitments at regular intervals.

Our Sustainability Strategy provides the guidance and direction that underpins our Corporate Strategy.

Our Sustainability Targets

	2025	2030
WASTE		Zero waste to landfill[1]
WATER		50% recycled water
SCOPE 1 AND 2 CARBON EMISSIONS	Net zero	
SCOPE 3 CARBON EMISSIONS		10% Sustainable Aviation Fuel[2]

1 Excludes quarantine/sterile waste due to regulation

2 Supporting the World Economic Forum Clean Skies for Tomorrow initiative.

3. Our Corporate Strategy

Our Corporate Strategy:
Build an Airport City that connects people, creates community, and fuels our economy.

Aviation

- Make BNE a more attractive choice for airlines
- Help drive demand for passengers and freight
- Make BNE the easiest and most enjoyable choice

Consumers

- Identify and develop new consumer products or revenue streams
- Use technology to improve customer experience and spend
- Build flexibility into all our consumer touch points so we're always ready to adapt

Property

- Accelerate property development
- Improve connectivity to and through our precincts
- Grow the industries we have at BNE and attract new categories

The delivery of our Corporate Strategy will be facilitated by a commitment to our five-year strategic goals for our core business units of Aviation, Property and Consumers.

Governance

OWNERSHIP

BNE is operated by Brisbane Airport Corporation Pty Limited, which is a proprietary company limited by shares. It is part of a consolidated group, the ultimate holding company of which is BAC Holdings Limited (BACH), an unlisted public company.

Over 63 per cent of BACH's shareholders are major Australian institutional investors, including QIC, a state-owned entity which manages interests on behalf of its clients.

Many of BACH's shareholders are ultimately ordinary Australians with their savings invested in superannuation and other investment funds.

19.6 per cent is owned by Schiphol, Europe's third largest airport and one of the world's most modern and efficient airports. BAC's strong long-standing ties with Schiphol help ensure world-class standards in maintaining, developing and operating BNE.

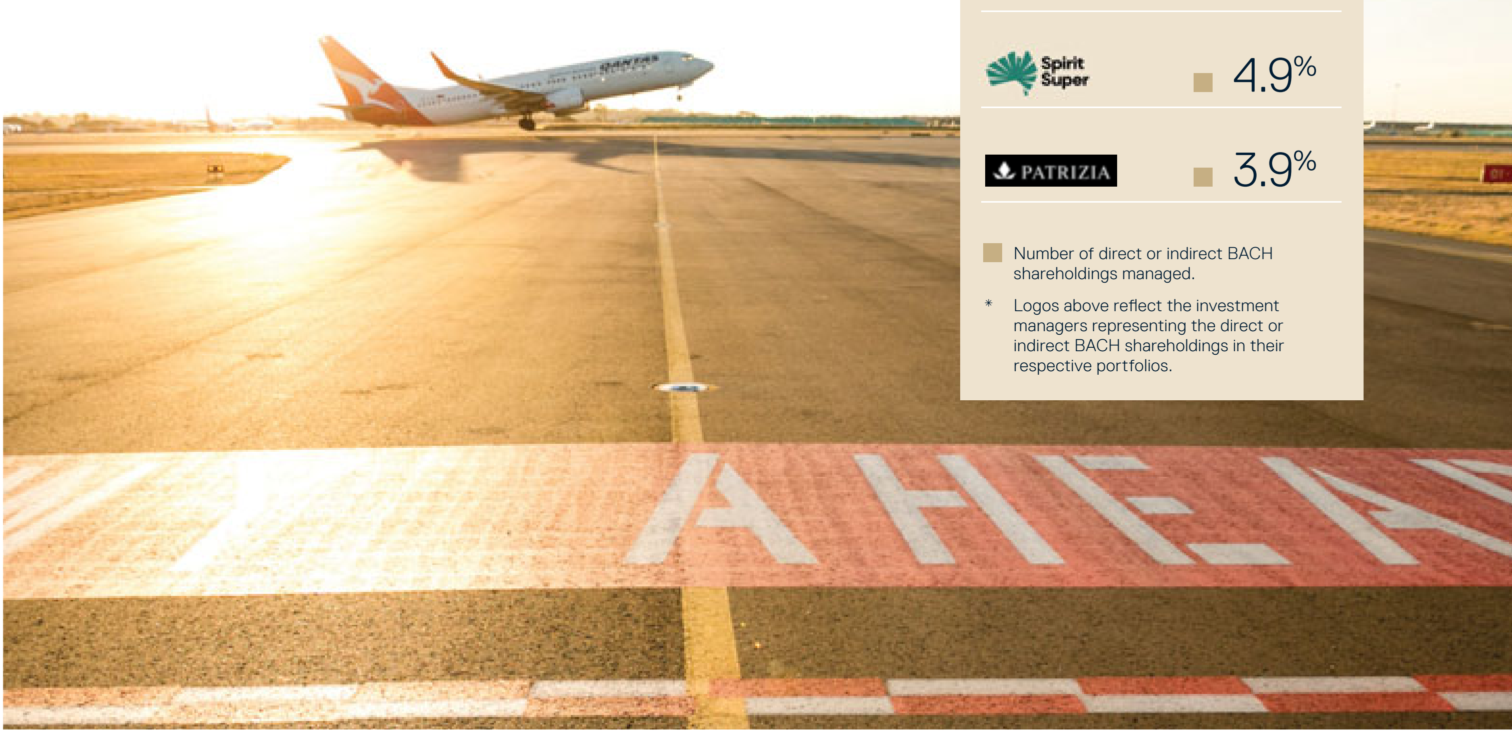
Remaining shares are held substantially with Australian investment funds, although ultimate ownership is offshore.

Ownership structure*

igneo Infrastructure Partners	26.6%
QIC	25.0%
ifm investors	20.0%
Schiphol	19.6%
Spirit Super	4.9%
PATRIZIA	3.9%

Number of direct or indirect BACH shareholdings managed.

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



GOVERNANCE STRUCTURE

We believe that good corporate governance is based on a strong organisational culture, underpinned by shared principles and values.

We believe that effective governance allows us to create value for our community, customers, employees and shareholders (our Four Bosses) through innovation and development while providing accountability and parameters commensurate with the risk landscape.

Our Board provides leadership and oversees all aspect of corporate governance of the BAC Group and retains exclusive accountability for its role and responsibilities as set out in the BAC Group Board Charter.

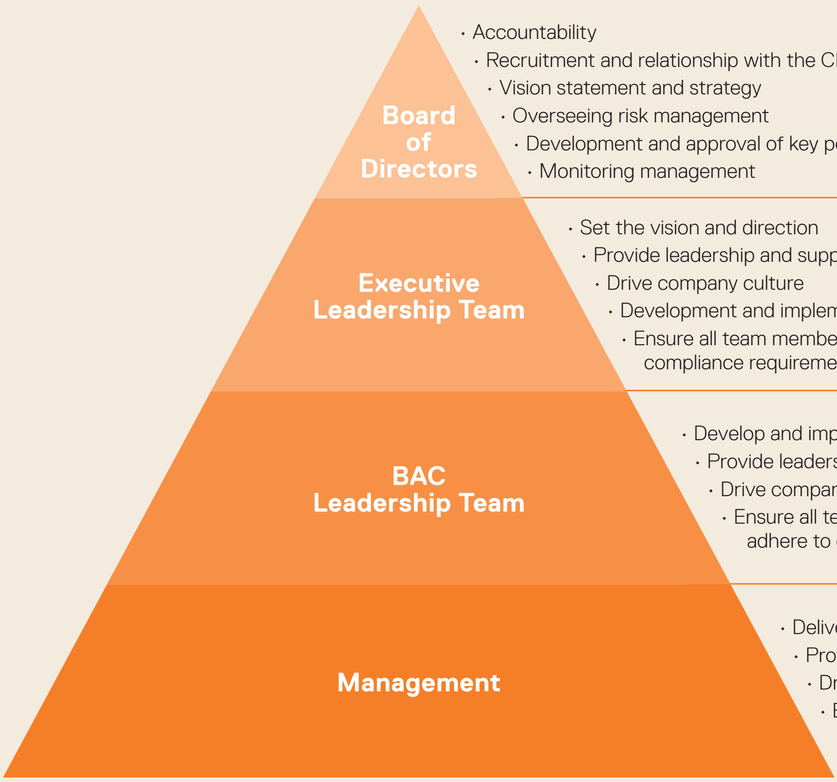
The Board meets approximately six times per year and delegates to the CEO its power and authority to manage and supervise the management of the day-to-day operations and activities of the BAC Group.

The Board and its sub committees have established charters outlining their responsibilities and a policy framework that sets out the BAC Group's position on key organisational matters and core corporate governance processes.

For more information regarding the role of our Board and its sub committees, please refer to the Directors' Report.

The Executive Leadership Team is accountable for strategically managing the commercial and operational activities of the BAC Group to ensure continuous and sustainable growth for its Four Bosses by developing and driving the implementation of BAC's corporate vision and strategy.

Board and management responsibilities



- Accountability
- Recruitment and relationship with the CEO
- Vision statement and strategy
- Overseeing risk management
- Development and approval of key policies
- Monitoring management

- Set the vision and direction
- Provide leadership and support
- Drive company culture
- Development and implementation of business strategies and plans
- Ensure all team members are adequately trained and adhere to compliance requirements

- Develop and implement division strategies
- Provide leadership and support
- Drive company culture
- Ensure all team members are adequately trained and adhere to compliance requirements

- Delivery and execution of division strategies
- Provide leadership and support
- Drive company culture
- Ensure all team members are adequately trained and adhere to compliance requirements

RISK MANAGEMENT

BAC fosters an organisation-wide positive risk aware culture by incorporating high-quality, integrated risk analysis in all decision-making.

Underpinned by the Board approved Risk Management Policy, the effective management of risk across BAC is supported and delivered through the Risk Appetite Statement and Risk Management Framework.

RISK APPETITE

BAC balances risks and opportunities to respectively protect and create value for its Four Bosses. To guide the business in risk-based decision making, BAC has defined a 'Risk Appetite Statement' that outlines the amount and type of risk that BAC is willing to pursue or accept to achieve its objectives. Management and the Board have set 'key risk indicators' to monitor whether the business is working within, close to, or outside, risk appetite and allow for corrective action where required.

RISK MANAGEMENT FRAMEWORK

Overseen by the Board and the Finance, Audit and Risk Management Committee, BAC's risk management framework supports the identification, assessment, management and reporting of risks that may have a negative impact on the achievement of strategic and operational objectives.

The goal of the Risk Management Framework is to improve decision making by aligning and harmonising risk data at all levels of BAC, supporting business areas to apply risk management thinking and providing methodologies to all planned or projected activities.

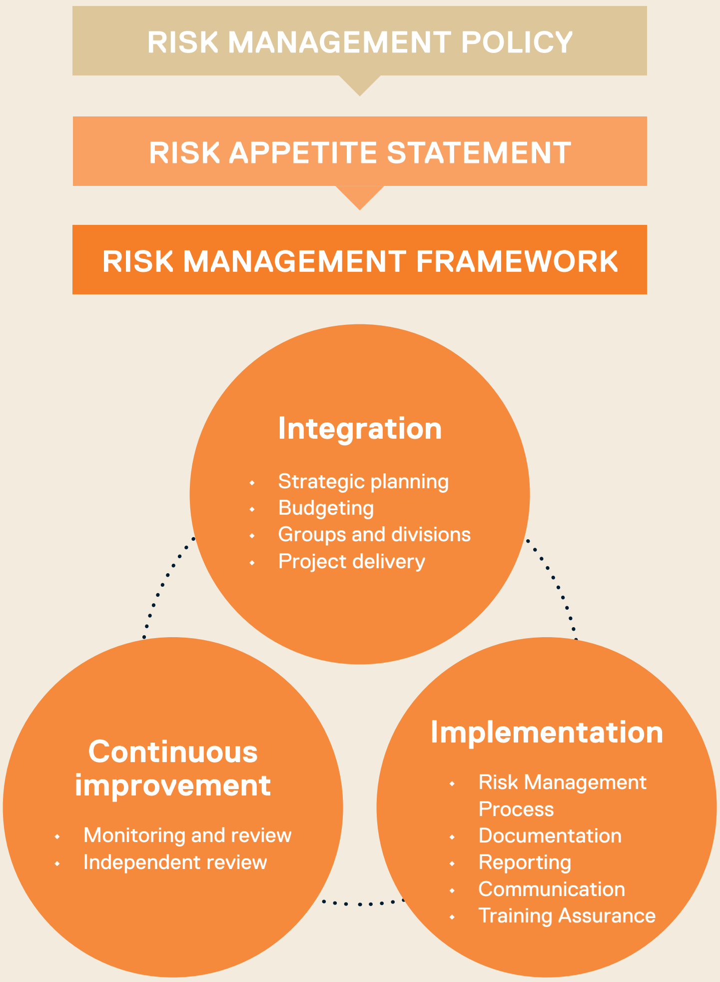
All employees are responsible for making risk-based decisions within approved risk appetite limits.

The Board reviews BAC's material risks and Management's alignment with the risk appetite biannually and regularly assesses the effectiveness of the BAC's Risk Management Framework.

Risks

The risks identified in this section have the potential to materially affect BAC's ability to meet its strategic and business objectives and impact its future financial prospects. These risks are not exhaustive and are not arranged in order of significance.

Risk Management



STRATEGIC RISKS

Strategic risks arise from internal and external uncertainties affecting strategy and strategy execution that can impact on the value of the business. These risks are managed through continuous monitoring and review, ongoing planning and the allocation of resources, and evaluation from Management and the Board.

Risk	Description
Climate change	Failure to appropriately respond to or prepare for the impacts of climate change (physical and transitional) resulting in impacts to infrastructure, operations and BAC's social licence to operate and grow.
Regulatory policy	BNE operates in a multi-layered political environment in which political decisions may impact our business, including federal and state level restrictions and policies and changing regulatory focus.
Resourcing for growth	Both BAC and our suppliers/partners are experiencing longer lead times and higher costs to attract and recruit new hires. Our largest challenge to achieving our strategic and operational objectives is not having the people available to meet customer demand and to complete the required work at the required time.
Supply chain disruptions	BNE operates on a 24/7 global hub and is dependent on the delivery of key projects to achieve strategic and operational objectives. Global shortages on materials, equipment and resources have the potential to impact our ability to achieve strategic objectives.
Economy and geopolitics	Uncertain geopolitics is contributing to a significant slowdown in global growth and adding to inflation. Rising inflation and increasing cost of living i.e. rising interest rates, fuel and food prices will put pressure on the economy. Operating in constrained political and economic environments will challenge BAC's ability to achieve our strategic and operational objectives.

FINANCIAL RISKS

Financial risks affect BAC's financial conditions and overall soundness.

Risk	Description
Liquidity and access to capital markets	BAC's business prospects and financial flexibility could be adversely affected by a failure to appropriately manage its liquidity position, or if markets are not available at the time of any financing or refinancing requirement.
Credit and counterparty	Credit and credit rating risk impacted by third party providers' inability to fulfil obligations under major contracts.
Interest rates and foreign currency	Exposure to movements in interest rates and foreign exchange rates via the company's interest-bearing liabilities could lead to an increase or decrease in the Australian dollar equivalent amounts for principal and/or interest payments.

OPERATIONAL RISKS

Operational risks arise from inadequate or failed internal processes, people and systems or from external events.

Risk	Description
Health and safety	BAC operates and maintains diverse and complex infrastructure and work environments over a large geographical area that are accessed daily by multiple parties including BAC workers, contractors, tenants, airline partners and members of the public. The complexity of these operations may expose these parties to potential risks to their health and safety.
Physical security	An intentional or unintentional compromise of a physical, procedural or technical security measure which impacts, or has the potential to impact, the integrity of BAC and its stakeholders, including people, assets, infrastructure or information. This may include attacks of terrorism, foreign interference and criminality which may have catastrophic impacts to our aviation operations, commercial customers and BAC operational and social licenses.
Cyber security	A cyber security incident has the potential to cause a disruption to critical business processes, a breach to privacy, corruption of commercially sensitive data that may impact BAC's customers, operations or reputation.
Resilience	Airport operations are dependent on the full functionality of our terminal, airfield, road, and technology infrastructure, which require ongoing maintenance to ensure safety and efficiency. BAC's operations may be impacted by risks associated with aircraft accidents, potential terrorist attacks or any failure to conduct required maintenance.
Environmental and social	An environmental incident or failure to consider and adequately mitigate the environmental, social and socio-economic impacts on the community and the environment has the potential to cause environmental impact, community action, regulatory intervention, legal action, impacts to reputation and revenue impacts.
Regulatory obligations	BAC operates in a regulated environment with a number of licence to operate obligations which may impact the environment in which we conduct our business.

RESPONSIBLE BUSINESS

BAC conducts its business responsibly and respectfully, supporting our ongoing social licence to operate through an ethical behaviour framework comprising policies and programs focusing on:

- diversity and inclusion
- preventing corruption
- whistleblower protection
- supplier principles
- modern slavery
- reconciliation.

BAC's Conflict of Interest, Fraud and Corruption and Gifts, Benefits and Entertainment Policies support employees behaving lawfully and ethically in the workplace, including when dealing with existing stakeholders and business partners, and during procurement and supply practices.

BAC's Whistleblower Policy empowers employees, business partners and customers to report behaviour potentially damaging to our organisation. This program is supported by an independent reporting service and BAC's Confidential Reporting Committee ensuring that appropriate protections are provided to eligible disclosers.

To ensure a sustainable future, BAC seeks to work with suppliers who are ethical and socially responsible. BAC's expectation of its suppliers and service providers is provided through is Supplier Principles, which asks supply partners to commit to meeting particular standards in line with acting responsibly, respecting labour laws and human rights; maximising health and safety and minimising its environmental impact.

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

While the focus for the last three years has been BAC's supply chain, in FY23 BAC will be engaging with key airport partners such as Australian Border Force, Australian Federal Police and airlines to provide training to frontline staff in the dangers and indicators of human trafficking. As a prominent entry and exit point to and from Australia, our airport partners play a key role in eliminating Modern Slavery practices from BAC's operations.

COMPLIANCE MANAGEMENT

BAC preserves its licence to operate by maintaining appropriate compliance with all laws, regulations and standards in accordance with the Board approved Compliance Policy. Compliance risks are addressed in the Risk Appetite Statement and conformance to them is tracked via the compliance-based risk appetite metrics, and reported to the Finance Audit and Risk Management Committee and Board.

PRIVACY

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

Financial performance

BAC welcomed the reopening of domestic and international borders in the latter part of FY22. Recovery of passenger numbers has steadily improved (31.0 per cent up year on year), however it still remains materially below pre-pandemic levels, particularly in relation to international travellers.

Total revenue increased by 11.9 per cent year on year to $500.6 million and EBITDA was up 40.0 per cent to $306.1 million. Reflecting the ongoing challenges faced as the company recovers from the impacts of COVID-19, BAC delivered an operating loss of $12.5 million. To provide context on the company's recovery journey, total revenue remains 40.0 per cent lower than pre-pandemic results of $840.5 million (FY19). Although delivering a strong year on year performance, passenger linked divisions continue to be the most heavily impacted as a result of the COVID-19 pandemic.

Aeronautical revenue (including mandated security) was up $62.2 million and finished the year at $201.6 million, representing approximately 40.3 per cent of total revenue. Landside transport services delivered $89.7 million in revenue in FY22, up $11.7 million (15.0 per cent) on the prior year as travellers returned to a range of new parking product offerings delivering enhanced choice for our customers. Our retail division continued to suffer with the absence of (particularly international) passengers with revenue remaining materially below pre-COVID-19 levels.

Revenue for investment property continued to display the resilience demonstrated throughout the pandemic and remained materially in line with the year prior at $111.9 million.

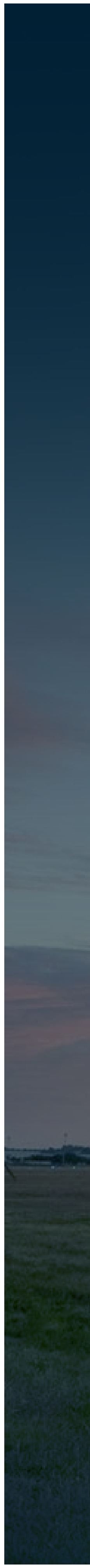
In contrast, operating property was down $3.9 million to the prior year as a result of the continued impacts of the COVID-19 pandemic on tenants. The BAC Group provided more than $42.8 million in support of rental and property tenants in the form of base rent abatements and deferrals.

BAC continued to focus on cost discipline and achieving reductions via process optimisation and efficiency gains. As passenger numbers rebounded in the final quarter of the financial year, it became necessary to ramp up activities to ensure the maintenance of appropriate safety and service levels. Control of these cost escalations remains an ongoing priority at the close out of the financial year. Total operating costs finished the year at $194.5 million, down 14.9 per cent year on year.

The capital expenditure program was reprioritised throughout the course of the year. Major projects already mid-construction, as well as essential safety, regulatory and maintenance activities, continued. BAC reignited some previously on-hold projects with advanced planning and site preparation underway for the Brisbane Airport Auto Mall, Airport Industrial Park, and Queensland Regional Aeromedical Base. Total capital expenditure for FY22 came in at $120.7 million.

Prior year refinancing has helped to protect the BAC balance sheet and liquidity position throughout FY22. Appropriate levels of liquidity have continued to be maintained throughout the year, with over $1.2 billion of available cash and undrawn bank lines providing a solid buffer for the business. The company also undertook a partial restructure of its interest rate swap ('IRS') book in September 2021 as an additional interest saving measure supporting BAC's credit metrics and financial covenants during the recovery period.

Due to the financial performance and position of the company as a result of the ongoing impacts of COVID-19, BAC was not in a position to pay any dividends in FY22. Our goal remains to recommence dividend payments once an appropriate level of sustainable recovery has occurred and our financial metrics, which support our credit rating, allow us to do so.



