



Brisbane
Airport
Corporation
Annual
Report
2017



reaching new heights

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



CONTENTS

About Brisbane Airport.....	2
Brisbane Airport snapshot	4
Chairman's message	6
CEO and Managing Director's message.....	7
Our financial performance at a glance	8
The year in review FY17	10
Investing in the future	12
Our people	16
Our community	18
Our environment	20
Brisbane to the world	22
Aviation industry overview	24
Passenger services – a fresh welcome.....	26
Our team.....	28
Financials	30

As part of a \$45 million redevelopment of Brisbane Airport's International Terminal in 2014, a selection of **Mirdidingkingathi Juwarnda Sally Gabori's** artworks were digitally rendered, reproduced in large scale and applied from ceiling to floor along the entire 750 metres of the arrivals concourse.

The imagery by Mrs Gabori perfectly evokes the essence of Queensland and depicts the artist's stories of the tropical seascape, salt pans, mangrove swamps and reefs on Bentinck Island, Queensland in lush vibrant colours.

BAC is grateful to receive the blessing of Mrs Gabori's Estate and Alcaston Gallery to use artwork by Mrs Gabori to illustrate this Annual Report.

Artworks featured in the report:



AK14819:
Mirdidingkingathi Juwarnda Sally Gabori
(c. 1924 – 2015)
Makarrki 2008
Synthetic polymer paint on linen, 196 x 450 cm
Courtesy the Estate of the Artist and
Alcaston Gallery
Gift of the artist Estate to Queensland Art
Gallery of Modern Art



AK16221:
Mirdidingkingathi Juwarnda Sally Gabori
(c. 1924 – 2015)
Dibirdibi Country 2010
Synthetic polymer paint on linen, 196 x 302 cm
Courtesy The Estate of the Artist and
Alcaston Gallery

About Brisbane Airport

Brisbane Airport Corporation Pty Limited (BAC), the operator of Brisbane Airport (BNE), is a proud, private, unlisted Queensland company, helping employ thousands of Queenslanders and creating economic opportunities for the state and city of Brisbane equating to more than \$4 billion annually.

Operating 24 hours a day, seven days a week, BNE has two major terminals accommodating 32 airlines flying to 83 domestic and international destinations. It is a suburb in its own right, the largest capital city airport in Australia by land size (2,700 hectares) and the third-largest airport in Australia by passenger numbers with nearly 22.9 million passengers travelling through the airport in FY17.

While maintaining its vision for BNE to be world-best and the preferred choice for passengers, airlines, business and the community, BAC manages the airport with a strong focus on community, sustainability, education, knowledge and economic growth, adopting world-leading technologies, systems and practices. Through this approach, BAC has created a prosperous airport business community within a sustainable environment, developing BNE as a premier gateway airport and a major multimodal transport hub.

Around 480 businesses are located at BNE, servicing a diverse range of industries offering services such as freight and aircraft handling, warehousing, transport and communications, manufacturing, research, property and infrastructure development, education and training, recreation, tourism, accommodation, leisure and retail. Collectively, these businesses employ more than 23,000 people, a number expected to exceed 50,000 (the size of a regional town) by 2029.

With passenger numbers forecast to more than double by 2034, BAC has invested \$1.6 billion in critical infrastructure since FY12, with a further \$2.2 billion worth of infrastructure to be delivered between FY17 – FY21. Projects to be delivered include a new parallel runway, new multi-level car park and walkway facilities, road terminal expansions, terminal redevelopments, new apron and taxiways, road and cycling path upgrades and a number of new commercial buildings.

BNE is consistently recognised as a leading airport, including being voted the Best Airport in Australia/Pacific 2016 and 2017 Skytrax World Airport Awards, achieving 4th for Best Airports in the World (servicing 20-30 million passengers) and is currently ranked 16th in the World's Top 100 Airports list.

BNE was also named Australasia's Leading Airport in the 2016 World Travel Awards and has been rated Australia's No. 1 airport for quality of service for 13 consecutive years in the ACCC Airport Monitoring Report.

By 2034, Brisbane Airport is expected to contribute \$8.2 billion to the Queensland economy each year and \$13.4 billion to the Australian economy annually.