KEY FIGURES

Economic

Total revenue

2022	2021
$500.6m	$447.2m

↑ 11.9%

Operating expenses

2022	2021
$194.5m	$228.6m

↓ 14.9%

EBITDA

2022	2021
$306.1m	$218.7m

↑ 40.0%

Net operating cash flow

2022	2021
$242.4m	$126.5m

↑ 91.6%

Capital expenditure

2022	2021
$120.7m	$57.4m

↑ 110.3%

Net debt

2022	2021
$3,214.4m	$3,522.3m

↓ 8.7%

Gearing

2022	2021
45.7%	47.1%

↓ 3.0%

Debt Service Coverage Ratio (x)

2022	2021
3.98	1.65

↑ 141.2%

EBITDA margin (%)

2022	2021
61.1%	48.9%

↑ 24.9%

KEY FIGURES (CONTINUED)

Environmental

Scope 1 emissions (tCO2e)

2022	2021
1,564.1	1,450.0*
↑ 7.9%	

Scope 2 emissions (tCO2e)

2022	2021
33,848.2	29,164.0*
↑ 16.1%	

Onsite renewable energy (GWh)

2022	2021
8.7	9.3
↓ 6.5%	

Waste to landfill (t)

2022	2021
1,399.0	1,247.5
↑ 12.1%	

Recycling (% of total waste)

2022	2021
20.0	12.5
↑ 60.0%	

Recycled water (% of total)

2022	2021
30.0	36.0
↓ 16.7%	

Community

Reputation of Brisbane Airport (% good to excellent)

2022	2021
88.0	88.0
0.0%	

* BAC has changed its approach to data collation. NGERS is the method of calculation now used. Therefore there is a minor discrepancy when compared to previously reported FY21 data.

Employees

Total employees

2022	2021
327.0	333.0

↓ 1.8%

Women

2022	2021
38%	35%

↑ 8.6%

Men

2022	2021
62.0%	65.0%

↓ 4.6%

Full time

2022	2021
93.0%	95.0%

↓ 2.1%

Part time

2022	2021
7.0%	5.0%

↑ 40.0%

<30

Aged <30 years

2022	2021
7.0%	8.0%

↓ 12.5%

30-50

Aged 30-50 years

2022	2021
68.0%	66.0%

↑ 3.0%

<50

Aged >50 years

2022	2021
25.0%	26.0%

↓ 3.8%

Identified as First Nations (No.)

2022	2021
7	6

↑ 1

Health and safety

Notifiable incidents

2022	2021
10	2

↑ 400.0%

H&S interactions by BAC Leadership Team

2022	2021
475	312

↑ 52.2%

Aviation

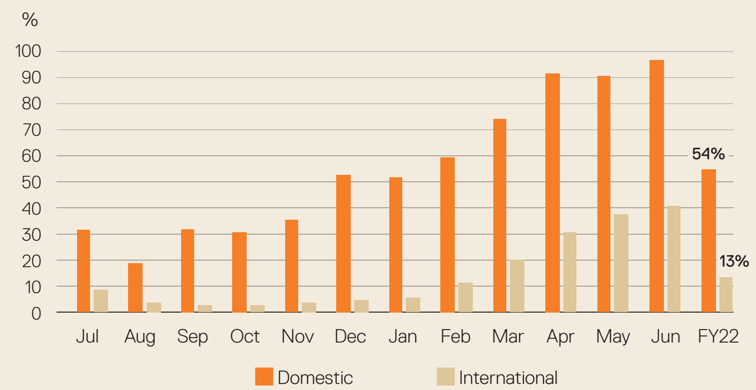
Aviation encompasses the operation of the runways, taxiways and broader airfield, passenger terminals for domestic and international operations, airside standards and safety, airline commercial and pricing agreements as well as business development.

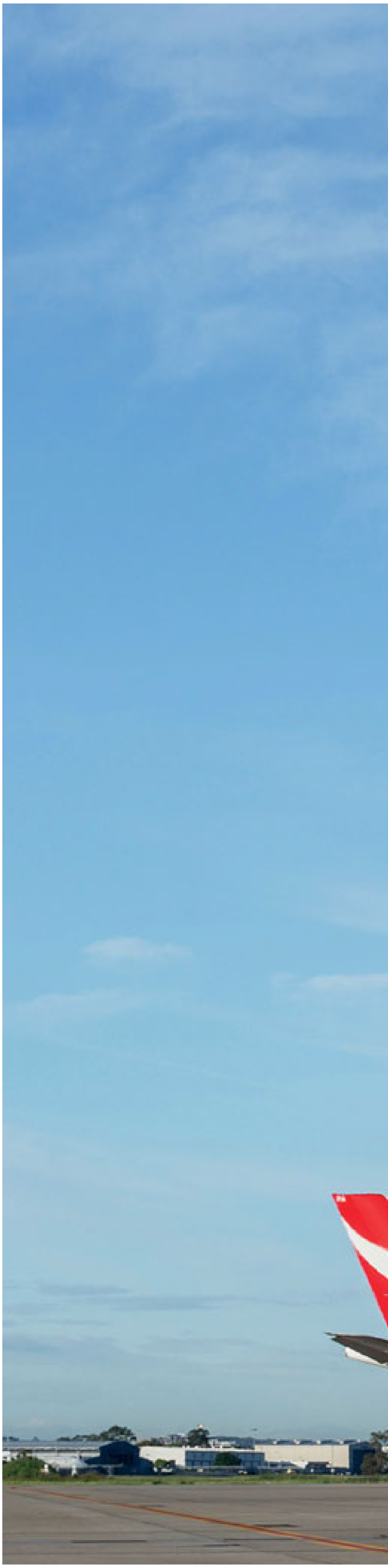
FY22 continued to be impacted by border closures, quarantine and isolation requirements as a result of COVID-19. The effect was most pronounced on international traffic, with FY22 only achieving 13 per cent of pre-COVID-19 passengers (FY19) passing through the airport. Border closures between states also had a significant impact on domestic traffic. However stronger recovery in H2 resulted in FY22 passengers at 54 per cent of pre-COVID-19 passengers passing through the Domestic Terminal.

The first half of FY22 was characterised by volatility and unpredictability, with border closures that limited free travel from BNE to intrastate ports and quarantine/isolation requirements as a result of the Delta and Omicron variants.

August was the low point with lockdowns in South East Queensland also restricting intrastate travel, resulting in only 17 per cent of domestic, and three per cent of international traffic versus pre-COVID-19 levels. Also in August, both terminals experienced their quietest day for FY22. On 7 August, only 2,617 passengers passed through the Domestic Terminal, while on 23 August only 101 passengers passed through the International Terminal.

Brisbane Airport passenger restoration (FY22) vs Pre-COVID (FY19)






Virgin
VH-VPF

During September and October, domestic passenger volumes were at 30 per cent of pre-COVID-19 levels as there were no lockdowns within Queensland and some easing of restrictions to/from South Australia, Northern Territory and Tasmania, however border closures remained in place for the major markets of New South Wales, Victoria, and Australian Capital Territory.

In November, conditions began to improve, and in December, passenger volumes grew to above 50 per cent of pre-COVID-19 levels. Queensland reached the 80 per cent double vaccination target on 9 December 2021 and as a result, travel restrictions into the state from hotspots (i.e. New South Wales, Victoria, and Australian Capital Territory) were eased from 13 December. This facilitated an increase in travel to/from the key markets of Sydney and Melbourne for Christmas holidays, however consumer confidence remained low due to the Omicron wave, and challenges of testing requirements to enter Queensland.

After the Omicron peak in January, the second half of FY22 was characterised by recovery and building momentum as restrictions continued to ease and confidence to travel increased.

During February, New South Wales, Victoria, and Australian Capital Territory removed a number of COVID-19 restrictions, facilitating the increase in leisure travel to and from Queensland.

Domestic passengers stepped up to 73 per cent of pre-COVID-19 levels in March as a result of the opening of the Western Australian border and growing confidence. Demand from visiting friends and relatives (VFR) and leisure travel segments rebounded strongly in the April and June school holidays, with the April school holidays seeing the strongest day of the year with 57,919 domestic passengers on 14 April. Corporate travel also began to return in Q4, resulting in April, May and June recovering to 90, 89 and 95 per cent of pre-COVID-19 volumes respectively.

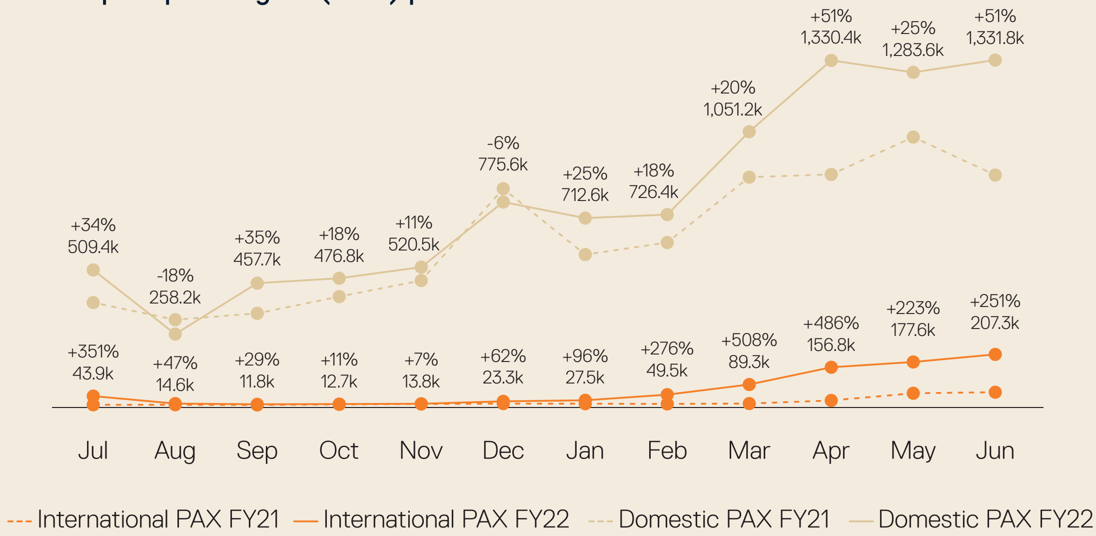
Despite the challenges of COVID-19 affecting travel, during FY22 four new domestic routes were commenced that did not operate pre-COVID-19:

1. Brisbane – Albury
2. Brisbane – Wagga Wagga
3. Brisbane – Cooma
4. Brisbane – Weipa.

International passenger volumes in FY22 were more heavily impacted by COVID-19 than domestic numbers. The international border was closed from July to mid-February, with exception of the last three weeks of the travel bubble with New Zealand (NZ) which ended in late July. With borders closed, international passengers slumped to only 4 per cent of pre-COVID-19 levels for H1. The restrictions eased slightly in mid-December when 80 per cent double dose vaccinations was achieved. However, it wasn't until 21 February that international travel began to recover, with fully vaccinated Australian citizens and permanent residents able to travel to and from Australia. The remainder of FY22 saw increasing international passengers each month as confidence in international travel grew and airlines added international capacity.

At the end of FY22, there were 20 international airlines operating to 21 destinations and six domestic airlines operating regular passenger flights to 53 destinations at BNE.

Brisbane Airport passengers (PAX) per month for FY22 vs FY21



Summary of key events/milestones

First quarter

Month	Key event
July 2021	• Domestic border restrictions and lockdowns from June were extended, and in some cases, strengthened. This resulted in a significant decrease on the previous month and a decline in consumer confidence to travel. • The two-way quarantine free travel between Australia and New Zealand was reduced to in-bound services only on 23 July, leading airlines to significantly reduce schedules. • The ceasing of the Trans-Tasman bubble and caps on international arrivals restricted to 650 per week led to just eight per cent of passenger traffic on pre-COVID-19 levels.
August 2021	• The low point of FY22 with border closures and lockdowns restricting demand. • South East Queensland exited lockdown on 8 August, the same day that Cairns entered lockdown. • Victoria and regional New South Wales also went into lockdown in early August, and Queensland paused all hotspot arrivals on 25 August. • The quietest day of FY22 for the Domestic Terminal was 7 August, with only 2,617 passengers. For the International Terminal, it was on 23 August, with only 101 passengers. • Caps on international arrivals remain restricted to 650 per week, resulting in only three per cent of passenger traffic compared to pre-COVID-19 levels.
September 2021	• No lockdowns within Queensland, and the easing of restrictions to/from South Australia, Northern Territory and Tasmania. Border closures remained in place for the major markets of New South Wales, Victoria and Australian Capital Territory. • September passenger volumes were boosted by school holidays, with destinations primarily within Queensland (intrastate network). • Caps on international arrivals remain restricted to 650 per week, with a further drop in passengers resulting in only two per cent of passenger traffic compared to pre-COVID-19 levels.

Second quarter

Month	Key event
October 2021	• Demand remained supressed due to ongoing uncertainty and lack of confidence in borders, with passenger volumes similar to September. • Domestic travel was possible to/from South Australia, Northern Territory and Tasmania. Border closures remained in place for the major markets of New South Wales, Victoria, and Australian Capital Territory. • Caps on international arrivals remained restricted to 650 per week, resulting in only two per cent of passenger traffic vs pre-COVID-19.
November 2021	• Queensland reached 70 per cent double dose COVID-19 vaccinations on 15 November. • Despite some easing of restrictions, travellers from hotspots (Australian Capital Territory, New South Wales and Victoria) were still subject to several restrictions and quarantine requirements. • Caps on international arrivals increased from 650 to 1,000 per week (with 300 surge capacity), however poor confidence in international travel and extensive testing requirements resulted in only three per cent of passenger traffic vs pre-COVID-19.
December 2021	• Queensland reached the 80 per cent double vaccination target on 9 December. • Domestic border restrictions were partially eased from 13 December. • Travel restrictions began to ease, with travel from Sydney and Melbourne possible in time for Christmas. • As a result of Queensland reaching the 80 per cent double vaccination target, some restrictions were also eased for international travel. This included the option of home quarantine for some travellers. Nonetheless, the international market remained subject to severe restrictions and cap of 1,000 arrivals per week for hotel quarantine, resulting in only four per cent of passenger traffic vs pre-COVID-19.

Third quarter

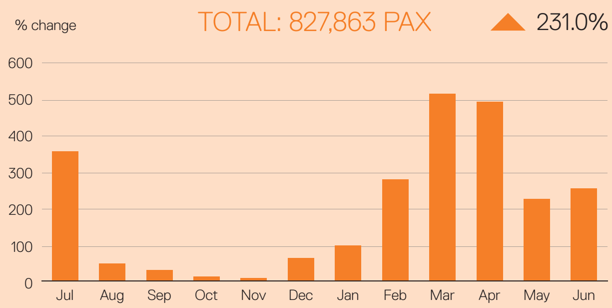
Month	Key event
January 2022	• The Omicron wave subsided, and domestic travel hit 51 per cent of pre-COVID-19 passengers. • The international market remained subject to severe restrictions, with caps on hotel quarantine places restricted to 1,000 per week, resulting in only five per cent of passenger traffic compared to pre-COVID-19 levels.
February 2022	• During February, New South Wales, Victoria and Australian Capital Territory removed a number of COVID-19 restrictions, (such as café and restaurant density limits) facilitating the increase in leisure travel to/from Queensland. • From 21 February, fully vaccinated (two doses) Australian citizens and permanent residents were able to travel to and from Australia. Caps on hotel quarantine places remained at 1,000 per week for non-Australians, or those not vaccinated. This resulted in a growth to 11 per cent of passenger traffic versus pre-COVID-19.
March 2022	• The Western Australian border opened to Queensland travellers on 3 March, and confidence grew with domestic travel at 73 per cent of pre-COVID-19 levels. • Confidence in international travel continued to grow to 19 per cent of passenger traffic compared to pre-COVID-19 levels.

Fourth quarter

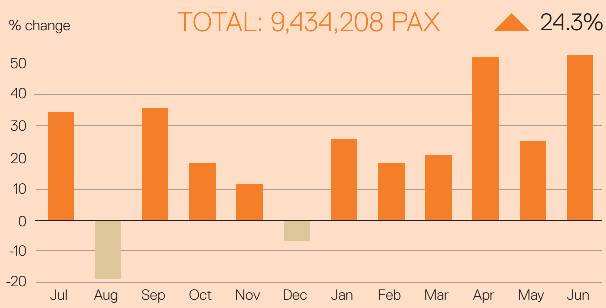
Month	Key event
April 2022	• Domestic travel returned to 90 per cent of pre-COVID-19 levels. April school holidays saw the strongest day of the year with 57,919 domestic passengers on 14 April. This was BNE's busiest day domestically since the onset of COVID-19. • From 28 April, the travel caps and restrictions for all international arrivals were effectively removed, allowing unvaccinated international passengers to arrive in Queensland without the need to quarantine. International passengers were at 30 per cent of pre-COVID-19 levels.
May 2022	• Domestic corporate travel returned somewhat due to stable borders (although still below pre-COVID-19 levels), evidenced by the Monday, Friday and Sunday peak departure/arrival times. • International recovery continued to build momentum, although fares were expensive, resulting in mostly visiting friends and relatives traffic rather than for leisure. International passengers were at 37 per cent of pre-COVID-19 levels.
June 2022	• Confidence was evident in domestic travel for school holidays, resulting in June achieving 95 per cent of domestic pre-COVID-19 volumes. • By the end of June, domestic airlines were beginning to cut forward schedules due to airline staff shortages and high fuel prices. In addition, rising interest rates and cost of living pressures were making daily news headlines. • Positive momentum continued to build for international travel, with increases in capacity for Fiji, Bali and New Zealand in time for school holidays. International passenger restoration grew to 40 per cent of pre-COVID-19 levels. • The biggest day for international travel was Sunday 26 June, which coincided with the start of Queensland school holidays and saw 9,480 international passengers.

Key statistics (FY22 vs FY21):

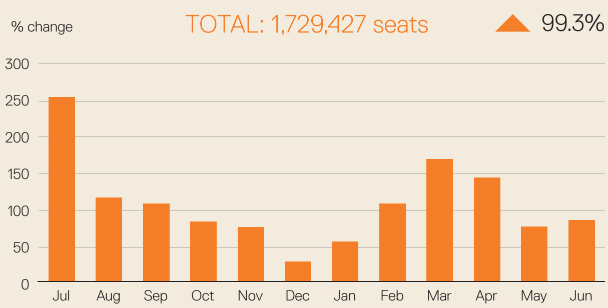
Change in international passengers



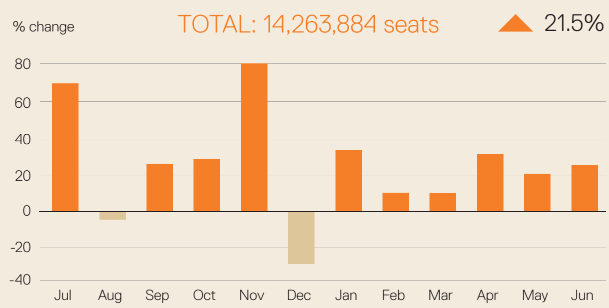
Change in domestic passengers



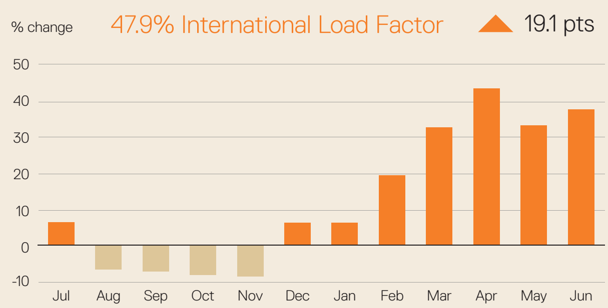
Change in international seats



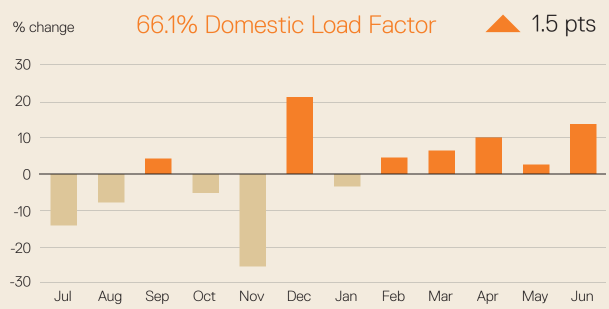
Change in domestic seats



Change in international load factor



Change in domestic load factor



Busiest day in FY22:

Domestic

57,919 passengers

on 14 April

International

9,484 passengers

on 26 June

Quietest day in FY22:

Domestic

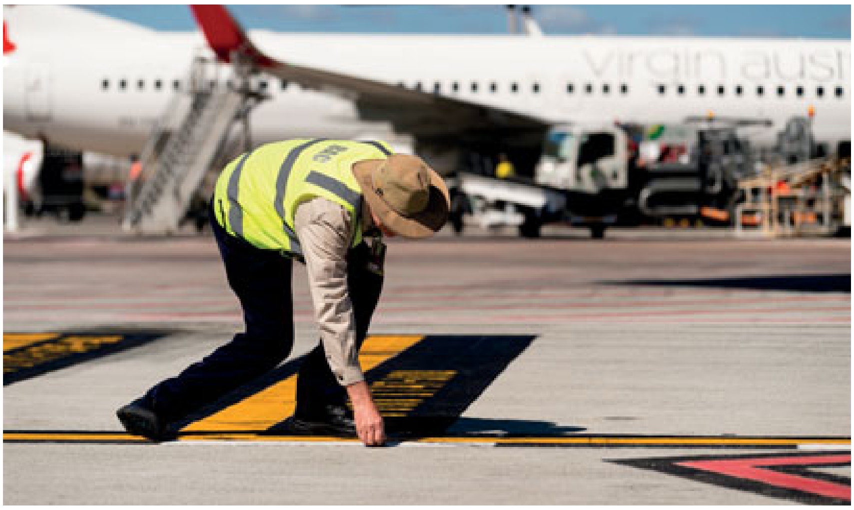
2,617 passengers

on 7 August

International

101 passengers

on 23 August



AIRSIDE OPERATIONS

The recovery in flight numbers towards the end of the year required a rapid lift of tempo across all parts of the business, including Airside Operations, which oversees safety and compliance across the taxiways, runways and all movement areas. BAC expanded the use of an airside driving simulator to give new staff familiarity with taxiways and runways in varying weather conditions before setting foot on the airfield.

Airside Operations continues to innovate, with development of the Flight Operations Manual to enable the safe use of an all-weather drone for enhanced wildlife management, survey work, maintenance and for use during extreme weather events to check on potential flooding issues across the airfield.

BNE also passed its annual CASA audit and annual technical inspection with no safety findings for the sixth consecutive year, a milestone unmatched around the country.

Commercial

PROPERTY

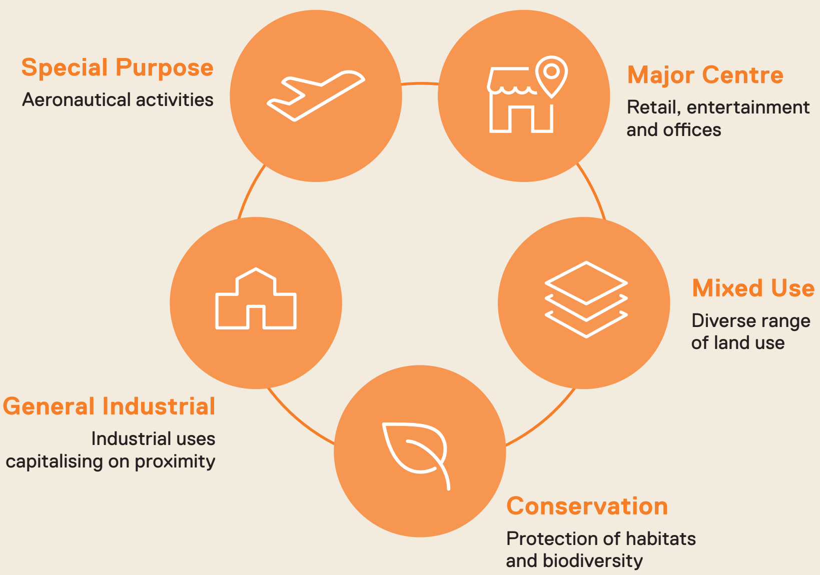
BNE Property is BAC's property division, responsible for guiding sustainable property development at BNE within BAC's overall 2,700 hectare lease holding.

We have a varied and large tenant portfolio across the airport, from a variety of market segments including industrial, commercial, retail, entertainment and aviation.

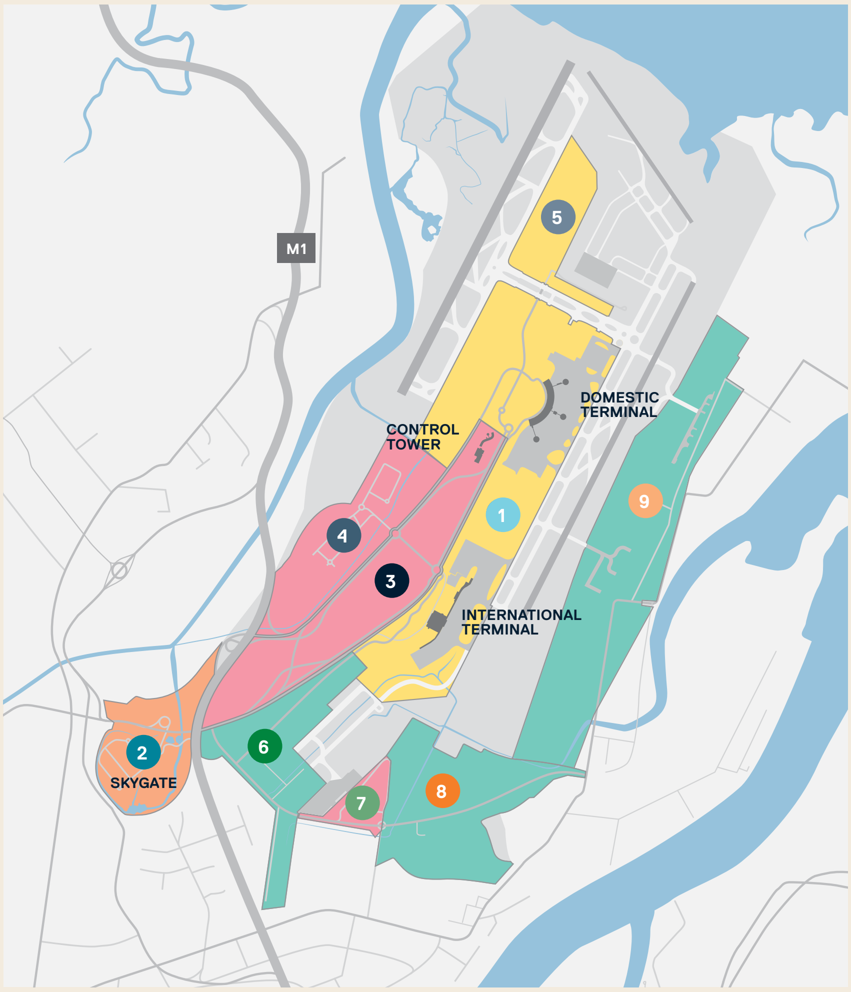
Our vision to *Connect the World, Create the Future* drives us to be more than an airport. We are a place where business grows: a place where people come even when they are not flying. We are an Airport City – a place that creates jobs for generations to come.

Prioritising business diversification and building our business beyond its aviation capabilities continues to be a focus for FY23 and part of our five-year strategy. The focus now shifts towards sustained momentum, ensuring the increased velocity of property development is maintained by optimising sales, operations and project delivery.

Brisbane Airport Land Use Zones



Airport neighbourhoods



1. **The terminals**
   The heart of the airport and its operations
2. **Skygate**
   The airport's commercial, retail and leisure hub
3. **Airport Central**
   24-hour Service Centre and home to BNE Auto Mall
4. **Airport West**
   Includes parking and vehicle charging facilities
5. **Airport North**
   The airport's logistics and aviation hub
6. **Export Park**
   Home to warehousing and distribution operations
7. **Da Vinci**
   Home to training and education centres
8. **Airport Industrial Park**
   Includes warehouse, storage and distribution facilities
9. **Airport East**
   Maintenance and associated businesses

Key achievements:

Completion and opening of the Qantas flight training facility in September

Completion of the Bevie & Bonds Duplex at Export Park in April

12 new projects under construction – all leased prior to completion

Committed tenants and project commencement for an aeromedical hub.

Key metrics:

$2 billion
property portfolio

Capex investment in property development FY16 - FY20 = $223 million

Forecast capex investment over next five years = $963 million

More than
125 current tenants

12 projects
in delivery phase.

500 hectares
of land available for commercial development

205 property tenant
leases

0.71 per cent
vacancy rate for commercial investment portfolio

0 per cent
vacancy rate for industrial portfolio

Challenges:

Management and timely delivery of accelerated pipeline while managing supply chain delays and industry price escalations.

RETAIL

BAC's retail division manages the retail, commercial and advertising portfolio across the Domestic and International Terminals as well as the Skygate precinct. This includes the Duty-Free Concession which is the single largest lease revenue agreement in the portfolio.

Key achievements:

Negotiation of a two-year extension of the duty-free concession

Post COVID-19 relaunch of retail business

142 leasing transactions completed, including the implementation of the Domestic and International Terminal COVID-19 leasing strategies.

Key metrics:

$490 million
of retail and car rental sales

More than 510 leases
managed.

Challenges:

Delivery of the Domestic Terminal Southern retail upgrade project

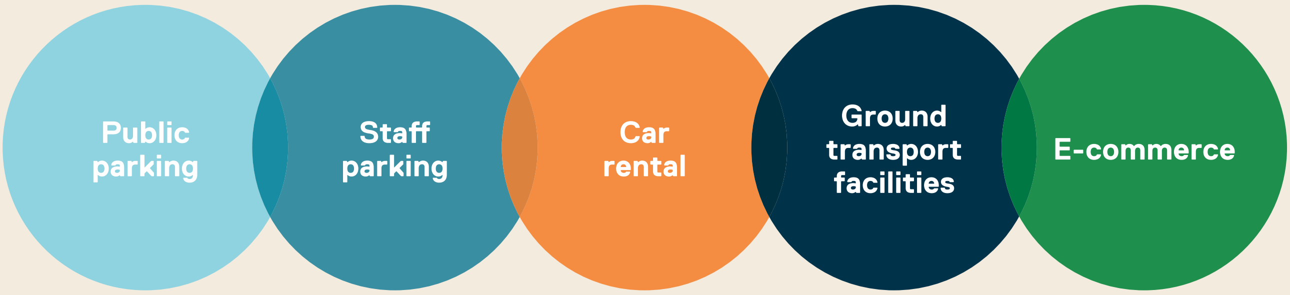
Commencing the International Terminal Retail Upgrade project

Management of consumer disruptions and impacts of Security Compliance Upgrade projects.

PARKING AND GROUND TRANSPORT

The Parking and Ground Transport division delivers excellence in customer service and stakeholder management through investment in world class infrastructure and systems, for passengers, customers and airport workers. This includes facilitating all transport modes of choice for passengers and workers, and all non-terminal parking including our commercial precinct, Skygate.

Parking and Ground Transport



Key achievements:

Construction and opening of Hovea Street domestic staff car park

Launch of the Park&Fly product

Reopening of AirPark car park

Launch of of AirPark car park extension.

Key metrics:

1.1 million
paid users (increase of 38 per cent from FY21)

$60 million
of public car parking revenue (increase of 45 per cent from FY21 as travellers returned)

$38 million
of online sales revenue (increase of 53 per cent from FY21 as travellers returned)

533,000 online transactions
booking (increase of 35 per cent from FY21)

15,287 public car parking bays

Highest occupancy day saw 14,000 (92 per cent) and 1,400 Park&Fly holdings.

New products:

Park Essential for our Fly-In-Fly-Out customers

Park&Fly reopen and simplification of our valet service

AirPark 2 by using the previous staff car park, we provided 2,600 more bays for our customers.

Challenges:

Restarting Valet for international and domestic customers

Ongoing COVID-19 impacts during the first half of FY22

Recruitment challenges increasing lead times of product/service launch as business recovered.

Our people

For every challenge FY22 delivered, the people of BAC tackled it with determination, energy and a positive mindset to overcome each one. This required adaptation, agility and empowerment from our values of *Communication, Collaboration, Care and Courage*.

At BAC, our people are our greatest asset and they demonstrate remarkable courage, resilience, dedication, and passion for the work they perform, making BAC a rewarding place to work.

The BAC team's achievements were recently acknowledged by the Skytrax 2022 World Airport Awards with BAC being awarded winner of the Best Airport for Australia/Pacific category, Cleanest Airport in Australia/Pacific and importantly, Best Airport Staff for Australia/Pacific.

Inclusion and diversity are integral to our culture and how we live our values. Reflecting the diversity of the customers and communities we serve enables us to better understand and deliver on their expectations. To expand on current efforts, BAC launched the Diversity and Inclusion Council in 2022. The mission of the Council is to create an inclusive environment and to celebrate and empower the diversity of all people. The Council is made up of 15 self-nominated champions and co-chaired by the Chief Financial Officer and Executive General Manager Infrastructure and Planning.

The Council is committed to diversity and inclusion, education and *communication, collaboration* of initiatives, *care* for team members and the display of *courage* to challenge thinking and trying innovative ideas. The initial focus areas include LGBTQIA+, culture, gender, and disability.

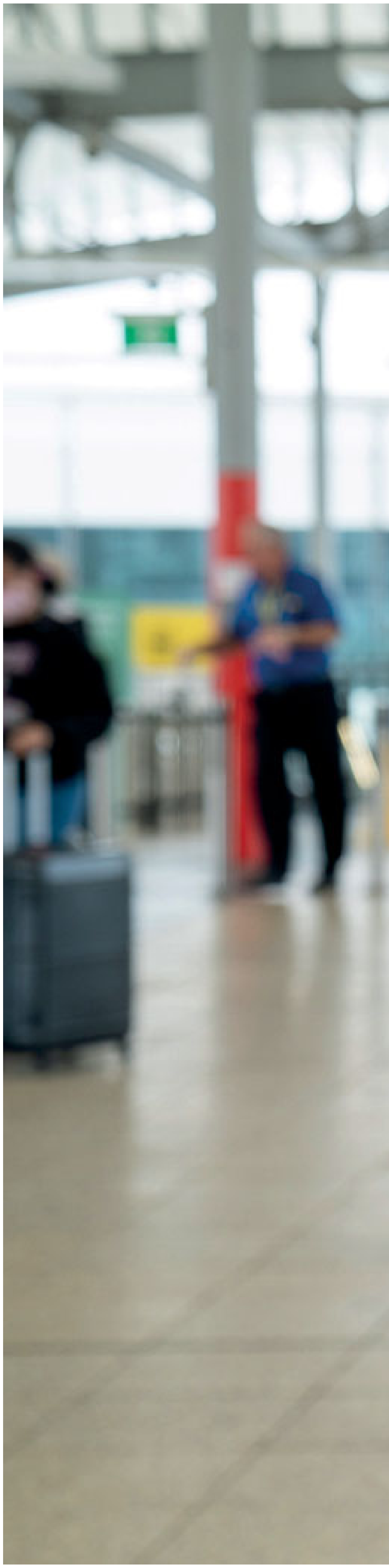
HEALTH AND SAFETY

BAC is a people business. Keeping everyone at the airport safe and secure is paramount – it's the most important thing we do. Our people are our strength, so we invest time and effort in them and trust them to deliver exceptional outcomes and to keep each other safe.

Key to delivering exceptional health and safety outcomes for BNE is our proactive safety program which:

- trains our people and our contractors
- ensures effective consultation and communication
- implements a range of events, activities and initiatives to improve the health and wellbeing of our people
- actively monitors the performance of our health and safety management system through inspections and observations.

A key activity in this proactive approach is the example set by our leaders and their engagement with our people in relation to health and safety. For the FY22 period, both our Executive Leadership Team (ELT) and BAC Leadership Team exceeded their targets with 168 (up 75 per cent) and 475 health and safety interactions (up 52 per cent) respectively.



Health and safety highlights

1. Electrical Safety Committee and WHS Committee
2. Fire safety, ergonomics, drug and alcohol awareness, mental wellness, snake bite awareness, CPR, first aid and low voltage rescue
3. WHS general induction, asbestos awareness, drug and alcohol awareness, traffic management, work at heights, work in ceilings, work in public areas, hot work, NPR fire suppression system and roof access
4. Skin checks, flu vaccinations, financial wellbeing, walking club, BAC virtual trivia, BAC My Plate Culinary Competition, Women's Health Week, Men's Health Week, BUPA online consultations
5. 187 WHS contractor inspections, 168 ELT safety leadership activities, 475 Business Leadership Team safety leadership activities.

INCIDENT PERFORMANCE AND ANALYSIS

Another key component of delivering exceptional health and safety outcomes is ensuring there is rigorous analysis and review of the incidents that do occur at BNE. This allows us to identify trends and opportunities for improvement to continue to deliver on our commitment to health and safety.

The incident chart to the right has passenger numbers for FY21 and FY22 overlayed. A correlation can be seen with the rising passenger numbers and increase in incidents, with both following a similar trajectory.

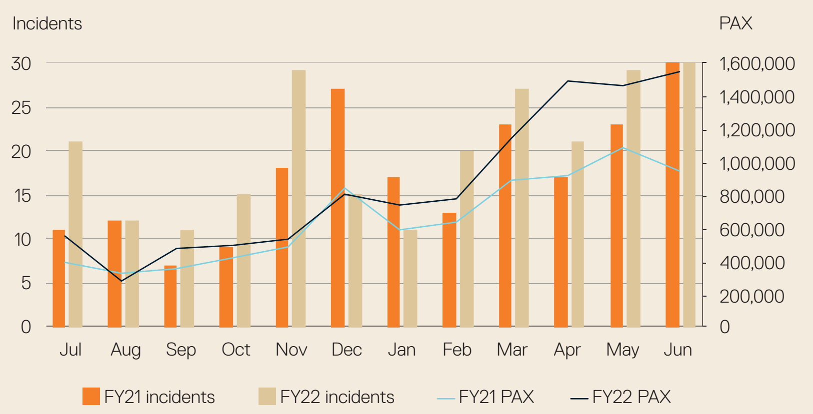
The exception to this trend is seen from October through to December which coincided with the significant increase in rainfall during that period following earlier drier months.

Considerable growth in operations and activities at BNE in FY22 resulted in an increase in incident numbers of approximately 20 per cent. Incidents involving members of the public have maintained only a slight rise on the previous year.

However, we have seen contractor and tenant incidents almost double across certain time periods. This is reflective of the significant increase in contractor works and tenant activities. Almost all these increases in numbers comprise low and near miss incidents.

WHS incidents from FY22 have been broken down into key areas:

Reported incidents by month



Where an injury was sustained, these were classified into the following categories:

- High – permanently life altering injury
- Medium – temporary incapacity with full recovery
- Low – no impairment, temporary inconvenience (e.g. minor first aid)
- Near miss – an occurrence that could have resulted in an impact but did not.

A number of initiatives were rolled out in FY22 to support our proactive safety measures and are detailed as follows.

Psychosocial Safety Climate Assessment

Following the psychosocial climate survey of May 2021, BAC updated its Health and Wellbeing program to respond to the feedback received from our people.

Health and hygiene management

In the latter stages of FY22, BAC engaged an occupational hygienist as part of the Health, Safety and Environment (HSE) team to review and enhance BAC's approach to health and hygiene management. This resulted in the development of an Occupational Hygiene Standard as part of the HSE Management System, to manage health hazards in the workplace and minimise the risk of work-related illness and injury.

Incident category	BAC worker	Contractor	Tenant	Public	Other[1]	Total
High	0	0	0	0	0	**0**
Medium	4	9	7	40	0	**60**
Low	9	24	11	91	0	**135**
Near miss	3	6	11	26	13	**59**
Total	**16**	**39**	**29**	**157**	**13**	**254**

[1] "Other" relates to an incident where a person was not involved.

COVID-19 safe management

The COVID-19 pandemic continued to have a significant impact on BAC and all of our BNE customers and workers. The constantly evolving situation is most clearly demonstrated with the BNE COVID-19 Safe Plan having undergone six major revisions since the first version of the plan was released in June of 2020. The plan was supported by four detailed risk assessments and site-based action plans. The BAC HSE team collaborated with government agencies to ensure public health orders and restrictions were implemented to protect our passengers, visitors and our people.

BAC achieved accreditation status from the Airport Council International against ACI Airport Health Accreditation (AHA) program, which provides airports with an assessment of how aligned their health measures are with the ACI Airport Operations and COVID-19: Business Recovery guidelines and ICAO Council Aviation Recovery Task Force (CART) recommendations, along with industry best practices.

Simplification of Health, Safety and Environment (HSE)

The integration of our HSE team provided an opportunity to simplify our systems, making them easier to understand and readily accessible. A gap analysis and action plan were completed on the integration of the HSE management systems, with work commencing on simplification and integration. The document structure of the integrated HSE Management System is based on four key elements of policies (defines our commitment or 'why' we are doing it), system standards (define 'what' we do), procedures and guideline (define 'how' to do something) and checklists/tools/forms (support 'how' to do something).

Slips report, recommendations and action plan

BAC's HSE team, in consultation with slip testing specialist consultants, undertook an analysis of slip incident and slip testing data to provide recommendations on improving infrastructure and practices. The objective was to ensure BAC has robust and proactive measures in place to understand and mitigate slip incidents, with the aim of reducing these incidents over time. The incident data was collected between 1 January 2017 to 30 June 2021. Following the completion of the report, corrective actions were identified and agreed. These actions have been, or are in progress of being, completed within the agreed timeframes.

Energising our people

BAC's Wellbeing Strategy is to create an environment where our people can thrive – where they feel safe and healthy, both physically and mentally, at work and at home. It is acknowledged that creating and maintaining a healthy workplace is a shared responsibility and an expectation of everyone at BAC.

The underpinning framework to support the Wellbeing Strategy was developed in collaboration with our people. The framework is made up of four parts: to provide opportunities for our people to reenergise, to build health and wellbeing capability, to offer appropriate support, and to prevent or minimise harm through the identification of risks and controls. To deliver on our wellbeing purpose, BAC provides regular educational as well as active initiatives across physical, mental, social, and financial health and wellbeing.

It is a performance expectation of the BAC Leadership team to perform regular safety related engagements such as safety or wellbeing related discussions, safety inspections, participation in safety activities/training sessions and share observations/examples of safe work practices.

CULTURE

Strengthening culture

Throughout the year, BAC conducted multiple pulse surveys to measure employee sentiment and to understand what areas BAC could improve for our people, in particular strategic and role clarity, leadership, care and communication. Employee participation across the surveys remained high with an average participation rate of 86 per cent.

Feedback from the surveys has shown that BAC has a strong culture – our people understand and connect with our BAC vision; our people feel empowered to make decisions in their roles and they feel they have the support of their leader as well as possess the ability to work flexibly to suit their work and home life. Communication was a standout across all surveys with an average 90 per cent agreement of how satisfied our people are with the level of business-wide communication. With the social distancing restrictions imposed, BAC pivoted to providing regular communication to our people via monthly CEO Updates. This demonstrates our commitment to living our values with BAC's current focus on addressing key areas of concern for our people, namely workload and resourcing.

BAC also audited its internal policies, practices, and activities to ensure the environment created for our people was one in which they felt safe to raise concerns. The audit assessed BAC's framework and activities against areas identified as traits of a Speak Up Culture as reported by the Australian Human Resources Institute (AHRI) and Australian Institute of Company Directors (AICD) such as psychological safety, leadership, information sharing, frameworks, risk monitoring and reporting and gender equality. One of the outcomes of the audit has been to measure via the pulse surveys whether people feel safe to raise concerns and to be their authentic selves in the workplace.

Building capability

BAC identified early that our leaders were key to navigating our people through the challenges facing the company. BAC therefore focused on the development of our existing and emerging people leaders through leadership development programs.

The Leadership Essentials 10-month program was launched in 2021 with 46 existing and new people leaders (level reporting into the Leadership Team). The program was designed to develop skills in leading and developing self and others, as well as enabling more connection and relationship building. Once participants graduate from the program, BAC continues to provide ongoing opportunities for development and staying connected through internal and external forums as well as participating in BAC Leadership Team strategy days.

The Altitude Program is another initiative to build capacity and is an accelerated leadership development program for high performers.

Building capability metrics

Metric	As at 30 June 2022
Number of employees	327
Number of females	123
Number of males	204
Females in senior leadership	35.1%
Turnover	18.1%

Eight individuals were selected from over 30 applications. Each applicant received mentoring throughout the program by a member of the Executive Leadership Team. While undertaking leadership workshops, the participants were required to put into action their learnings through the delivery of a real-life project in how BAC can support our partners at the airport with their current resourcing challenges given the current workforce climate. The participants successfully graduated with their project recommendations being implemented. Several participants of the leadership programs were also internally promoted.

Over the past year, BAC has seen a significant increase in the number of internal movements with 32 internal promotions. The internal movements are opportunities created from succession planning activities, turnover as well as the direct outcome of BAC's leadership programs.

Further, to develop our people through information sharing on best practices, BAC engaged secondees from Schiphol Airport in the Sustainability and Technology fields.

Our community

For almost a century, BNE has been a committed and proud member of the Brisbane community, connecting its residents to the vast state of Queensland, and to the world.

Our community is not just the people who live in the surrounding suburbs: it is the people who are employed at the airport, at the many small businesses in the airport precinct or one of the many industries who support, and are supported by, the aviation industry.

Our focus remains on being a good neighbour to people living near the airport as well as our passengers and all those who work across our precinct.

BAC seeks an open and honest relationship with our surrounding communities, enabling them to thrive socially and benefit economically from the prosperity the airport delivers.

Collaboration and communication are at the heart of how we engage with our community and we are committed to keeping people informed about what is happening at the airport and how they can join us on the journey.

As the first and last experience for travellers visiting Brisbane, we recognise our role in shaping a positive image of Brisbane to the world.

AIR TRAFFIC

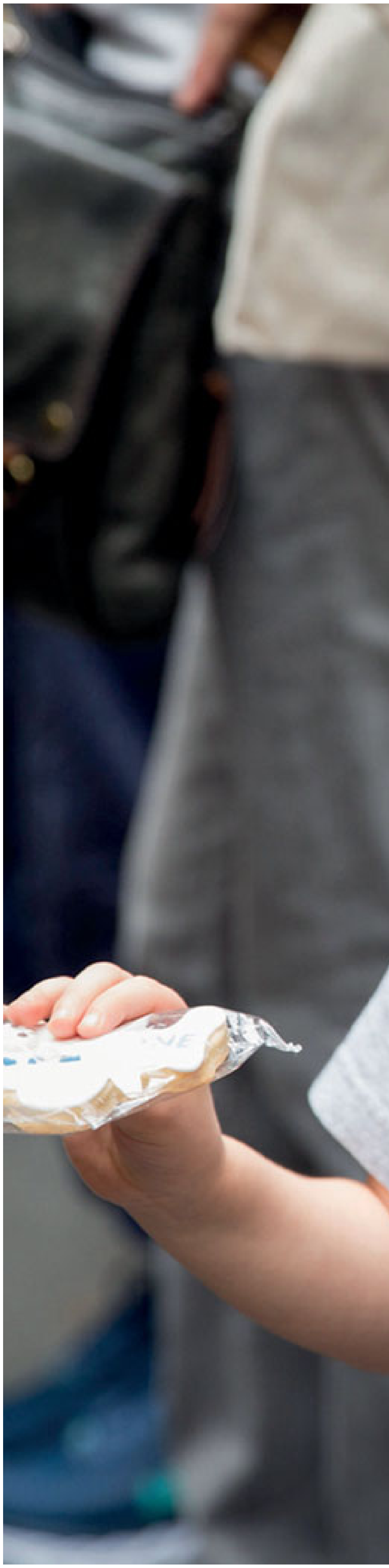
While the economic and social benefits of BNE are shared across Queensland, the impact of our operations are felt in some Brisbane suburbs.

We acknowledge that aircraft noise can be a genuine issue for residents living under flight paths and we are sorry that air traffic may cause some people distress.

In an effort to reduce the impact, we are working with Airservices Australia, the federal authority responsible for flight paths, to explore options that will allow more planes to land and depart over Moreton Bay. We will also work with our airline partners to help reduce noise.

We will keep our community informed and actively involved as we continue to research, trial and implement new noise mitigation measures that positively benefit the Brisbane community.

Disturbance due to air traffic remained a topic of discussions with the local community and was the subject of 1,981 direct inquiries to BAC this financial year.




BNE

To provide more clarity on the impact on specific suburbs, BNE has undertaken detailed noise monitoring across residential locations to inform future decision making. We installed six noise monitors, bringing it to a total of 13 noise monitors now installed across the city.

We also purchased a short-term noise monitor that can be deployed in response to requests from the community and to help provide valuable data to investigate ways to minimise aircraft noise into the future. The noise monitors can be viewed on Airservices WebTrak @ WebTrak: Brisbane International Airport (emsbk.com)

SAVING THE LIVES OF QUEENSLANDERS

BAC is a proud supporter of the Royal Flying Doctor Service (RFDS) and LifeFlight. We understand and highly value the contribution that these organisations make to our community by providing a critical lifesaving role in extending frontline emergency and medical care across the state of Queensland and making it a better place.

Building on this partnership was the 2022 announcement that BAC will construct a new aeromedical hub which will become the BNE base for RFDS, LifeFlight, Queensland Health and the Queensland Ambulance Service.

BAC's decision to invest $72 million in the construction of a world-class aeromedical facility featuring new patient transfer facilities will further enhance urgent medical care for regional Queensland and completion is forecast by April 2024.

INVOLVED IN OUR COMMUNITY

We actively support a number of cultural institutions, the not-for-profit arts sector, as well as local sporting organisations, with the shared goal of making Brisbane an attractive tourism destination and have distributed more than $626,000 in philanthropic donations, sponsorship and partnerships. Our partners in FY22 included the Brisbane Festival, Brisbane Philharmonic, Brisbane Powerhouse, Museum of Brisbane, Opera Queensland, Queensland Ballet, Queensland Symphony Orchestra and the Queensland Art Gallery and Gallery of Modern Art.

Support for small and medium sized community groups and not-for-profit organisations is also a focus and we provided $66,000 through our Community Giving Fund. Beneficiaries of this money included Bardon Girl Guides, Mitchelton Football Club, Ashgrove Meals on Wheels, Upper Mount Gravatt Kindergarten, Beyond DV and Bribie Island Nippers.

BNE's dedicated Giving Globes accept donations from passengers with foreign currency converted by our partner Travelex. This year $10,000 was donated to Peach Tree Perinatal Wellness. Peach Tree is a peer-led charity that strives to build a village of support for parents and families by promoting a positive culture around emotional wellbeing and early parenthood transitions.

At the Domestic Terminal, we also welcomed the return of our Charity Coin Collection program on the Skywalk bridge. This program enables eligible charities to build community awareness and support for the services they provide.

RECONCILIATION AND INDIGENOUS HERITAGE

BAC delivered its third Reconciliation Action Plan (RAP) this year, detailing further commitments to the process of reconciliation and understanding the Indigenous heritage of the land on which we operate.

We respectfully acknowledge the Turrbal people, the Traditional Custodians of the land on which BAC operates and pay respects to their Elders past and present.

Throughout the year, BAC's RAP Working Group has delivered upon many of its commitments from the RAP including increasing engagement with Traditional Custodian groups, introducing a new tender schedule focussing on supplier diversity and implementing an initiative to donate used laptops to remote communities in remote Queensland. Current initiatives underway are to introduce a Brisbane Indigenous Scholarship with University of Queensland, displaying Indigenous country names on BNE flight information screens and to construct a yarning circle.

ENGAGING WITH YOUNG PEOPLE

We see the next generation as future beneficiaries, users and employees of our airport, and believe they also offer inspiration and fresh perspectives on topics such as innovation and sustainability. We have maintained strong links with local aviation-focussed high schools to foster and encourage young people who have an interest in an aviation-based career. We also continue to support the P-Tech Pathways in Technology program which is a partnership with Aviation High School. We continue to host airside tours for groups to enable them to be inspired by the world of aviation.

COMMUNITY ENGAGEMENT PROGRAM

Even with the continued presence of COVID-19, lockdowns and vaccination mandates, the BAC Community Engagement program maintained a business as usual approach as much as possible.

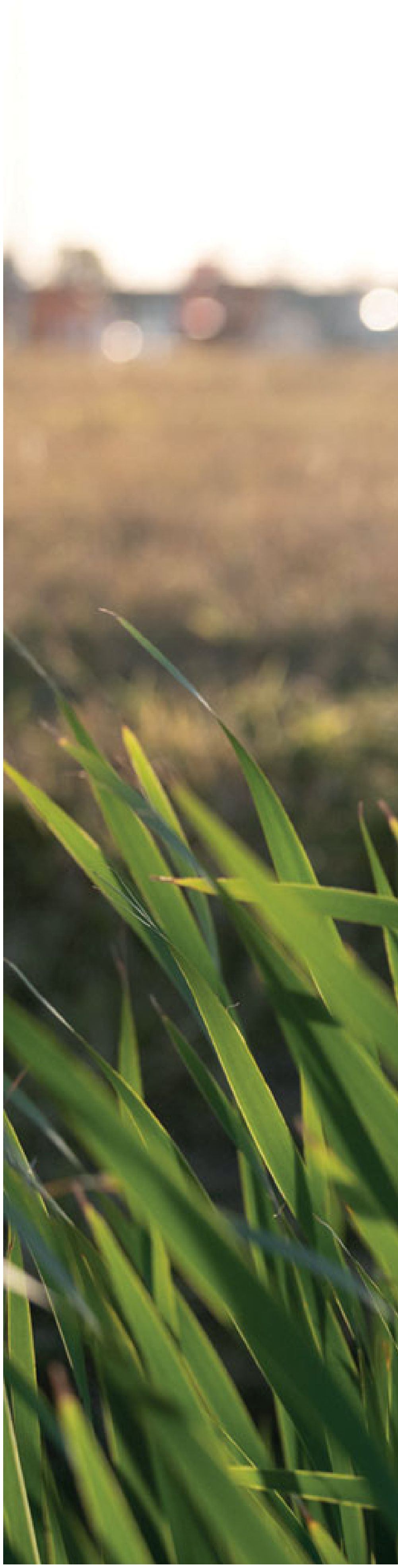
The Community Engagement team continued to run airport bus tours with local community groups with a focus on providing education and information on developments at the terminals and across the airport precinct.

Our Mobile Information Centre, fondly referred to as 'Benny', was refreshed in early 2022, providing a powerful education tool able to deliver flexible learning on topics from employment opportunities, major projects, to the impacts of flight paths.

Our environment

ENVIRONMENTAL MANAGEMENT

BAC has a strong focus on minimising our impact on the surrounding environment and recognises that strong environmental management practices are crucial to building sustainable communities.



BNE manages the environmental risks of our activities, and places requirements on its tenants and contractors to meet the same standards. Environmental management is underpinned by the Airport Environment Strategy (AES) which is embedded within our Master Plan.

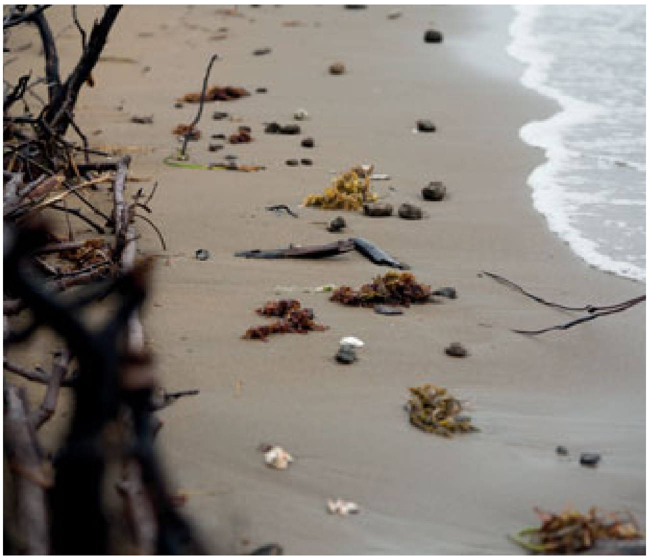
BAC believes that collaboration with tenants and contractors is key to reducing the overall environmental impact of all operations and to help not only meet requirements but to find practical and efficient ways to embed environmental practices into everyday business.

BIODIVERSITY

More than 10 per cent of the 2,700-hectare BNE site is dedicated to biodiversity conservation. The site includes important Mangrove and Saltmarsh communities, Casuarina Plantations, Environment and Phragmites wetlands as well as unmanaged grasslands. The Biodiversity Zone is home to a variety of species, including locally significant bird species – Lewin's Rail, Eastern Grass Owl and King Quail. In addition, a 40-metre buffer zone is in place around key areas of the Biodiversity Zone to contain commercial development and conserve biodiversity features.

The Biodiversity Zone includes Environmentally Significant Areas (ESA) which are areas of high biodiversity conservation value. Areas of environmental value within and adjacent to the airport include:

- Moreton Bay Marine Park (a Wetland of international importance under the Ramsar Convention on Wetlands)
- BNE foreshore (feeding grounds for international migratory shorebirds), Mangrove and Saltmarsh communities around Serpentine Inlet, Jackson's Creek, Jubilee Creek and Pinkenba
- The Boondall Wetlands (listed under the Ramsar Convention as an internationally important wetland for international migratory shorebirds)
- Bulwer Island and Boggy Creek wetlands.






BAC has allocated 285 hectares of airport land to preserve and maintain biodiversity on the site. Additional to this is a specially created 11 hectare habitat for the Lewin's Rail (pictured bottom right) – a flightless ground-dwelling bird which is extinct in many other states.

HERITAGE MANAGEMENT

BAC is committed to managing and protecting heritage across our site. This includes Aboriginal Cultural Heritage items and values as well as more recent heritage such as the Southern Cross Aircraft and the Cribb Island complex. During FY22, BAC commenced a review of its Heritage Management Plan which provides direction for future development at BNE whilst best conserving heritage values. This includes consultation with Traditional Custodians of the Brisbane region.

ENVIRONMENTAL MONITORING AND COMPLIANCE

Environmental monitoring of air quality, noise, soil and water quality as well as compliance inspections of BAC, contractors, tenants and other operators of undertakings were carried out across BNE's development and operational areas. Across all of the inspections, there were no environmental penalties issued by the environmental regulator, the Airport Environment Officer.

CLIMATE CHANGE

BNE is located on Moreton Bay and is surrounded by various creeks and rivers, making us highly susceptible to a changing climate. We recognise that climate change presents potential risks both in terms of daily operations and long-term planning. BAC supports the global actions to mitigate climate change impacts through transitioning to a low-carbon future by committing to net zero (Scope 1 and 2) by 2025 – a 25-year acceleration on the original 2050 commitment.

Case study

MIGRATORY SHOREBIRDS

Moreton Bay is one of the most important migratory shorebird areas in Eastern Australia, with an international designation as a wetland of significance under the Ramsar Convention. The tidal flats on the shoreline of BNE offer a unique sanctuary in the bay, given the restricted access.

BAC has carried out migratory shorebird monitoring for over 17 years.

The data that is gathered from this monitoring project provides insights on the shorebird population and use of tidal flats in Moreton Bay. BNE tidal flats make up one per cent of the tidal flats in Moreton Bay, yet incredibly support between 3.8 per cent and 7.3 per cent of the estimated migratory birds in the Moreton Bay.

Climate change adaptation planning at BNE commenced in the 2000s, largely addressing sea level rise. The latest assessment incorporates the Intergovernmental Panel on Climate Change (IPCC) Assessment Report 5 (AR5) and Special Report (SR15) recommendations and takes local predictions into account.

Emissions scenarios and their impacts on climate considered in the modelling are examples of a 'low' representative concentration pathway (RCP 4.5) and 'high' (RCP 8.5) case in the short-term (2030) and long-term (2090).

The 'low' case represents the pathway that current global agreements appear to be capable of achieving, whilst the 'high' case is based on business as usual:

a) RCP 4.5 – Second lowest emissions scenario <3 degrees Celsius above pre-industrial global mean temperatures by 2100

b) RCP 8.5 – High emissions scenario and >4 degrees Celsius above pre-industrial global mean temperatures by 2100.

At BNE, both scenarios are forecast to result in the following physical risks and impacts outlined below:

Risk	Potential impact
Precipitation change	Airfield flooding, ground subsidence, reduction in airport throughput, inundation of underground infrastructure, inundation of ground transport access (passengers and staff) and loss of local utilities provision.
Increasing temperatures	Decreased aircraft performance, noise impact, heat damage to airport surfaces i.e. runways and taxiways, increased cooling loads, pressure on utilities providers (power and water) and limitations for freight capacity.
Changes in wind	Flight paths, route extensions due to convective weather, jet stream increasing en-route turbulence, changes to distribution of noise impact to surrounding areas.
Sea-level rise	Loss of airport capacity and infrastructure, increased maintenance activity, seawall erosion and overtopping, loss of environmental habitat (mangroves), loss of airport infrastructure and ground transport access.
Extreme weather events	Disruption to operations, damage to buildings, route extensions, disruption to ground transport access and supply of utilities.

BAC understands that our actions and decisions today need to account for the potential impacts of climate change. Our proactive approach to managing climate change risks enable us to make informed decisions and improve our overall adaptive capacity.

BNE's process for responding to climate change involves the approach of relating actions to 'trigger points'. Under this approach, specific mitigation measures or changes in approach are implemented as a result of targets being met.

In addition to measures outlined in the BNE Environment Strategy, and in order to achieve the desired outcomes in response to the effects of climate change, BNE has developed a Climate Change Adaptation Plan (CCAP). The CCAP outlines a range of actions that can be taken to increase our resilience against predicted climate change impacts.

BAC acknowledges that an organisation's climate change risks can be both physical and transitional. We have committed to undertaking a holistic review of our climate change risk assessment this year and include transitional risks in line with the Task Force on Climate-Related Financial Disclosures recommendations. The CCAP will be updated based on the findings of the revised risk assessment.

OUR PERFORMANCE

Water

BNE has committed to achieving 50 per cent recycled water consumption by 2030. Sustainable water management has always been a high priority on BNE's sustainability agenda. Significant growth in passenger numbers, infrastructure and property developments have led to an increase in water consumption. Sources of water for consumption include:

- potable water
- class A recycled water from the Queensland Urban Utilities (QUU) Gibson Island Wastewater Treatment Plant
- recycled Water from the QUU Luggage Island Wastewater Treatment Plant
- onsite stormwater harvesting.

This year our water consumption was:

- BAC potable water: **314,758 kilolitres**
- recycled water: **134,119 kilolitres.**

FY22 water usage increased as a result of the Domestic Terminal returning to near full use, and significant number of travellers returning to the International Terminal. Our recycled water rate decreased from FY21 due to short-term technical issues with our recycled water plant, resulting in BAC using potable water for our cooling towers.

Waste

BNE is responsible for managing waste generated from our activities, operations and our business sites including the Domestic and International Terminals. Through our Sustainability Strategy, we have committed to achieving zero waste to landfill by 2030 (excluding biosecurity waste resulting from quarantine at the International Terminal). Our waste management approach aligns with the waste management hierarchy and focuses on reducing waste through avoidance and recycling. Circular economy is a key focus area within our Sustainability Strategy and BAC recognises the importance of transitioning our operations to a circular model.

This year, we trialled an environmentally friendly asphalt using recycled vehicle tyres and BAC will continue to prioritise circular economy opportunities across our operations.

In FY22, our recycling rate was 20 per cent and segregated into the following streams:

- recycling: **339.29 tonnes**
- landfill: **1,399.12 tonnes**
- quarantine waste* from International Terminal: **68,891.78 tonnes** (not included in total waste amount as this cannot be diverted from this specialised waste stream).

Waste to landfill increased by 12.1 per cent in FY22 as a result of a dramatic rise in passenger numbers. The recycling rate was up 60.0 per cent as retailers reopened and generated a large amount of cardboard.

Case study

CONTAINERS FOR CHANGE

BAC has partnered with Containers for Change to install two donation stations and various donation collection bins at the Domestic Terminal. This allows passengers to return eligible containers for recycling while also raising funds for The Pyjama Foundation, a Brisbane based charity providing support to children in foster care. Since commencing collections in November 2021, the proceeds from 41,840 containers have been donated to the charity.

*Quarantine waste is a highly regulated and specialised waste stream with limited waste diversion pathways. All waste associated with inbound and outbound international terminals are treated as quarantine waste and is incinerated and converted to energy.

Case study

ENVIRONMENTALLY FRIENDLY ASPHALT

We recently carried out a trial using environmentally friendly asphalt (Carbonphalt) on the General Aviation (GA) carpark located on Acacia Street. Carbonphalt is produced by utilising carbon char extracted from recycled vehicle tyres and for every one tonne of Carbonphalt laid, 10 tyres are removed from waste landfills and repurposed into our roads. For the GA carpark works, this equates to 1,500 vehicle tyres saved from entering our landfills.

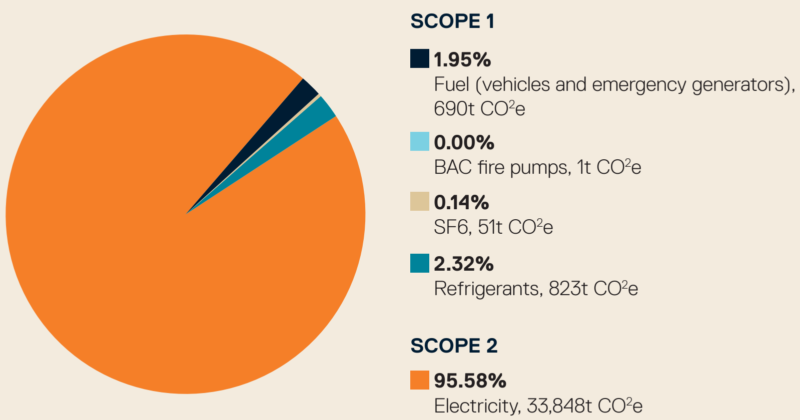
EMISSIONS AND ENERGY MANAGEMENT

Emissions

BNE takes a proactive approach to managing and reducing emissions. This year, we accelerated our net zero commitment to 2025 (for Scope 1 and 2 emissions). Our Board endorsed the Net Zero Roadmap, which outlines necessary actions required to transition to renewable energy and less carbon-intensive fuels as well as an onsite carbon removal program.

This year, BAC participated in Airports Council International (ACI) Airport Carbon Accreditation (ACA) program and continued to maintain Level 3 'Optimisation' for the sixth year in a row. Less than one per cent of BAC's total emissions (Scope 1, 2 and 3) is attributed to Scope 1 and 2. Scope 1 emissions includes refrigerants and fuel consumption from our fleet vehicles and generators. Scope 2 emissions are generated from the consumption of purchased electricity.

FY22 Scope 1 and 2 emissions



In FY22, Scope 1 increased by 7.9 per cent and Scope 2 by 16.1 per cent. This reflects the recovery of passenger volumes and the restart of operations in the International Terminal leading to higher power use.

BAC recognises that 99 per cent of our total emissions is attributed to Scope 3. The most significant sources of our Scope 3 emissions include aviation fuel, ground servicing equipment, passenger and customer travel to the airport (taxi, car, bus, rail) and third party electricity. BAC is committed to working within our own operations as well as with our customers and supply chain to identify emission reduction opportunities. This year, BAC became a signatory to the global Clean Skies for Tomorrow initiative, committing to deliver 10 per cent Sustainable Aviation Fuel through the airport by 2030, and a signatory for the Mission Possible Partnership (MPP) Aviation Transition Strategy.

Case study
BRAINBOX

This year, BAC trialled a cloud-based artificial intelligence system called Brainbox to monitor and control our air conditioning system. Brainbox uses information from data streams to build a virtual thermal model of the building to adjust our air conditioning and optimise energy consumption.

A trial was held at the BNE Service Centre and resulted in energy reduction consumption of 20 per cent, which is approximately 33,000 kilowatt hours over three months.

Following the success of the trial, Brainbox will be deployed across other buildings around the airport.

As such, BAC has committed to working with more than 100 other airports, airlines, fuel suppliers and industry stakeholders to put the global aviation sector on the path to net zero emissions.

BAC has also been an active member of the Climate Leaders Coalition (CLC), which is a group of Australian CEOs supporting the Paris Agreement commitments. As part of our participation in the CLC, BAC is co-chairing a Scope 3 deep dive focusing on feedstock to flight emissions of Sustainable Aviation Fuel, identifying baseline operations and opportunities for decarbonisation at key points in the supply chain, in partnership with Deloitte, Ampol, VIVA Energy and Qantas.

Energy

BAC manages an embedded electrical network which provides electricity required to operate the BNE precinct across several areas, including airfield and terminal operations, building services, transportation, and IT infrastructure. We have been implementing considerable energy efficiency initiatives since 2013 resulting in significant energy savings leading to more sustainable and cost-effective services for customers.

This year, a total of 148.74 gigawatt hours of energy was used by the airport site, with 42.31 gigawatt hours consumed by BAC. Onsite solar energy generation decreased 6.5% from FY21 to FY22 due to cloudy conditions and above average rainfall. Most of the consumption at BNE is from the International and Domestic Terminals with the remainder used by airport tenants and transmission losses.

To ensure BAC optimises its energy use, we have developed an Energy Management Framework, which outlines how to continuously improve energy efficiency to reduce emissions and meet our sustainability objectives.

A total of 8.74 gigawatt hours of energy was produced from our onsite solar and a further 1.21 gigawatt hours was saved from our energy efficiency program. Savings were derived from consolidating cooling plant within the International Terminal, lighting replacements to LED, and operational changes such as Brainbox AI. Reduction in electricity use due to lower passengers is not included in this savings figure and this electricity use is expected to return with passenger recovery.

Financial Report 2022

CONTENTS

Directors' Report

The Directors present their report along with the consolidated financial statements of BAC Holdings Limited ('BACH') and its controlled entities, BAC Holdings No. 2 Pty Limited and Brisbane Airport Corporation Pty Limited ('BAC') (together the 'BAC Group') for the year ended 30 June 2022, to comply with the provisions of the *Corporations Act 2001* (Cth).

1. Principal activities

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

2. Operating and financial review

The BAC Group continued to navigate the impacts of the COVID-19 pandemic throughout FY22, with the Delta and Omicron variants resulting in ongoing widespread lockdowns and travel restrictions and having a significant adverse impact on the trajectory of the recovery. The evolving progression of the pandemic has required ongoing adaptations of the business. The first half-year saw focus on the Australia government vaccine rollout, amongst intermittent lockdowns. A roadmap for the reopening of Queensland to interstate domestic travellers before the December holiday season had attention focused upon vaccination rate milestones. From there, domestic travel numbers steadily improved, underpinned by high levels of pent-up demand and an increase in the underlying willingness to travel.

Another significant milestone was achieved with the reopening of Australia's international borders from 21 February 2022 and the restart of certain international travel routes. The cadence in return of passengers has been steady, however numbers remained materially below pre-pandemic levels heading into financial year end (particularly in the case of international).

Overall, passenger numbers in FY22 increased by 31.0 per cent year on year (up 2.4 million relative to FY21). However, ongoing border closures and travel restrictions continued to significantly impact the BAC Group with FY22 total passenger numbers (10.2 million) remaining some 57.0 per cent below pre-COVID-19 levels (FY19). Total revenue from ordinary activities increased by $53.3 million (11.9%) to $500.6 million (relative to FY21), but for comparative purposes remains 40.0 per cent lower than pre-pandemic results of $840.5 million (FY19).

The passenger-driven revenue streams continue to be most affected, recording moderate recovery of $62.2 million for aviation (including mandated security), and $11.7 million for landside transport. Whilst reported retail revenues fell year on year, this was driven by the inclusion of expected credit losses ('ECL') and this was significantly higher in FY21.

When adjusted for ECL, retail performance improved relative to prior year. Despite the improved performance, retail activity remained heavily impacted, particularly in the International Terminal.

Revenue for investment property continued to display the resilience demonstrated throughout the pandemic and remained materially in line with the year prior at $111.9 million. In contrast, operating property was down $3.9 million to the prior year as a result of the continued impacts of the COVID-19 pandemic on tenants.

Total operating expenses decreased by $34.1 million (14.9 per cent) compared to the prior year, primarily driven by a significant reduction in COVID-19 related ECL. In addition, the business maintained strong cost discipline with only modest increases in maintenance and contract services ($11.5 million), staffing ($3.9 million) and utilities ($4.1 million) reflecting the improvement in business activity and passenger volumes. Reported mandated security expenditure remained materially below normal levels due to the federal government support funding, which ceased in March 2022.

The impact of the pandemic resulted in an operating loss of $12.5 million (loss from ordinary activities before the redeemable preference shares ('RPS') dividend, change in fair value of investment property, and income tax expense). In FY22, the BAC Group provided more than $42.8 million (FY21: $57.5 million) in support to our retail and property tenants in the form of base rent abatements and deferrals.

The BAC Group was in a net current liability position of $217.6 million at 30 June 2022 (30 June 2021: net current liability of $152.1 million) with undrawn committed bank facilities of $1,215.0 million (2021: $1,195.0 million), which adequately cover the working capital shortfall. The BAC Group balance sheet remains robust, supported further by ongoing positive operating cash flow and significant available liquidity in the form of cash and committed undrawn bank facilities.

At 30 June 2022, the BAC Group recorded an increase in fair value on investment property of $199.0 million, off the back of an increase of $173.6 million in the prior year. This ongoing strong performance was particularly underpinned by the robust growth in industrial building and land values.

This year's uplift comprised of a valuation increase of $205.2 million (11.4 per cent of the investment property value), partially offset by $6.2 million related to straight-lining of lease revenue.

The year on year movement in the change in fair value of derivatives of $11.8 million is predominantly attributable to fair value hedge ineffectiveness and amortisation of de-designated legacy hedges, mainly on restructured swaps.

Profit before income tax was $141.3 million (2021: $9.3 million), an increase of $132.0 million on prior year.

	2022 $000	2021 $000
Revenue from ordinary activities	**500,583**	**447,244**
Operating expenses	**(194,462)**	**(228,574)**
Revenue from ordinary activities less operating expenses	**306,121**	**218,670**
Depreciation and amortisation	(155,424)	(170,543)
Impairment	(7,617)	361
Finance costs[1]	(155,528)	(181,815)
Operating results	**(12,448)**	**(133,327)**
Redeemable preference shares dividend	(45,278)	(30,934)
Change in fair value of investment property	199,046	173,599
Profit before income tax	**141,320**	**9,338**
Income tax expense	(39,391)	(3,904)
Profit for the year	**101,929**	**5,434**

COVID-19 pandemic response and recovery

The BAC Group's management of the pandemic recovery phase includes:

- **Cost optimisation:** The BAC Group continued to focus on achieving reductions in the controllable cost base via process optimisation and contract renegotiations. The BAC Group worked together with its suppliers to re-scope the deliverables and amend contract terms to benefit both parties.
- **Re-prioritisation of capital expenditure:** BAC Group reignited some previously on-hold projects with advanced planning and site preparation underway for the Brisbane Airport Auto Mall, Export Park, and Queensland Regional Aeromedical Base. Major projects already mid-construction, as well as essential safety, regulatory and maintenance activities continued.
- **Liquidity measures:** Appropriate levels of liquidity have continued to be maintained throughout the year with over $1 billion of available cash and undrawn bank lines providing a solid liquidity buffer for the business.

BAC undertook a partial restructure of its interest rate swap ('IRS') book in September 2021 as an additional interest saving measure to support BAC's credit metrics and financial covenants during the recovery period. The outcome of the partial IRS book restructure is expected to reduce interest payments by approximately $55 million in FY23, offset by increase in cross currency interest rate swap ('CCIRS') liabilities in FY27 and FY28.

[1] Hedge ineffectiveness, reclassification of Cash Flow Hedge Reserve for continued and discontinued hedges and unwinding of inception fair value has been recognised within line item of "Hedge ineffectiveness & other hedge accounting impacts" of "Finance costs" on the face of the Statement of Profit and Loss account. The reclassification is also applied to prior year and therefore impacts the reported "Operating results", which was displayed as a $90,230 loss in the FY21 Financial Statements. Refer to note 4.2 for additional detail.

- **Government assistance:** In response to the significant impact COVID-19 has had on the aviation industry, the federal and state governments enacted several programs from which the BAC Group benefited. These have been recognised as an offset to the corresponding expenses in the Consolidated statement of profit or loss, as permitted by AASB 120 Government Grants. Refer to note 2.8.
- **Maintenance of expected credit loss and capital provisions:**
  - The BAC Group has recognised \$17.3 million (decrease of \$46.4 million on prior year) in relation to ECL across a range of categories. Refer to note 4.3(a) for additional detail.
  - A provision (\$14.2 million) continues to be recognised for capital projects in progress which have been deferred due to the COVID-19 pandemic (2021: \$10.1 million).
- **Disclosures:** Additional disclosure considerations introduced in the previous financial years were maintained. Management performed an in-depth analysis of the entity to ensure there were no concerns around impairment of long-term assets and the entity's ability to continue as a going concern. A number of expanded disclosures continue to be included throughout the financial statements as follows:
  - Impact of COVID-19 – note 1.5
  - Going concern – note 1.6
  - Abnormal items – note 2.7
  - Property, plant, and equipment – note 3.4
  - Investment property – note 3.6
  - Impairment – note 3.7
  - Financial risk management – note 4.3, and
  - Events subsequent to reporting date – note 5.4.

Despite aforementioned measures taken by the BAC Group, the extent of the impact of COVID-19 on the BAC Group financial performance continues to be significant. The recovery of international travel will be a critical factor in the recovery trajectory of the aviation industry. The BAC Group's ability to continue to maintain cost discipline will also be key.

3. Dividends

There were no dividends and distributions declared and paid by the Company during the current financial year (2021: \$nil).

It was determined that the BAC Group was not in a position to declare or pay any dividends due to the impacts of the COVID-19 pandemic. Consequently, the RPS dividend and relevant interest on delayed payments continued to be accrued by BACH in the financial statements. As at 30 June 2022 the provision amounted to \$142.1 million (2021: \$97.6 million).

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

4. Changes in state of affairs

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

5. Events subsequent to reporting date

Since the end of the financial year to the date of signing, there were no subsequent events to report.

6. Directors

The Directors of the BAC Group at any time during FY22 or up to the date of this Report are set out below[2]:

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

David Peever BEc, MSc (Mineral Economics)

Chair, Non-Executive Director and member of the Human Resources and Remuneration ('HRR') Committee and the Property Committee

Appointed: 05/05/2017

David is a Non-Executive Director of the Australian Foundation Investment Company.

He was previously:

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

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

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

Dirk Anne (Dick) Benschop

Non-Executive Director

Appointed: 01/04/2019

Dick is President and CEO of Royal Schiphol Group.

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

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

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

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

Appointed: 16/02/2017

Paul is a Partner in the QIC Global Infrastructure team having been with QIC since 2006. Within QIC Global Infrastructure, Paul is a member of the Investment Committee and the Asset and Client Management Committee.

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

Paul is on the board of the Titles Queensland group of entities, the Nexus Hospitals group of entities, the Evolution Health Care group of entities and the Sea Swift group of entities (where he is the Chair of the Audit and Risk Committee). Paul is also an alternate director of the Epic Energy South Australia group of entities.

Paul previously served for more than six years on the board of the Port of Brisbane group of entities (including being the Chair of the Audit and Risk Committee). Paul has also been a Director (or Alternate Director) of the Epic Energy Group of entities, MI Longbeach LLC (the project vehicle for the Long Beach Courthouse PPP project), Portobar Capital (investment entity for Grup Maritim TCB, a container terminal developer and operator) and the Westlink M7 toll road group of entities in Sydney.

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

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

Name, qualifications and any special responsibilities	Experience and other directorships

John Borghetti AO

Non-Executive Director and Chair of HRR Committee

Appointed: 01/03/2020

With more than 45 years in the aviation industry, John retired from Virgin Australia in 2019 after nine years as CEO and Managing Director.

Prior to joining Virgin Australia, he spent his career at Qantas Airways, starting in 1973 and rising to the position of Executive General Manager, responsible for Qantas Domestic, International and QantasLink.

John has previously served as a Director of Coca-Cola Amatil, the Art Gallery of NSW and Energy Australia.

John is a Director of Alinta Energy, Balmoral Pastoral Investments, Crown Resorts Limited, and Chair of Crown Sydney Gaming Pty Ltd. He is also a member of the John Sample Group Advisory Board, the Marprop Advisory Board, and O'Connell Street Associates.

Robert Carsouw

Non-Executive Director

Appointed: 01/04/2021

Robert is Executive Vice President & CFO of Royal Schiphol Group.

Prior to starting his journey at Schiphol, Robert worked at Procter & Gamble and for 23 years at McKinsey & Company in various roles, since 2011 as a Senior Partner. He served clients mainly in the public sector and in the mobility/logistics sector. In addition, Robert worked with clients on digital transformations across a wide range of sectors.

Robert was co-founder and Chair of the Supervisory Board of Social Enterprise NL and co-founder and Vice-Chair of LittleBitz.

Robert is a graduate of the Erasmus University in Rotterdam and has a master's degree in Econometrics/Computer Science.

John Ward
BSc, FAICD, FCILT, FRAeS

Non-Executive Director and member of the FARM and New Financing Special Committees

Appointed: 24/11/1997

John is a professional company director and corporate advisor specialising in governance and strategy development, particularly in transport, tourism, communications, infrastructure and technology focused industries. He was interim Chair of the Board from 30 January 2009 to 25 September 2009 and is a member of the FARM and New Financing Special Committee, previously holding the position of FARM Committee Chair for 13 years.

He is a seasoned and well credentialed non-executive director and has served, including as Chair, on the boards of many listed and unlisted public companies headquartered in both Australia and overseas. He was Chair of Wolseley Partners, an Australian based private equity firm for ten years. He has also held appointments on several government bodies in the fields of tourism, aviation, freight and economic regulation.

John retired as the General Manager Commercial of News Limited in May 2001. Prior to joining News in mid-1994 John was Managing Director and Chief Executive of Qantas Airways Limited, in which role he spearheaded its acquisition of and merger with Australian Airlines and the group's subsequent privatisation. This culminated a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America.

John is an Honorary Life Governor of the Research Foundation of Information Technology and a Director of Adelaide Airport, Ward Advisory Services and Ward Securities Pty Limited.

Joshua Crane
MAppFin, BCom, LLB (Hons), GAICD

Non-Executive Director and member of the FARM and New Financing Special Committees

Appointed: 01/03/2020

Josh is an Executive Director at IFM Investors and has over 17 years experience across the infrastructure sector.

Josh is responsible for the origination, execution and management of unlisted infrastructure investments, with a particular focus on transport (airports, ports and toll roads) and energy (utilities and renewables).

Prior to joining IFM Investors, Josh has held prior senior roles with both Major Projects Victoria and Herbert Smith Freehills, focusing on the procurement, delivery and financing of domestic and international infrastructure investments.

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

Name, qualifications and any special responsibilities	Experience and other directorships
 **Alan Wu MCom, CFA, GAICD** **Non-Executive Director and member of FARM and New Financing Special Committees** **Appointed: Alternate Director for Chris McArthur from 03/11/2014 to 20/02/2022** **Director from 21/02/2022**	Alan is Director, Infrastructure Investment for Igneo Infrastructure Partners ('Igneo'). 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 Adelaide Airport Group and coNEXA Infrastructure Partners (previously Water Utilities Australia). He has previously served as a Director of Bankstown and Camden Airports and the International Parking group of companies. 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. Alan was also actively involved in the establishment and growth of Igneo's flagship infrastructure funds in Australia.
 **Tony Harrington AM** **Alternate Director for Dirk Benschop and member of the Property Committee** **Appointed: 01/01/2015**	Tony has a distinguished career in financial and professional services, with over 35 years of business and strategic leadership experience, in Australia and internationally. Tony was the Chief Executive of leading legal and consulting firm MinterEllison and is currently an Alternate Director for Hobart Airport. 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, Tony was Australian Senior Partner and Chief Executive of PwC, coming into the position not long after the merger of Price Waterhouse with Coopers & Lybrand, and oversaw the successful cultural integration and significant growth of the merged firm in Australia. At Coopers & Lybrand, Tony was Deputy Chair of the firm and National Managing Partner of Taxation Services. He was appointed a Member of the Order of Australia (AM) in 2011 in recognition of his charitable work.
 **Katherine McCawe BCom (Hons) CFA** **Alternate Director for Alan Wu** **Appointed: 22/02/2022**	Kate is an Associate Director, Infrastructure Investments at Igneo Infrastructure Partners (Igneo). Kate is responsible for transaction origination and execution, and the ongoing asset management of Igneo's portfolio assets. Kate currently serves as a director on the board of International Parking Group and is an Alternate Director on the board of Adelaide Airport. Kate has been with Igneo since 2015. Prior to joining the business, Kate was an equities research associate at CLSA covering the infrastructure and transport sector. Prior to that, Kate worked in corporate finance at KPMG specialising in valuations.

Name, qualifications and any special responsibilities	Experience and other directorships
 **Liam Tierney** **BCom, BSc, CFA** **Alternate Director for Brad Geatches** **Appointed: 23/05/2019**	Liam is a Senior Director at Patrizia AG and has been responsible for the management of infrastructure assets across both Australia and Asia since 2006. In this capacity, he currently serves as a Director on the board of PATRIZIA MBK Fund Management, Savant Energy Power Networks Holdings and Rowville Transmission Facility. He is also an Alternate Director on the board of International Parking Group. Liam also has experience in assessing transactions, investments and divestments across a wide range of infrastructure and other sectors across Australia, Asia and Europe. He spent two years overseeing the European portfolio and investing activities while based in Whitehelm Capital's London office.
 **Gerhard Vorster** **BSc (Civil Engineering), MBA (Cum Laude), MAICD** **Alternate Director for Robert Carsouw and member of the HRR Committee** **Appointed: 14/01/2019**	Gerhard is the Managing Director of Quidni Advisory, a boutique strategy advisory firm. Working directly with boards and senior leaders, Gerhard guides businesses to reposition them in pragmatic yet unexpected ways. Previously, Gerhard was the Chief Strategy Officer for Deloitte Australia and Asia-Pacific, a position he held for five years. Prior to that, Gerhard was the Managing Partner (Consulting) for the South African, East Asian, Australian and Asia-Pacific practice regions. He has broad sector experience with a specific focus on growth, innovation, technology and leadership. He is published widely on these topics. Gerhard trained and practised as a professional engineer and spent some time at an investment bank prior to joining Deloitte in 1987. In addition to his MBA, he also completed several executive education programs at Harvard, Stanford, Kellogg, INSEAD, IESE and IMD. Gerhard is the Chair of the Advisory Board of Bio Capital Impact Fund, a member of the Advisory Board of Intersective, a Director of Seeing Machines Limited and the Patron Emeritus of Good Design Australia. He was a Director of Georgiou Group and the inaugural Chair of the RMIT University College of Business Advisory Board.
 **Kirsten Whitehead** **BCom/LLB (Hons), GDLP** **Alternate Director for Paul DeSouza** **Appointed: 26/06/2019** **Alternative Director for Belinda Gibson** **Appointed: 22/05/2017**	Kirsten joined QIC in early 2010 and has overall responsibility for portfolio management across QIC Global Infrastructure's separately managed accounts, large co-investors and pooled products. Her role is focused on infrastructure investment management with a focus on investment analysis, asset management, governance and structuring, together with portfolio construction and analytics, research and thought leadership, and managing the overall client relationships. Since joining QIC, Kirsten has had broad exposure to a variety of sub-sectors from both an investment origination and asset management perspective. This has included being an integral part of the teams that successfully acquired Epic Energy South Australia and Heathrow Toggle and implementing the strategy for the US public private partnership investments. She has also held asset management roles in the transport and utilities sectors, in particular with respect to Brisbane Airport, Port of Brisbane and Thames Water. Kirsten has also worked closely with a number of the separately managed account clients on investment management matters and mandate negotiations. Prior to working with QIC, Kirsten was employed by the Virgin Group in London for two years where she evaluated and managed a portfolio of investments in various sectors including renewable energy, telecommunications, healthcare and aviation. Previously, Kirsten was employed as a corporate solicitor at King & Wood Mallesons where she had experience in mergers and acquisitions, joint venture arrangements, corporate restructurings and acting for investors in infrastructure and resource projects. Kirsten is also an Alternate Director for Hobart International Airport Pty Ltd.

Director resignations during the 2022 financial year

Name, qualifications and any special responsibilities	Experience and other directorships
 **Chris McArthur B.Eng, MBA, FAICD** **Appointed: 25/11/2008** **Resignation Date: 18/02/2022**	Chris was Co-Head of Infrastructure Investments, Australia with First Sentier Investors, and a member of the global fund Investment Committee. He was responsible for the origination, execution, and asset management of unlisted infrastructure investments, with sector experience across transportation and infrastructure businesses globally. In prior roles, Chris was head of the Commercial Division of Pacific National, the former Toll/Patrick joint venture and Australia's largest private rail group. He held senior management positions with Qantas in Sydney and London in strategic and operating roles, including as Head of QantasLink regional airlines. Chris was a Director of Adelaide Airport, Vice-Chair of US-based Patriot Rail & Ports, a former Director of Perth Airport and UK-based utility Inexus Group, and former Chair of Airport Coordination Australia Ltd.

7. Company Secretary

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

- Raechel Paris (BA, LLB, GAICD) is Executive General Manager, Governance and was appointed as Company Secretary on 26 March 2020. Ms Paris has more than 20 years' experience in legal, commercial and governance roles, with national and international accountability, and brings a wealth of corporate governance knowledge to the business.
- Katie Simpson (LLB, GAICD, FGIA, FCG, GAIST) was appointed Group Company Secretary from 11 June 2020 to 23 November 2021. Ms Simpson has over 15 years' experience providing legal and governance advice to a range of government, private and offshore entities and has led a range of boards through strategic and regulatory change initiatives.
- Melissa Hill (LLB, BEnvSc, GAICD) is General Counsel and Head of Legal Services and was appointed as Company Secretary on 19 November 2021. Melissa has more than 18 years' experience as a corporate/commercial lawyer and prior to her role at BAC, Melissa worked in private practice and in house legal roles supporting a broad range of clients.
- Brady Dennis (LLB, BBus) was appointed Group Company Secretary on 18 February 2022. Since finishing his dual degree of Law and Business (Management major) in 2018, he has developed a passion for corporate governance and the impact that good governance practice has toward the execution of organisational objectives.

8. Directors' meetings

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

Director	Board meetings		FARM Committee meetings		Human Resources and Remuneration Committee meetings		BAC Property Committee meetings[1]		New Financing Special Committee meetings	
	A	B	A	B	A	B	A	B	A	B
D Peever (Director and Chair of the Board)	7	7	-	-	6	6	8	8	-	-
D Benschop	1	7	-	-	-	-	-	-	-	-
J Borghetti	7	7	1[#]	-	5	5	-	-	-	-
R Carsouw	-	7	-	-	-	-	-	-	-	-
J Crane	7	7	6	6	-	-	-	-	1	1
P DeSouza	7	7	6	6	-	-	1[#]	-	1	1
C Freeman	7	7	2[#]	-	-		8	8	-	-
B Geatches	7	7	3	-	-	-	8	8	-	-
B Gibson	7	7	3	-	6	6	1[#]	-	-	-
C McArthur (Director and Alternate Director for J Ward)	6	6	3	3	4	4	-	-	1	1
A Wu	1	1	3	3	-	-	-	-	-	-
A Wu (Alternate Director for C McArthur)	1[#]	-	-	-	-	-	-	-	-	-
G Vorster (Alternate Director for R Carsouw)	7	7	1	-	6	6	-	-	-	-
J Ward	7	7	6	6	-	-	1[#]	-	1	1
T Harrington (Alternate Director for D Benschop)	6	7	2[#]	-	-	-	8	8	-	-

1 The BAC Property Committee is a Board sub committee of Brisbane Airport Corporation Pty Ltd only
A Number of meetings attended
B Number of meetings held during the year where the Director held office or was a member of the relevant committee
\# Attended the relevant committee meeting as an invitee.

If any Circulating Written Resolutions of Directors were passed during the year, these are included in the number of Board meetings held and attended. Five (5) Circulating Written Resolutions were effected in FY22.

9. Indemnification and insurance

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

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

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

To the extent permitted by law, the BAC Group has agreed to indemnify its external auditor, Deloitte (Deloitte Touche Tohmatsu ('Deloitte')), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Deloitte during or since the end of the year.

10. Environmental regulation

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

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

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

There have been no significant breaches by the BAC Group of any applicable environmental regulations.

11. Non-audit services

During FY22, Deloitte, the BAC Group's external auditor, performed certain other services in addition to their statutory duties in accordance with BAC's External Audit Policy. This policy ensures controls are placed on all non-audit related services, including quarterly reporting to the FARM Committee, as required.

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

The BACH Board considered the non-audit services provided during FY22 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 FY22, are set out in note 2.4 to the financial statements.

12. Auditor's independence declaration

The auditor's independence declaration is included on page 119 of the 2022 Annual Report and forms part of the Directors' Report for year ended 30 June 2022.

13. Future developments

The BAC Group's future developments and operations are included in the Brisbane Airport 2020 Master Plan. The documents, published every five years, include setting the strategic direction for each airport, providing plans for development, documenting to the public the intended uses of the sites and development proposals and ensuring compliance with environmental legislation and standards.

The Master Plan was submitted to the Australian Government and approved on 10 March 2020.

The continuing impact of the COVID-19 pandemic on the Group's future plan has been considered and disclosed in the financial report.

14. Rounding off

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

Signed in Brisbane on 23 September 2022 in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

David Peever
Director

Corporate governance

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

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

Role of the Board

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

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

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

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

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

Board sub committees

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

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

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

BAC Holdings Limited

Consolidated Financial Statements 30 June 2022

IN THIS FINANCIAL REPORT...

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022 $000	2021 $000
Revenue from ordinary activities			
Aeronautical		173,914	113,656
Landside transport		89,658	77,973
Investment property		111,932	107,936
Retail		38,176	54,629
Operating property		29,853	33,738
Government mandated security		27,667	25,757
Interest		2,541	4,753
Other		26,842	28,802
Total revenue from ordinary activities	2.1	**500,583**	**447,244**
Operating expenses			
Maintenance and contract services		(42,963)	(31,511)
Government mandated security		(21,473)	(21,019)
Staff		(49,475)	(45,621)
Utilities		(28,036)	(23,899)
Corporate and administration		(34,659)	(32,810)
Doubtful debt expense	4.3(a)	(17,346)	(63,714)
Environmental remediation	3.8	(510)	(10,000)
Total operating expenses		**(194,462)**	**(228,574)**
Revenue from ordinary activities less operating expenses		**306,121**	**218,670**
Depreciation and amortisation		(155,424)	(170,543)
(Impairment)/Reversal of impairment loss	2.7 & 3.4	(7,617)	361
Finance costs	2.2	(155,528)	(181,815)
Operating results		**(12,448)**	**(133,327)**
Redeemable preference shares dividend	4.1	(45,278)	(30,934)
Change in fair value of investment property	3.6	199,046	173,599
Profit before income tax		**141,320**	**9,338**
Income tax expense	2.5	(39,391)	(3,904)
Profit for the year		**101,929**	**5,434**
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gain/(loss), net of tax		193	(213)
Items that may be reclassified subsequently to profit or loss			
Hedge reserve, net of tax		202,691	34,484
Total other comprehensive income		**202,884**	**34,271**
Total comprehensive income		**304,813**	**39,705**

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 2022

	Note	2022 $000	2021 $000
Current assets			
Cash and cash equivalents	3.1	80,527	74,125
Trade receivables and other	3.2	73,095	45,222
Inventories		2,541	1,500
Current tax receivable	2.5	-	70,998
Derivative instruments	4.3(d)	22,275	49,621
Total current assets		**178,438**	**241,466**
Non-current assets			
Trade receivables and other	3.2	39,462	39,011
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	3,563,876	3,652,452
Investment property	3.6	2,008,336	1,743,930
Derivative instruments	4.3(d)	251,454	216,238
Total non-current assets		**6,686,142**	**6,474,645**
Total assets		**6,864,580**	**6,716,111**
Current liabilities			
Trade payables and other current liabilities	3.8	264,077	192,210
Interest-bearing liabilities and borrowings	4.1	131,978	199,648
Derivative instruments	4.3(d)	-	1,688
Total current liabilities		**396,055**	**393,546**
Non-current liabilities			
Interest-bearing liabilities and borrowings	4.1	3,613,392	3,846,961
Deferred tax liabilities	2.6	809,562	679,606
Derivative instruments	4.3(d)	178,724	263,584
Other liabilities	3.10	39,317	9,697
Total non-current liabilities		**4,640,995**	**4,799,848**
Total liabilities		**5,037,050**	**5,193,394**
Net assets		**1,827,530**	**1,522,717**
Equity			
Issued capital		78,388	78,388
Reserves		(7,492)	(210,376)
Retained earnings		1,756,634	1,654,705
Total equity		**1,827,530**	**1,522,717**

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 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Cash receipts from customers		537,741	458,400
Payments to suppliers and employees		(227,416)	(200,287)
Cash generated from operations		**310,325**	**258,113**
Interest paid		(90,274)	(134,549)
Derivative termination payment		(54,347)	-
Interest received		2,503	4,913
Income and other taxes received/(paid)		74,182	(2,007)
Net cash generated from operating activities	3.1	**242,389**	**126,470**
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment		105	274
Acquisitions of property, plant, and equipment		(68,053)	(45,706)
Acquisitions of investment property		(52,624)	(11,718)
Net cash used in investing activities		**(120,572)**	**(57,150)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities and borrowings		130,000	320,000
Repayments of interest-bearing liabilities and borrowings		(300,000)	(1,500,000)
Proceeds from derivative structured products		54,345	-
Repayments of lease liabilities		240	(183)
Net cash generated from/(used in) financing activities		**(115,415)**	**(1,180,183)**
Net increase/(decrease) in cash held		**6,402**	**(1,110,863)**
Cash and cash equivalents at 1 July		74,125	1,184,988
Cash and cash equivalents at 30 June	3.1	**80,527**	**74,125**

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

Consolidated statement of changes in equity

As at 30 June 2022

	Issued capital $000	Defined benefit superannuation fund deficit reserve $000	Hedge reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2021	**78,388**	**(171)**	**(210,205)**	**1,654,705**	**1,522,717**
Profit for the year	-	-	-	101,929	101,929
Other comprehensive income					
Defined benefit superannuation fund actuarial loss, net of tax	-	193	-	-	193
Hedge reserve, net of tax	-	-	202,691	-	202,691
Total other comprehensive income	**-**	**193**	**202,691**	**-**	**202,884**
Total comprehensive income	**-**	**193**	**202,691**	**101,929**	**304,813**
Dividends	-	-	-	-	-
Balance at 30 June 2022	**78,388**	**22**	**(7,514)**	**1,756,634**	**1,827,530**
Balance at 1 July 2020	**78,388**	**42**	**(244,689)**	**1,649,271**	**1,483,012**
Profit for the year	-	-	-	5,434	5,434
Other comprehensive income					
Defined benefit superannuation fund actuarial gain, net of tax	-	(213)	-	-	(213)
Hedge reserve, net of tax	-	-	34,484	-	34,484
Total other comprehensive income	**-**	**(213)**	**34,484**	**-**	**34,271**
Total comprehensive income	**-**	**(213)**	**34,484**	**5,434**	**39,705**
Dividends	-	-	-	-	-
Balance at 30 June 2021	**78,388**	**(171)**	**(210,205)**	**1,654,705**	**1,522,717**

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
Company	BACH

1.2 Reporting entity

BACH is an unlisted public company limited by shares 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.

The address of the Company's registered office is shown on page 72.

1.3 Statement of compliance

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

The financial statements were approved by the Board of Directors on 23 September 2022.

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.

These financial statements are presented in Australian Dollars (AUD) and are rounded to the nearest thousand.

1.5 Impact of COVID

The COVID-19 pandemic continued to have a significant impact upon BAC operations and the broader aviation industry in FY22. Multiple rolling lockdowns continued across various states and the continued closure of international borders for most of FY22 had a significant adverse impact on passenger numbers and multiple revenue streams across the business.

SECTION 1: BASIS OF PREPARATION

The successful implementation and rollout of the COVID-19 vaccination programme in Australia was a critical factor heading into December 2021 which saw intermittent state border reopening's including Queensland. A significant milestone was achieved with the re-opening of Australia's international borders from 21 February 2022 and the re-commencement of some international travel routes. However, the cadence of return of passengers has been modest and volumes remain materially below pre-COVID levels heading into financial year end. In the meantime, the BAC Group's ability to continue to maintain cost discipline will be key. The impact of COVID-19 required further judgement and consideration across the financial statements. Given the rapidly changing environment brought about by COVID-19, changes to the judgements and outcomes that have been applied throughout the financial statements this year may arise in the future. The impact of any such changes will be accounted for as they arise in future reporting periods with the exception of adjusting events providing evidence of conditions that existed at the reporting date.

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

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

The following disclosures continued to have expanded disclosures reflecting the impact of COVID-19:

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

1.6 Going concern

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

COVID-19 continued to have a material impact on the BAC Group during FY22. Refer to note 1.5 for the additional discussion. Additional consideration was given by the Directors with respect to the appropriateness of the going concern principle having regard to the impacts of COVID-19.

The BAC Group was in a net current liability position of $217.6 million at 30 June 2022 (2021: net current liability position of $152.1 million), however this deficit was comfortably covered by undrawn bank facilities of $1,215 million (2021: $1,195 million).

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

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

Cash flow forecasts indicate a net positive cash flow position, even with an extended period of subdued passenger volumes and this position is additionally supported by the availability of significant amounts of committed undrawn bank facilities. Management continues to implement a range of measures to preserve liquidity in the near term, including operating and capital cost responses. In FY22 the liquidity position was strengthened by:

- Upfront cash neutral restructuring of certain elements of the derivatives portfolio to reduce cash interest expenses in FY23, offset by higher liabilities in FY27 – FY28
- Income tax refunds of $74.2 million received during FY22

Notes to the financial statements (continued)

SECTION 1: BASIS OF PREPARATION

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

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

1.7 Use of estimates and judgements

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

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

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

1.8 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

1.9 Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of BACH and each controlled entity is AUD.

Transactions and balances

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

1.10 Prior period presentation

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

SECTION 1: BASIS OF PREPARATION

1.11 New and amended accounting standards

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

Accounting policies and disclosures
The BAC Group has adopted new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2021 as outlined below. The adoption did not have any material impact on the financial position or performance of the BAC Group at adoption date or period end. Several other amendments apply for the first time from 1 July 2022; however, these do not impact the annual financial statements. All other accounting policies adopted are consistent with those of the previous financial year.

Title of standard	**AASB removal of special purpose financial reports and new simplified disclosures (AASB 2020-2 and AASB 1060)**
Nature of change	AASB amended standard 2020-2 that removes the ability for certain for-profit private sector entities to prepare special purpose financial statements (SPFS). AASB also approved a new simplified disclosure standard (AASB 1060) that will replace the previous Tier 2 reduced disclosure framework.
Impact	No material change expected as currently preparing General Purpose Financial Statements (GPFS).

Title of standard	**AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2**
Nature of change	In FY20, the BAC Group adopted AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (AASB 2019-3). These amendments modify specific hedge accounting requirements and allow the BAC Group to apply certain exceptions in respect of hedge relationships that are impacted by market wide interest rate benchmark reform. The interest rate benchmark reform aims to discontinue Interbank Offered Rates (IBORs) and replace these interest rate benchmarks with alternate Risk Free Rates (RFRs). In the current year, the BAC Group adopted AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (AASB 2020-8). These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021. Phase 2 amendments enable the Group to reflect the effects of transitioning IBORs to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements.
Impact	<u>Risks arising from the interest rate benchmark reform</u> The BAC Group has performed an assessment of exposures linked to London Interbank Offered Rate ('LIBOR') with respect to United States Dollar (USD LIBOR). At 30 June 2022, the Group has not identified any debt instruments or Cross Currency Interest Rate Swaps (CCIRS) directly linked to USD LIBOR as all offshore bonds issued are issued in fixed rate and on the CCIRS, the BAC Group receives fixed USD. Whilst not having a direct exposure to USD LIBOR on its debt or swap instruments, the BAC Group has designated derivative hedging instruments in hedge accounting relationships against the fair value exposure of the BAC Group's USD fixed rate debt associated with USD LIBOR benchmark interest rate risks. This will therefore result in an indirect exposure to changes in these benchmark interest rates. The valuation of some CCIRS hedging instruments is based on USD LIBOR swap rates, which will be impacted upon USD LIBOR discontinuation. The BAC Group is working closely with its hedge accounting advisors and swap counterparties to understand the impact that the transition might have on the availability and liquidity in forward interest

Notes to the financial statements (continued)

SECTION 1: BASIS OF PREPARATION

rate curves and any impact on the valuation of the CCIRS. Despite the progress made on understanding the impacts of the IBOR transition, this has not resulted in any changes to risk management practices.

Management have performed an assessment and believe the impact of the IBOR Reform to be negligible to other assets held at fair value, including right-of-use lease assets.

Accounting impacts arising from the application of the interest rate benchmark reform

The BAC Group has an indirect exposure to the USD LIBOR3m benchmark within its hedge accounting relationships, which are subject to interest rate benchmark reform, with transition not expected to occur until 2023.

Despite not having any direct LIBOR3m linked debt or swap instruments, all cross currency swap hedge relationships reference USD LIBOR3m for both hedge accounting and valuation purposes. The BAC Group has performed an initial high level IBOR exposure review and has not identified any direct USD LIBOR3m exposures or any additional indirect USD LIBOR3m exposures, other than those included in the schedule below.

SECTION 1: BASIS OF PREPARATION

Notional in USD	**710M USD**		**215M USD**		
Notional in AUD	**807M AUD**		**305M AUD**		
Maturing in	**2023 to 2032**		**2029 to 2032**		
Hedge relationship	Fair value hedge	Cash flow hedge	Fair value hedge	Cash flow hedge	Cash flow hedge
Hedging instrument (prior to transition)	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay AUD BBSW3m combined with USD and AUD principal exchange at effective and maturity date.	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay LIBOR3m	Receive LIBOR3m, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date.	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.
Hedged item	Benchmark interest rate (LIBOR3m) portion of USD coupons and USD principal repayment of the bond.	USD margin above benchmark rate component of the USD fixed coupon payable on the Bond (equivalent to credit margin on debt) over the term of the bond	Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond.	USD principal repayment of the bond from first repayment date until maturity of the bond.	USD margin above benchmark rate component of the USD fixed coupon payable on the Bond (equivalent to credit margin on debt) over the term of the bond.
Transition progress	The overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR, however, should any benchmark rates change this will be affected in the underlying hedge relationships. At 30 June 2022 no hedging instruments or related hedged items have transitioned to alternative benchmark rates.				

Notes to the financial statements (continued)

SECTION 1: BASIS OF PREPARATION

Title of standard	**Narrow scope amendments issued for AASB 116, AASB 137, AASB 3 and annual improvements made to AASB 1, AASB 9, and AASB 141 (AASB 2020-3)**

Nature of change	The AASB has made:
	• narrow scope amendments to
	  • AASB 116 *Property, Plant and Equipment*, to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
	  • AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, to specify the costs that an entity includes when assessing whether a contract will be loss-making;
	  • AASB 3 *Business combinations*, to update a reference to the *Conceptual Framework for Financial Reporting* without changing the accounting requirements for business combinations; and
	• Annual improvements to
	  • AASB 1 *First-time Adoption of Australian Accounting Standards*, to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
	  • AASB 9 *Financial Instruments*, to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
	  • AASB 141 *Agriculture*, to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Impact	There is no impact on the BAC Group's financial report.

Title of standard	**COVID-19-related rent concessions beyond 30 June 2021 (AASB 2021-3)**
Nature of change	The Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions*. The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. This Standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
Impact	The Standard amendment does not impact the BAC Group, as the majority of rental leases within the Group relate to the Company being the lessor. Where BACH Group is the lessee, there have been no COVID-19 related rent concessions.

Accounting standards and interpretations issued or amended but not yet effective

The accounting standards which have not been early adopted for the financial year ended 30 June 2022 but will be applicable to the BAC Group in future reporting periods are detailed below:

Title of standard	**AASB 101 Presentation of Financial Statements (AASB 2020-1)**
Nature of change	The amendments clarify the requirements for classifying liabilities as current or non-current. More specifically, they address what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period and classification is unaffected by the likelihood that an entity will exercise its deferral right.
Impact	These changes are not expected to have a material effect on the BAC Group's financial report.
Mandatory application date	The amendments to AASB 101 have been tentatively deferred to apply no earlier than 1 January 2024.

SECTION 1: BASIS OF PREPARATION

Title of standards	**Deferred tax related to assets and liabilities arising from a single transaction (AASB 2021-5)**
Nature of change	The AASB issued targeted amendments to AASB 112 *Income Taxes* to specify how companies should account for deferred tax on transactions (such as leases and decommissioning obligations), where at the time of the transaction an equal taxable and deductible temporary difference arises.
Impact	These changes are not expected to have a material effect on the BAC Group's financial report.
Mandatory application date	The Standard applies to annual periods beginning on or after 1 January 2023.

Title of standards	**Disclosure of accounting policies and definition of accounting estimates (AASB 2021-2)**
Nature of change	AASB 2021-2 amends a number of accounting standards to improve accounting policy disclosures and clarify the distinction between changes in accounting policies and accounting estimates. • AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; • AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; • AAASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; • AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and • AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
Impact	These changes are not expected to have a material effect on the BAC Group's financial report.
Mandatory application date	The Standard applies to annual periods beginning on or after 1 January 2023.

1.12 Determination of fair values

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

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

Fair value measurements hierarchy

In fair value measurement, the BAC Group 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 (continued)

SECTION 2: RESULTS

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

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

2.1 Revenue

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

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

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

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

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

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

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

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

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

SECTION 2: RESULTS

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

Revenue can be categorised as follows:

	2022 $000	2021 $000
Total services revenue from contracts with customers transferred over time	296,219	215,481
Other revenue	204,364	231,763
Total revenue	**500,583**	**447,244**

Revenue from contracts with customers consists of aeronautical, government mandated security, other revenue and a portion of landside transport revenue (2022: $67.8 million, 2021: $47.3 million).

2.2 Finance costs

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

RPS dividends are recognised in profit or loss as a finance cost and calculated on an effective interest basis.

	2022 $000	2021 $000
Interest costs	95,288	132,153
Amortisation of deferred borrowing costs	4,050	5,505
Interest on lease liabilities	414	202
Other finance costs	859	858
Total finance costs excluding hedge ineffectiveness & other hedge accounting impacts	**100,611**	**138,718**
Hedge ineffectiveness & other hedge accounting impacts	54,917	43,097
Total finance costs	**155,528**	**181,815**

$43.1 million has been reclassified from change in fair value of derivatives to finance costs for FY21 for consistency with current year presentation.

2.3 Leases

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

	2022 $000	2021 $000
Less than 1 year	175,682	171,803
1 to 5 years	464,789	509,291
More than 5 years	966,029	951,281
	1,606,500	**1,632,375**

The above amounts do not include the recovery of outgoings.

Notes to the financial statements (continued)

SECTION 2: RESULTS

Finance lease receivable

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

	2022 $000	2021 $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	47,479	49,967
Undiscounted lease payments	**62,407**	**64,895**
Future finance charges	(41,283)	(43,622)
Net investment in the lease	**21,124**	**21,273**

BAC Group as the lessee

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

	2022 $000	2021 $000
Cost		
At beginning of the year	4,250	4,053
Additions/adjustments	6,105	197
At end of the year	**10,355**	**4,250**
Depreciation		
At beginning of the year	1,137	697
Depreciation/adjustments	592	439
At end of the year	**1,729**	**1,136**
Carrying amount at 30 June	**8,626**	**3,114**

Lease liabilities of $0.7 million current and $3.1 million non-current have been recognised in the consolidated statement of financial position (2021: $0.6 million current and $2.7 million non-current). In FY22 BAC entered into a lease agreement with Queensland government on 50-year use of HIAL land, recognising ROUA of $6.1m. A make good provision of $4.9 million has been recognised as a non-current liability in association with this lease.

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

2.4 Auditor's remuneration

	2022 $	2021 $
Amounts received or due and receivable by the auditor for:		
Audit services		
Audit fees	451,525	289,010
Other regulatory/contract audit services	161,900	130,475
	613,425	**419,485**
Other services		
Other	-	24,500
	-	**24,500**

SECTION 2: RESULTS

2.5 Taxation

Accounting policies

Income tax

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

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

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

Tax consolidation

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

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

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

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

Goods and services tax

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

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

Taxation recognised in profit or loss and other comprehensive income

	2022 $000	2021 $000
Current tax expense		
Current year expense	-	-
Amendments to prior years (Note 2.5a)	3,616	10,273
	3,616	**10,273**
Deferred tax expense		
Origination and reversal of temporary differences	(43,518)	(3,904)
Amendments to prior years (Note 2.5a)	511	(10,273)
	(43,007)	**(14,177)**
Total income tax expense recognised in profit or loss	**(39,391)**	**(3,904)**
Defined benefit superannuation fund actuarial (loss)/gain	(83)	91
Hedge reserve	(86,866)	(14,779)
Total income tax expense recognised in other comprehensive income	**(86,949)**	**(14,688)**

Notes to the financial statements (continued)

SECTION 2: RESULTS

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

	2022 $000	2021 $000
Profit for the year	**101,929**	**5,434**
Income tax expense	39,391	3,904
Profit before income tax	**141,320**	**9,338**
Income tax using the corporate tax rate of 30%	(42,396)	(2,801)
Increase in income tax due to:		
Other non-deductible expenses	(1,122)	(3)
Under provided in prior years	4,127	(1,100)
Income tax expense on pre-tax accounting profit	**(39,391)**	**(3,904)**

Current Tax Receivable

The current tax receivable is in relation to:	Notes	2022 $000	2021 $000
Amendments to income tax returns 2016 to 2020	(a)	-	10,273
Temporary loss carry back refundable tax offset (transfer from deferred tax asset to current tax receivable)	(b)	-	60,725
		-	**70,998**

a) The head entity of the income tax consolidated group lodged amended income tax returns in respect of the 2015-16 to 2019-20 income tax years, resulting in net refunds of previously overpaid tax. The total refund of $9.6 million, net of interest and penalties, was received in June 2022.

b) Under the Temporary Loss Carry Back Tax Offset measures, the head entity of the tax consolidated group has carried back tax losses from the 2019-20 and 2020-21 income years and offset them against the income tax paid in the 2018-19 income year to generate a refundable tax offset. The refundable tax offset of $64 million was received in December 2021. As a result of the amendments and the loss carry back, there are tax losses of $1.70 million carried forward as at 30 June 2021. Refer to section 2.6 for detail regarding carried forward tax losses as at 30 June 2022.

SECTION 2: RESULTS

2.6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Property, plant and equipment	-	-	(840,763)	(776,184)	(840,763)	(776,184)
Finance lease receivable	-	-	(2,292)	(2,337)	(2,292)	(2,337)
Derivatives	-	-	(231,580)	(144,543)	(231,580)	(144,543)
Lease incentive asset	-	-	(6,131)	(4,428)	(6,131)	(4,428)
Inventories	-	-	(762)	(449)	(762)	(449)
Employee benefits	1,495	1,414	-	-	1,495	1,414
Other provisions	11,819	9,239	-	-	11,819	9,239
Interest-bearing liabilities and borrowings	235,079	235,192	-	-	235,079	235,192
Accruals	2,894	2,490	-	-	2,894	2,490
Tax losses[5]	20,679	60,725	-	-	20,679	60,725
Deferred tax assets/(liabilities)	**271,966**	**309,060**	**(1,081,528)**	**(927,941)**	**(809,562)**	**(618,881)**
Transfer to current tax receivable[5]	-	(60,725)	-	-	-	(60,725)
Total deferred tax assets/(liabilities)	**271,966**	**248,335**	**(1,081,528)**	**(927,941)**	**(809,562)**	**(679,606)**

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

	Balance at 1 July 2021 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2022 $000
Property, plant and equipment	(776,184)	(64,579)	-	(840,763)
Finance lease receivable	(2,337)	45	-	(2,292)
Derivatives	(144,543)	(171)	(86,866)	(231,580)
Lease incentive asset	(4,428)	(1,703)	-	(6,131)
Inventories	(449)	(313)	-	(762)
Employee benefits	1,414	164	(83)	1,495
Other provisions	9,239	2,580	-	11,819
Interest-bearing liabilities and borrowings	235,192	(113)	-	235,079
Accruals	2,490	404	-	2,894
Tax losses[5]	60,725	20,679	-	20,679
Deferred tax (liabilities)/assets	**(618,881)**	**(43,007)**	**(86,949)**	**(809,562)**
Transfer to current tax receivable[5]	(60,725)	-	-	-
Total deferred tax assets/(liabilities)	**(679,606)**	**(43,007)**	**(86,949)**	**(809,562)**

[5] There will be $68.9 million tax losses carried forward as at 30 June 2022.

Notes to the financial statements (continued)

SECTION 2: RESULTS

The movement in temporary differences during the previous year is:

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

2.7 Abnormal items

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

Item	Profit or loss line	Notes	2022 $000	2021 $000
Rental abatements	Revenue	(a)	6,413	30,292
Expected credit loss for rental abatements	Corporate and administration	(a)	(6,413)	(30,292)
Impairment of straight-lining asset	Corporate and administration	(b)	(11,546)	(30,071)
Impairment of property, plant & equipment	(Impairment)/Reversal of impairment loss	(c)	(7,617)	361
Redundancies	Staff	(d)	-	(5,799)
JobKeeper	Staff	(e)	-	8,275
Net decrease to operating results			**(19,163)**	**(27,234)**

a) Rental relief was provided to tenants across the retail and property portfolios in the form of rental abatements due to the impacts on their businesses from COVID-19. Rental abatements totalled $6.4 million for the year ended 30 June 2022, with an offsetting amount recognised through the expected credit loss ('ECL') provision of $6.4 million.

b) A review of the BAC Group's assets relating to straight lining of lease revenue was carried out by Management. Following this review, a provision for impairment of $11.5 million was recognised relating to commercial tenants based on expectation of leases being modified going forwards.

c) A review of capital work in progress was undertaken at 30 June 2022. Due to the impact of COVID-19 and changes to airport planning developments, a provision for impairment of $4.1 million was taken up ($0.4 million reversal) at 30 June 2021. In addition, $3.5 million related to Impairment of asset values associated with the acquisition of the Qantas Valet operations at the Domestic Terminal.

d) BAC underwent an internal restructure resulting in a reduction in workforce in the prior year. Termination payments totalling $5.8 million had been paid during the year ended 30 June 2021.

e) The BAC Group received Federal Government JobKeeper Payments during the year ended 30 June 2021 of $8.3 million.

SECTION 2: RESULTS

2.8 Government assistance

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

a) The Domestic Airports Security Costs Support ('DASCS') Program commenced on 29 March 2021 and finished on 31 December 2021. The program assisted domestic airports with regular public transport services to maintain passenger and baggage security screening obligations, which are a mandated requirement regardless of passenger volumes. The BAC Group enrolled for this scheme and received total payments of $20.1 million, with $13.4 million received during the year ending 30 June 2022 ($6.7 million during the year ended 30 June 2021).

b) The International Airports Security Charges Rebate ('IASCR') Program commenced on 1 October 2021 and ran to 31 March 2022 as part of the Government's continued economic response to the COVID-19 pandemic, providing financial assistance to Australia's aviation sector, assisting with the recovery from the impact of the pandemic. The program assisted international airports with regular public transport services to maintain passenger movements and allow airports recoup previous under recovery of cost since the onset of the pandemic in March 2020. The BAC group enrolled in this scheme with payments received totalling $4.5 million for the year ended 30 June 2022.

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES

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

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

3.1 Cash and cash equivalents

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

	2022 $000	2021 $000
Cash in bank	80,523	74,121
Cash on hand	4	4
Cash and cash equivalents	**80,527**	**74,125**

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

	Note	2022 $000	2021 $000
Profit for the year		**101,929**	**5,434**
Adjustments for:			
Depreciation and amortisation		155,424	170,543
Impairment	3.4	7,617	(361)
Management fee – contract payment deferral		(213)	-
Change in fair value of investment property	3.6	(199,046)	(173,599)
Hedge ineffectiveness & other hedge accounting impacts		569	43,097
Amortisation of borrowing costs		4,050	5,505
Finance lease interest		414	202
Loss on sale of property, plant and equipment		(101)	(252)
RPS dividend		45,278	30,934
Income tax expense	2.5	39,391	3,904
Cash flow before changes in working capital and provisions		**155,312**	**85,407**
Change in trade receivables and other		(28,790)	30,148
Change in inventories		(1,043)	(21)
Change in trade payables and other		42,728	12,943
Income taxes paid / (received)		74,182	(2,007)
Net cash from operating activities		**242,389**	**126,470**

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.2 Trade receivables and other

Accounting policies

Trade receivables and other are recognised initially at fair value and subsequently stated at their amortised cost less impairment losses. Trade receivables are normally settled within 29 days.

Trade receivables and other are as follows:

	Note	2022 $000	2021 $000
Current			
Trade receivables and accrued income		33,660	28,974
Provision for expected credit losses	4.3(a)	(3,845)	(4,935)
Contract assets	2.1	33,048	17,392
Prepayments		4,110	3,028
Sundry receivables		5,955	614
Finance lease receivable		167	149
		73,095	**45,222**
Non-current			
Finance lease receivable		20,958	21,124
Sundry receivables		14,459	13,909
Employee benefits	3.9	4,045	3,978
		39,462	**39,011**

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 is as follows:

	2022 $000	2021 $000
Goodwill	**823,014**	**823,014**

3.4 Property, plant and equipment

Keeping it simple …

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

Accounting policies

<u>Owned assets</u>

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.

<u>Leased land</u>

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

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES

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

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

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

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

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

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

Item	**2022 Rate %**	**2021 Rate %**
Runways, taxiways and aprons		
Runways, taxiways and aprons	1.0 – 8.3	1.0 – 8.3
Expansion, extension, line marking, earthworks and overlay	2.5 – 20.0	2.5 – 20.0
Runway overlay	2.5 – 8.4	8.3
Minor assets less than $1,000	100.0	100.0
Roads and car parks		
Roads and car park infrastructure	1.0 – 10.0	1.0 – 10.0
Security, signage, lighting and other	2.5 – 15.0	2.5 – 15.0
Buildings		
Passenger terminal buildings and other permanent buildings	2.5 – 4.2	2.5 – 4.2
Fit-out, finishing, services, heating, ventilation and air-conditioning	2.5 – 20.0	2.5 – 20.0
Security, signage, lighting and other	5.0 – 20.0	5.0 – 20.0
Minor assets less than $1,000	100.0	100.0
Plant and equipment		
Mains services and fences and gates	1.3 – 20.0	1.3 – 20.0
Mobile plant and equipment (including motor vehicles)	6.7 – 25.0	6.7 – 25.0
Computer equipment and software	10.0 – 33.3	10.0 – 33.3
Furniture and fittings, office equipment and artwork	1.3 – 33.3	1.3 – 33.3
Minor assets less than $1,000	100.0	100.0
Leased land		
Operating land	1.0 – 1.3	1.0 – 1.3

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

With consideration to the impact of COVID-19, a review of capital work in progress at 30 June 2022 was undertaken resulting in the provision for impairment increasing to $14.2 million (2021: $10.1 million) for projects which were deferred or are expected to change significantly.

SECTION 3: OPERATING ASSETS AND LIABILITIES

	Runways, taxiways and aprons $000	Roads and car parks $000	Buildings $000	Plant and equipment[6] $000	Leased land $000	Capital work in progress $000	Total $000
Cost or deemed cost							
At 1 July 2021	1,881,873	680,703	1,137,608	1,083,052	112,378	72,645	4,968,259
Additions/transfers	815	5,900	12,809	7,902	6,121	40,922	74,469
Disposals	-	-	-	(401)	-	-	(401)
At 30 June 2022	**1,882,688**	**686,603**	**1,150,417**	**1,090,553**	**118,499**	**113,567**	**5,042,328**
Accumulated depreciation, amortisation, and impairment							
At 1 July 2021	202,031	162,074	495,710	426,567	19,338	10,087	1,315,807
Depreciation and amortisation	32,528	17,885	49,417	54,322	1,273	-	155,425
Disposals	-	-	-	(397)	-	-	(397)
Impairment / (reversal) [7]	-	-	-	3,500	-	4,117	7,617
At 30 June 2022	**234,559**	**179,959**	**545,127**	**483,992**	**20,611**	**14,204**	**1,478,452**
Cost or deemed cost							
At 1 July 2020	914,975	618,482	1,102,404	885,095	106,331	1,322,393	4,949,680
Additions/transfers	966,898	62,221	35,231	221,760	6,047	(1,249,748)	42,409
Disposals	-	-	(27)	(23,803)	-	-	(23,830)
At 30 June 2021	**1,881,873**	**680,703**	**1,137,608**	**1,083,052**	**112,378**	**72,645**	**4,968,259**
Accumulated depreciation, amortisation, and impairment							
At 1 July 2020	167,015	144,258	446,682	382,920	18,110	10,448	1,169,433
Depreciation and amortisation	35,016	17,816	49,053	67,430	1,228	-	170,543
Disposals	-	-	(25)	(23,783)	-	-	(23,808)
Impairment / (reversal)	-	-	-	-	-	(361)	(361)
At 30 June 2021	**202,031**	**162,074**	**495,710**	**426,567**	**19,338**	**10,087**	**1,315,807**
Carrying amounts							
At 30 June 2022	**1,648,129**	**506,644**	**605,290**	**606,561**	**97,888**	**99,363**	**3,563,876**
At 30 June 2021	1,679,842	518,629	641,898	656,485	93,040	62,558	3,652,452

Due to the deferral of construction projects in 2022, there were no borrowing costs capitalised to capital work in progress (2021: nil).

[6] Plant and equipment include right of use assets with a carrying value of $8.6 million (2021: $3.1million). Refer to note 2.3.

[7] Impairment of asset values associated with the acquisition of the Qantas Valet ($3.5 million) operations at the Domestic Terminal

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2022 $000	2021 $000
Less than 1 year		
1 to 5 years	110,836	30,687
More than 5 years	3,144	16,772
	113,980	**47,459**

3.6 Investment property

Keeping it simple …

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

Accounting policies

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

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio annually. The basis of the valuation of the properties is fair value, being the amount for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and same condition being subject to similar leases. The determination of fair value is therefore more heavily supported by market evidence as opposed to other factors. The 2022 valuation was based on independent assessments made by CBRE, an accredited independent valuer (2021: CBRE).

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

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

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

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

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

The valuation was prepared on a leasehold basis.

SECTION 3: OPERATING ASSETS AND LIABILITIES

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

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

The movement in investment property is as follows[8]:

Basis of measurement	Completed investment property $000 Fair value	Capital work in progress $000 Fair value	Capital work in progress $000 Cost	Total $000
2022				
Balance at 1 July	1,683,997	56,543	3,390	1,743,930
Additions/(transfers)	(32,917)	91,222	860	59,165
Reclassified to property, plant and equipment	-	-	-	-
Fair value adjustments	197,187	8,054	-	205,241
Balance at 30 June	**1,848,267**	**155,819**	**4,250**	**2,008,336**
2021				
Balance at 1 July	1,484,705	68,020	7,250	1,559,975
Additions/(transfers)	35,140	(22,102)	(3,860)	9,178
Reclassified to property, plant and equipment	(7,702)	-	-	(7,702)
Fair value adjustments	171,854	10,625	-	182,479
Balance at 30 June	**1,683,997**	**56,543**	**3,390**	**1,743,930**

There were no borrowing costs capitalised to capital work in progress in 2022 due to the deferral of construction projects greater than 12 months (2021: nil).

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

Input		**2022 $000**	**2021 $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	2,004,085	1,740,540
		2,004,085	**1,740,540**

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 4.5% and 8.0% (2021: 5.0% and 8.75%).

Discount rate: the rate used to discount the net cash flows generated from rental and investment activities during the period of analysis. The rates used in the valuation range between 6.0% and 9.5% (2021: 6.5% and 10.5%), having regard to the risk of each property's net cash flows.

[8] Net additions/transfers to investment property at fair value comprises additions of $7.8M, offset by transfers to capital work in progress at fair value of $40.7M. Transfers pertained to investment property land where project works have commenced in current year.

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES

Sensitivity to changes in significant unobservable inputs
The relationship between the significant unobservable inputs and fair value is as follows:

- annual net property income: the higher the income, the higher the likelihood of a higher valuation;
- capitalisation rate: the lower the capitalisation rate, the higher the likelihood of a higher valuation; and
- discount rate: the lower the discount rate, the higher the likelihood of a higher valuation.

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

	2022 $000	2021 $000
Fair value adjustment from valuation by CBRE	205,241	182,479
Less: straight lining of lease income and lease incentives	(6,195)	(8,880)
Fair value recognised in profit or loss	**199,046**	**173,599**

3.7 Impairment

Accounting policies

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

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

Key assumptions used in value in use calculation

The BAC Group undertakes an annual assessment of the recoverable amount of the cash-generating unit based on a value in use calculation, which uses cash flow forecasts for 10 years (from its business plan) with key assumptions of a terminal growth rate of 2.5% (2021: 2.5%) and a post-tax discount rate of 7.35% (2021: post-tax discount rate 7.00%) per annum. The assessment represents management's view of the most probable outcome with respect to future cash flows based on externally verified passenger forecasts.

Sensitivity to changes in assumptions and COVID-19

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

With consideration to the impact of COVID-19 on the current and near future financial years, a downside cash flow scenario was considered as part of the impairment testing. This was consistent with the sensitivity scenarios adopted for the BAC Group's 20 year business plan. In addition, scenarios reflecting higher than expected inflation and unexpected restrictions in FY23 were considered. These factors then flow to associated impacts on various passenger related income streams and cost projections.

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

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.8 Trade payables and other current liabilities

Accounting policies

Trade payables and other current liabilities are stated at their amortised cost. Trade payables are non-interest-bearing and are normally settled on 29-day terms. Trade payables and other current liabilities are as follows:

	Note	2022 $000	2021 $000
Trade payables and accruals		82,677	64,039
RPS dividend		142,142	97,625
Employee benefits	3.9	7,975	7,232
Unearned lease revenue		8,800	5,866
Contract liabilities		8,803	3,866
Retentions and deposits held on behalf of third parties		2,422	3,010
Lease liabilities		749	574
Environmental remediation		10,510	10,000
		264,077	**192,210**

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

Contract liabilities reflect unearned revenue under contracts with customers. The amount of revenue recognised during the year relating to contract liabilities totalled $8,802,641 (2021: $3,865,603).

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

3.9 Employee benefits

Keeping it simple …

The BAC Group has 14 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.

Notes to the financial statements (continued)

SECTION 3: OPERATING ASSETS AND LIABILITIES

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

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

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

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

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

	Note	2022 $000	2021 $000
Current			
Wages and salaries accrued		1,360	1,130
Liability for annual leave		2,680	2,640
Liability for long service leave		3,935	3,462
	3.8	**7,975**	**7,232**
Non-current			
Present value of unfunded obligation		3,872	4,379
Fair value of plan assets		(7,917)	(8,357)
Recognised asset for defined benefit obligation	3.2	**(4,045)**	**(3,978)**
Liability for annual leave		599	495
Liability for long service leave		1,816	2,096
ELTIP		270	623
	3.10	**2,685**	**3,214**
Net non-current employee benefits		**(1,360)**	**(764)**

3.10 Other non-current liabilities

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

Other non-current liabilities can be analysed as follows:

	Note	2022 $000	2021 $000
Unearned revenue		28,517	3,814
Employee benefits	3.9	2,685	3,214
Lease liabilities		3,148	2,669
Make-good provision		4,967	-
		39,317	**9,697**

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

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

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

4.1 Interest-bearing liabilities and borrowings

Accounting policies

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

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

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

	2022 $000	2021 $000
Current		
Secured USPP bond issues	98,406	199,648
Secured USPP bond issue and bank loan transaction costs	(688)	-
Derivative structured products	34,260	-
Total current	**131,978**	**199,648**
Non-current		
Secured bank loan	-	20,000
Secured bank loan transaction costs	(2,370)	(4,244)
Secured domestic bond issues	1,087,210	1,209,284
Secured domestic bond issue transaction costs	(7,037)	(8,502)
Secured USPP bond issues	1,891,859	2,013,114
Secured USPP bond issue transaction costs	(4,557)	(5,489)
Derivative structured products	198,085	172,923
Derivative structured products transaction costs	(263)	(262)
RPS	450,465	450,137
Total non-current	**3,613,392**	**3,846,961**
Total interest-bearing liabilities and borrowings	**3,745,370**	**4,046,609**

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Annual nominal interest rate	Financial year of maturity	Face value 2022 $000	Carrying amount 2022 $000	Face value 2021 $000	Carrying amount 2021 $000
Bank loan – AUD					
BBSY + margin - Tranche F	2023	-	(678)	20,000	15,756
BBSY + margin - Tranche G	2024	-	(759)	-	-
BBSY + margin - Tranche H	2025	-	(723)	-	-
BBSY + margin - Tranche I	2026	-	(887)	-	-
		-	(3,047)	20,000	15,756
Domestic bonds – AUD					
Fixed 3.9%	2025	350,000	347,925	350,000	347,192
Fixed 3.1%	2026	250,000	248,876	250,000	248,595
Fixed 4.5%	2031	600,000	483,372	600,000	604,995
		1,200,000	1,080,173	1,200,000	1,200,782
USPP bonds – AUD					
BBSW + margin	2026	100,000	99,810	100,000	99,756
Fixed 6.8%	2023	30,000	29,996	30,000	29,969
Fixed 8.3%	2027	98,863	98,568	98,863	98,494
Fixed 4.4%	2029	130,000	129,604	130,000	129,539
Fixed 5.6%	2030	152,550	151,950	152,550	151,869
Fixed 5.5%	2037	50,000	49,839	50,000	49,828
Fixed 3.5%	2030	26,000	25,911	26,000	25,901
Fixed 3.7%	2032	24,000	23,923	24,000	23,912
		611,413	609,601	611,413	609,268
USPP bonds – USD					
Fixed 5.2%	2022	-	-	199,362	199,648
Fixed 3.9%	2023	68,310	68,400	62,467	64,463
Fixed 5.3%	2024	218,011	218,749	199,362	212,882
Fixed 3.6%	2025	36,335	36,113	33,227	34,901
Fixed 4.0%	2025	87,204	86,609	79,745	85,955
Fixed 3.7%	2027	94,471	94,114	86,390	92,463
Fixed 3.8%	2027	145,340	141,833	132,908	144,790
Fixed 4.2%	2028	113,366	113,434	103,668	116,490
Fixed 3.9%	2029	145,340	141,351	132,908	146,962
Fixed 3.9%	2030	36,335	36,345	33,227	36,346
Fixed 4.1%	2032	145,340	140,378	132,908	149,804
Fixed 3.6%	2030	155,514	149,146	142,212	154,968
Fixed 3.7%	2032	156,969	149,625	143,541	158,333
		1,402,535	1,376,097	1,481,925	1,598,005
Derivative structured products					
Fixed 2.3%	2025	13,718	13,700	13,400	13,379
Fixed 1.6%	2027	15,748	15,727	15,493	15,470
Fixed 1.7%	2027	5,861	5,853	5,764	5,755
Fixed 2.0%	2025	42,159	42,103	41,339	41,277
Fixed 3.7%	2023	34,260	34,260	33,022	32,972
Fixed 2.1%	2024	53,728	53,657	52,633	52,553
Fixed 2.1%	2024	11,517	11,501	11,272	11,255
Fixed 2.7%	2027	20,435	20,408	-	-
Fixed 0.8%	2027	2,018	2,015	-	-
Fixed 0.8%	2027	3,747	3,742	-	-
Fixed 2.6%	2028	29,154	29,115	-	-
		232,345	232,081	172,923	172,661
RPS – AUD					
Fixed 7.6%[9]	2032	470,494	450,465	470,494	450,137
		3,916,787	**3,745,370**	**3,956,755**	**4,046,609**

[9] RPS fixed dividend rate has decreased to 7.6% (previously 10%) per annum from 1 July 2021.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.1 Interest-bearing liabilities and borrowings (continued)

RPS are subject to an annual dividend rate and accounted for using an effective interest rate of 8.37% (2021: 8.37%) per annum. The fixed annual dividend rate is 7.6% per annum, previously 10.0% (2015 to 2021) per annum. The holders of RPS are entitled to fixed rate dividends, declared semi-annually (in arrears) in relation to the prior financial year, and on redemption. In the event that RPS dividends are not paid, any unpaid dividend will accrue interest using the dividend rate for that year (2022: 7.6%). RPS rank equally with each other, but in priority over ordinary shares for the payment of dividends and repayment of capital. Holders of RPS are not entitled to voting rights except in the event of winding up of BACH, or any resolution impacting on the rights applicable to RPS. The percentage of RPS held by a shareholder must be equal at all times to the percentage of ordinary shares held.

There were no RPS dividends paid in financial year 2022 (and the final dividend related to the second half of financial year 2021 remains unpaid). These unpaid dividends continue to accrue and compound. The resulting shift in forecast cashflows associated with these instruments (whilst maintaining a fixed effective interest rate) has resulted in a change to the carrying value of RPS to $450.5 million (2021: $450 million) impacting the RPS dividend expense in the Consolidated Statement of Profit or Loss.

	2022 $000	2021 $000
Redeemable preference shares dividends		
Dividend	35,758	47,049
Interest on unpaid dividends	9,192	4,718
Change in the effective interest rate	328	(20,833)
RPS Dividend recognised in the Consolidated Statement of Profit or Loss	**45,278**	**30,934**

Finance facilities

The BAC Group has bank facilities of $1,215 million (2021: $1,215 million), of which $1,215 million is undrawn (2021: $1,195 million). $525 million expires in April 2023, $37.5 million expires in March 2024, $262.5 million expires in April 2024, $25 million expires in March 2025, $175 million expires in April 2025, $40 million expires in March 2026 and $150 million expires in April 2026.

Security for financing arrangements

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

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.2 Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Cross currency interest rate swaps[10]

	Average pay fixed rate %	Average pay floating rate	Average foreign exchange rate	Notional maturity profile USD000
Less than 1 year	-	BBSW3m + 298 bps	1.0204	47,000
1 to 5 years	5.4214	BBSW3m + 240 bps	0.9067	400,000
More than 5 years	5.6440	BBSW3m + 189 bps	0.7724	518,000

Interest rate swaps

	Average pay fixed rate[11] %	Average pay floating rate[12]	Notional maturity profile AUD000
Less than 1 year	-	-	-
1 to 5 years	3.9489	-	1,725,000
More than 5 years	3.3250	BBSW3m + 294 bps	2,283,000[13]

[10] Cross currency interest rate swaps are used for the purpose of swapping USD notional principal and interest for AUD notional principal and fixed/floating interest in relation to the BAC Group's non-AUD borrowings.

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

[12] Interest rate swaps convert fixed rate exposure into floating rate obligation.

[13] Various interest rate swaps commencing on 1 July 2026 and maturing on 30 June 2032 have a profiled notional value structure. The notional value for the first quarter of the relevant interest rate swaps has been expressed in this table.

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

2022	Fair value hedges		Cash flow hedges		Total
	Interest bearing liabilities	Interest bearing liabilities	Interest rate risk on highly probable floating rate debt	Interest bearing liabilities	
	Interest rate swap	Cross currency interest rate swap[14]	Interest rate swap	Cross currency interest rate swap and interest rate swap[14]	
	$000	$000	$000	$000	$000
Carrying amount of hedging instruments					
Assets	-	183,851	74,209	16,604	274,664
Liabilities	(113,794)	(11,536)	(51,789)	(2,540)	(179,659)
	(113,794)	**172,315**	**22,420**	**14,064**	**95,005**
At 30 June 2022					
Cumulative fair value adjustment on hedged item[15]	(112,791)	(23,683)	-	-	(136,474)
Effective portion recognised in reserves[16]	-	726	(11,510)	50	(10,734)
During the year					
Change in fair value of the hedging instrument	(120,822)	(108,376)	196,496	34,818	2,116
Change in fair value of the hedged item	122,075	96,302	(178,919)	(38,268)	1,190
Effective portion of hedging instrument recognised in cash flow hedge reserve[15]	-	4,183	187,879	2,202	194,264
Change in effective portion of discontinued hedges recognised in cash flow hedge reserve	-	-	95,296	-	95,296
Hedge ineffectiveness recognised in profit or loss[17]	1,253	(16,256)	7,278	882	(6,843)
Amount recognised in profit and loss for discontinued hedges[17]	-	-	(57,694)	-	(57,694)
Unwind of inception fair values recognised in profit and loss[17]	135	-	13	(1,147)	(999)
Amount reclassified from hedging reserves to profit and loss[17]	-	-	-	1,328	1,328

[14] Cross currency interest rate swaps are split designated in cash flow and fair value hedge relationships in order to hedge against risks associated with USD borrowings.
[15] The cumulative fair value adjustment is included in the BAC Group's interest bearing liabilities.
[16] Hedging reserves includes both cash flow hedge reserve and cost of hedging reserve. Cost of Hedging Reserve at 30 June 2022 amounts to $1.75m (loss), a $3.1m (loss) movement for the financial year.
[17] Hedge ineffectiveness, reclassification of Cash Flow Hedge Reserve for continued and discontinued hedges and unwinding of inception fair value has been recognised within line item of "Hedge ineffectiveness & other hedge accounting impacts" of "Finance costs" on the face of the Statement of Profit and Loss account. Key sources of hedge ineffectiveness for the BAC Group are (1) changes in credit risks inherent within the hedging instruments' fair values that are not offset by the fair value movement of the hedged item; and (2) designating the non-zero fair values hedging instruments in hedge accounting relationships post trade date (late designations). The non-zero fair value at inception is a source of ineffectiveness.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

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

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.3 Financial risk management

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

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

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

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

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

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

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

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

(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.

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

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

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

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

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

Description	2022 $000	2021 $000
ECL relating to rental relief provided to tenants	6,413	30,292
Impairment of the straight-lining asset	11,545	30,071
General ECL from provision matrix	-	180
Other specific provisions for doubtful debts	(612)	3,171
	17,346	**63,714**

Cash and swaps

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

Exposure to credit risk

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

	Classification	Note	2022 $000	2021 $000
Cash and cash equivalents	Current	3.1	80,527	74,125
Trade receivables, accrued income and contract assets	Current	3.2	62,863	41,431
Sundry receivables	Current	3.2	5,955	615
Finance lease receivable	Current	3.2	167	149
Sundry receivables	Non-current	3.2	14,459	13,908
Finance lease receivable	Non-current	3.2	20,958	21,124
Derivative instruments		4.3(d)	273,729	265,859
			458,658	**417,211**

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

	2022 $000	2021 $000
Aeronautical	41,612	18,733
Property	20,047	22,216
Other	1,204	482
	62,863	**41,431**

The most significant customer accounted for 5.0% of the trade receivables, accrued income and contract assets carrying amount at 30 June 2022 (2021: 2.5%).

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Impairment losses

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

	2022 Gross $000	2022 Impairment $000	2022 Net $000
Not past due (0 – 30 days)	51,568	(189)	51,379
Past due (31 – 60 days)	8,374	(214)	8,160
Past due (61 – 90 days)	806	(486)	320
Past due (more than 90 days)	5,960	(2,956)	3,004
	66,708	**(3,845)**	**62,863**

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

(b) Liquidity risk

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

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Funding

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

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

2022	**Note**	**Less than 1 year $000**	**1 – 5 years $000**	**More than 5 years $000**	**Total $000**
Floating bank loan		-	-	-	-
Floating bonds		3,164	109,688	-	112,852
Fixed bonds		229,807	1,703,049	1,979,523	3,912,379
Derivative structured products		34,447	177,726	33,326	245,499
RPS		187,709	143,030	613,524	944,263
		455,127	**2,133,493**	**2,626,373**	**5,214,993**
Trade payables and accruals	3.8	82,677	-	-	82,677
Lease liabilities	3.8/3.10	749	8,115	-	8,864
Derivatives		(60,520)	27,184	(24,453)	(57,789)

2021	**Note**	**Less than 1 year $000**	**1 – 5 years $000**	**More than 5 years $000**	**Total $000**
Floating bank loan		114	20,171	-	20,285
Floating bonds		2,283	111,136	-	113,419
Fixed bonds		334,641	1,462,246	2,310,651	4,107,538
Derivative structured products		-	159,612	23,237	182,849
RPS		140,821	143,030	649,282	933,133
		477,859	**1,896,195**	**2,983,170**	**5,357,224**
Trade payables and accruals	3.8	64,039	-	-	64,039
Lease liabilities	3.8/3.10	574	2,669	-	3,243
Derivatives		(101,543)	100,543	21,279	20,279

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

(c) Market risk

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

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

Interest rate risk

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

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

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

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

BAC Group policy

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

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

Minimum economic hedging requirement under finance documents

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

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

Profile

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

	2022 $000	2021 $000
Nominal fixed interest rate instruments		
Financial liabilities	(3,816,787)	(3,836,755)
Nominal variable interest rate instruments		
Financial assets – cash and cash equivalents	80,527	74,125
Financial liabilities	(100,000)	(120,000)
Net financial asset/(liability)	**(19,473)**	**(45,875)**

Foreign exchange risk

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

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

BAC Group policy

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

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 2022 USD000	Face value 2022 AUD000	Face value 2021 USD000	Face value 2021 AUD000
Total foreign exchange exposures hedged	**965,000**	**1,334,225**	**1,115,000**	**1,481,925**

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

Sensitivity on interest rate and foreign exchange risk

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

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

The 30 June 2022 foreign exchange rate of AUD 1 to USD 0.6880 (2021: AUD 1 to USD 0.7524) has been used in the translation of USD denominated borrowings.

Analysis for fixed interest rate instruments

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

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:

Movement in interest rates	**Profit/(loss) before tax**		**Equity before tax**	
	2022	**2021**	**2022**	**2021**
	$000	**$000**	**$000**	**$000**
100 basis point increase in interest rates				
Net impact	**(873)**	**(2,573)**	**106,448**	**131,872**
100 basis point decrease in interest rates				
Net impact	**873**	**2,573**	**(106,448)**	**(131,872)**

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

Cross currency exposures for the BAC Group predominantly arise from foreign denominated interest-bearing liabilities. For such liabilities, the BAC Group's policy is to hedge 100% of cross currency risk for both principal and interest for the life of the exposure. As at 30 June 2021 and 2022, these foreign currency exposures were 100% hedged through cross currency swaps until maturity resulting in no other material cross currency risk exposure.

(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:

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

	Note	Carrying amount 2022 $000	Fair value 2022 $000	Carrying amount 2021 $000	Fair value 2021 $000
Assets carried at fair value					
Interest rate and cross currency swaps		**273,729**	**273,729**	**265,859**	**265,859**
Assets carried at amortised cost					
Cash and cash equivalents	3.1	80,527	80,527	74,125	74,125
Finance lease receivable – non-current	3.2	20,958	20,958	21,124	21,124
Employee benefits – non-current	3.2	4,045	4,045	3,978	3,978
		105,530	**105,530**	**99,227**	**99,227**
Liabilities carried at fair value					
Interest rate and cross currency swaps		**178,724**	**178,724**	**265,272**	**265,272**
Liabilities carried at amortised cost					
Secured bank loan	4.1	(3,047)	-	15,756	20,119
Secured domestic bond issues	4.1	1,080,173	1,321,302	1,200,782	1,335,025
Secured USPP bond issues	4.1	1,985,697	1,811,083	2,207,273	2,342,985
Derivative structured products	4.1	232,081	224,217	172,661	177,069
RPS	4.1	450,465	380,636	450,137	478,336
RPS dividend	3.8	142,142	142,142	97,625	97,625
Lease liability – non-current	3.10	3,148	3,148	2,669	2,669
Make-good provision	3.10	4,967	4,967	-	-
		3,895,627	**3,887,495**	**4,146,903**	**4,453,828**
Net liabilities		**3,695,092**	**3,686,960**	**4,047,089**	**4,354,014**

(e) Capital management

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

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.4 Changes in liabilities arising from financing activities[18]

	1 July 2021 $000	Cash Flows $000	Foreign exchange movement $000	Fair value movement $000	Capitalised interest	30 June 2022 $000
Secured bank loan	20,000	(20,000)	-	-	-	-
Secured domestic bond issues	1,209,284	-	-	(122,075)	-	1,087,209
Secured USPP bond issues	2,212,762	(150,000)	78,538	(143,107)	-	1,998,193
Derivative structured products	172,923	54,345	-	-	5,077	232,345
RPS	450,137	-	-	327	-	450,465
Lease liabilities - non-current	2,669	5,446	-	-	-	8,115
Total liabilities from financing activities	**4,067,775**	**(110,209)**	**78,538**	**(264,855)**	**5,077**	**3,776,327**

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

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

Notes to the financial statements (continued)

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

4.5 Equity and reserves

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

There has been no movement in issued shares.

	2022 000	2021 000
Ordinary shares		
On issue at 30 June	**681,887**	**681,887**

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

Defined benefit superannuation fund deficit reserve

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

Hedge reserve

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

Dividends

No dividends were declared or paid for the 2022 (2021:$nil) financial year.

	2022 $000	2021 $000
Dividend franking account:		
The taxable value of franking credits for subsequent financial years	**24,373**	**98,987**

SECTION 5: OTHER

5.1 Related parties

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

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

Executives

Gert-Jan de Graaff	Chief Executive Officer
David Malek	Chief Financial Officer
Rachel Crowley	Executive General Manager Communications & Public Affairs
Jane Dionysius	Executive General Manager Human Resources
Raechel Paris	Executive General Manager Governance
Krishan Tangri	Executive General Manager Infrastructure & Planning
Ryan Both	Executive General Manager Aviation
Jim Parashos	Executive General Manager Aviation
Martin Ryan	Executive General Manager Commercial

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

Executive Long Term Incentive Program ('ELTIP')
KMP also participate in the BACH ELTIP.

The ELTIP is a bonus incentive plan that provides eligible employees with the opportunity to receive bonus remuneration which is calculated with reference to long term increases in the value of BACH, based upon a proxy valuation developed for internal management purposes. The plan is settled in cash.

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 20 ('Plan 20') was 1 July 2019, with an initial base value of $1 per unit. Total units outstanding under Plan 20 were 1,857,288 (2021: 2,487,387). The value of entitlements under Plan 20 payable at 30 June 2022 was $132,168 (2021: $193,774).

The grant date of units for the ELTIP 21 ('Plan 21') was 1 July 2020, with an initial base value of $1 per unit. Total units outstanding under Plan 21 were 1,880,158 (2021: 2,079,076). The value of entitlements under Plan 21 payable at 30 June 2022 was $92,543 (2021: $229,302).

The grant date of units for the ELTIP 22 ('Plan 22') was 1 July 2021, with an initial base value of $1 per unit. Total units outstanding under Plan 22 were 1,920,659 (2021: nil). The value of entitlements under Plan 22 payable at 30 June 2022 was $45,333 (2021: nil).

Notes to the financial statements (continued)

SECTION 5: OTHER

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

	2022 $	2021 $
Short term employee benefits	5,403,633	4,672,762
Post-employment benefits	358,216	1,424,281
Other long-term benefits	140,097	616,869
	5,901,946	**6,713,912**

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

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

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

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

The total fee for the year was $364,225 (2021: $624,403). As at 30 June 2022, the amount payable was $nil (2021: $314,496).

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 $3,820,592 (2021: $3,641,101). As at 30 June 2022, the amount payable was $3,820,592 (2021: $3,679,564).

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

During 2022, the Board reviewed Director remuneration taking into consideration remuneration benchmarks and market movement for non-executive directors in peer organisations, in addition to external market conditions resulting from the impact of COVID-19.

Board fees and travel expenses paid to the Directors for the year amounted to $1,629,997 (2021: $1,362,588).

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

- First Sentier Investors (Australia) IM Ltd (formerly known as Colonial First State Asset Management (Australia) Limited), a company related to Chris McArthur and Alan Wu, received $149,943 for the year (2021: $136,917);
- QIC Private Capital Pty Ltd, a company related to Paul DeSouza, received $157,280 for the year (2021: $115,433); and
- IFM Investors (Nominees) Limited, a company related to John Borghetti and Josh Crane, received $262,279 for the year (2021: John Borghetti and Josh Crane $209,382).

SECTION 5: OTHER

5.2 Parent entity disclosures

	2022 $000	2021 $000
Results of BACH		
Profit for the year	11,280	21,320
Total comprehensive income	**11,280**	**21,320**
Financial position of BACH		
Current assets	179,592	144,351
Non-current assets	930,886	930,681
Total assets	**1,110,478**	**1,075,032**
Current liabilities	142,142	97,625
Non-current liabilities	429,786	450,137
Total liabilities	**571,928**	**547,762**
Net assets	**538,550**	**527,270**
Equity		
Issued capital	470,494	470,494
Retained earnings	68,056	56,776
Total equity	**538,550**	**527,270**

5.3 Other matters

Per- and Polyfluoroalkyl Substances ('PFAS')

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

5.4 Events subsequent to reporting date

Since the end of the financial year to the date of signing, there were no subsequent events to report.

Directors' declaration

In the opinion of the Directors of BAC Holdings Limited:

(a) the financial statements and notes set out on pages 18 to 68 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 2022 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Act 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 23 September 2022 in accordance with a resolution of the Directors made pursuant to *s.295(5) of the Corporations Act 2001* (Cth).

David Peever
Director

Independent auditor's report

Deloitte.

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

Opinion

We have audited the financial report of BAC Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and corporate governance statement for the year ended 30 June 2022, 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.

Independent auditor's report

Deloitte.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R.G. Saayman
Partner
Chartered Accountants
Brisbane, 23 September 2022

Auditor's independence declaration

Deloitte.

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

23 September 2022

Dear Board Members

Auditor's Independence Declaration to BAC Holdings Limited

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

As lead audit partner for the audit of the financial statements of BAC Holdings Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R.G. Saayman
Partner
Chartered Accountant

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

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