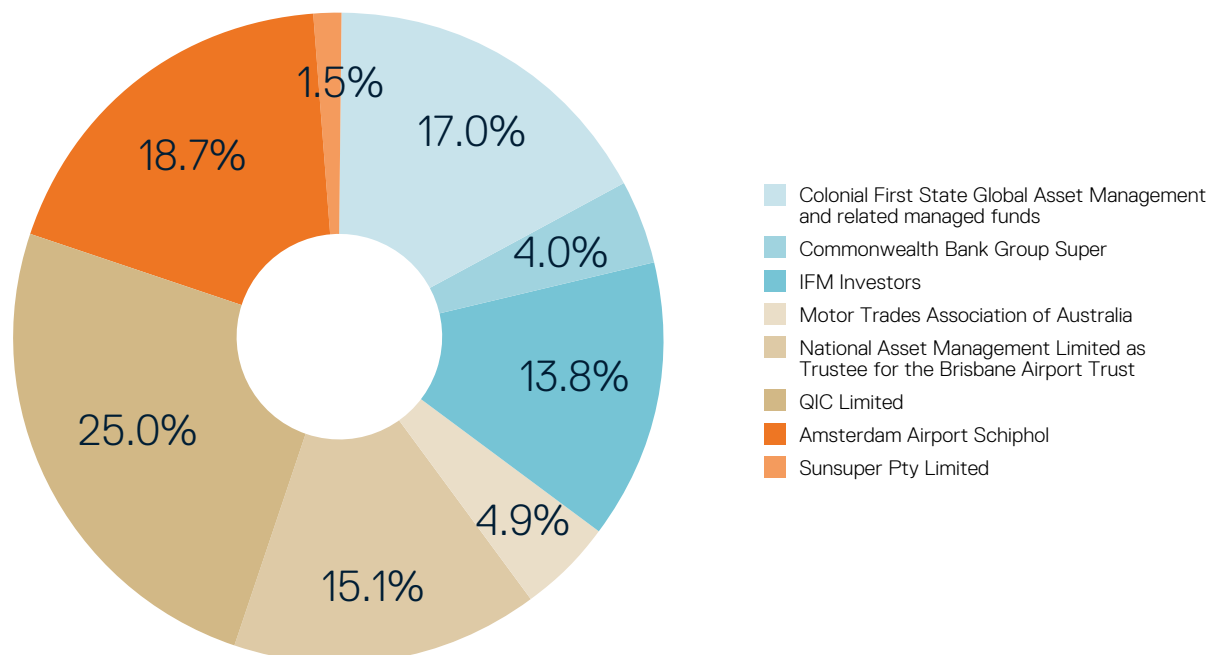
BAC's **vision** for Brisbane Airport is to be world-best and the preferred choice for passengers, airlines, business and the community.

BAC's **purpose** is to grow shareholder value through the efficient and sustainable operation, management and development of Brisbane Airport.

Values

- Building collaborative relationships.
- Being proactive and innovative.
- Acting with integrity and commitment.
- Providing service excellence.

Ownership structure



Brisbane Airport snapshot

Airlines[^]



Destinations[^]



International Domestic

[^] Airline partners and destinations correct at time of publication, not FY17 specific

By 2034, Brisbane Airport is expected to contribute \$8.2 billion to the Queensland economy each year and \$13.4 billion to the Australian economy annually.

AIRLINES*

Air China	Emirates	Nauru Airlines
Air New Zealand	Etihad Airways	Philippine Airlines
Air Niugini	EVA Air	Qantas
Air Vanuatu	Fiji Airways	QantasLink
Aircalin	Fly Corporate	Regional Express
Air Canada	Hainan Airlines	Singapore Airlines
Alliance Airlines	Hawaiian Airlines	Solomon Airlines
Cathay Pacific	JETGO	THAI International
China Airlines	Jetstar	Tigerair Australia
China Southern Airlines	Korean Air	Virgin Australia
China Eastern Airlines	Malindo Air	

	DESTINATIONS [^]	FREQUENCY** [^]
DIRECT DESTINATIONS		
INTERNATIONAL		
Asia	13	125
New Zealand	5	103
Pacific	8	53
North America	3	23
Middle East	2	28
Total	31	332
DOMESTIC		
Total	52	1,592

*Frequencies per week, one way

[^] Destination and frequency totals correct at time of publication, not FY17 specific

Passengers	2013/14	2014/15	2015/16	2016/17
INTERNATIONAL	4,817,882	5,080,867	5,273,890	5,638,186
Growth	5.9%	5.5%	3.8%	6.9%
DOMESTIC	17,054,939	16,948,836	17,199,879	17,242,363
Growth	1.3%	-0.6%	1.5%	0.2%
TRANSITS/TRANSFERS	230,544	250,347	211,717	178,959
Growth	2.9%	8.6%	-15.4%	-15.5%

Air Cargo (tonnes)	2013/14	2014/15	2015/16	2016/17
INTERNATIONAL				
Import	44,076	42,483	40,083	42,868
Export	51,055	59,787	66,865	69,621



Chairman's message

BAC Holdings Ltd and its controlled entities (BAC Group) had a strong 2017 financial year. A number of notable achievements included:

- Maintaining our AS4801-accredited WHS management system and continuing our strong commitment to providing a healthy and safe environment for all workers, business partners and visitors.
- Revenue of \$679.7 million, up \$36.5 million (5.7 per cent) on FY16.
- EBITDA of \$504.1 million, which was up by \$29.1 million (6.1 per cent) on the prior year.
- Profit before tax of \$254.7 million, growth of \$2.9 million (1.1 per cent) on FY16.
- International passenger growth of 6.9 per cent and total passenger growth of 1.8 per cent, resulting in 22.9 million passengers using BNE in FY17.

Toward the end of the financial year I was delighted to be appointed Chairman of the Board of BAC Group, assuming the role held by Bill Grant OAM for the last decade. Bill's service to the company, and through that to the community, has been widely celebrated and I thank him, on behalf of the shareholders and staff of BAC, for his dedication, leadership and support. Bill left the company in excellent shape, with FY17 marking a year of very significant achievements in the business's history.

Nationally, aviation growth was driven largely by a boom in international arrivals and departures, a result reflected in the near 7 per cent increase in international passengers at Brisbane Airport (BNE). More than 364,000 additional international passengers represented our greatest growth in a decade. Total international passengers ended at more than 5.6 million for the year.

New direct services from markets including Canada, Taipei and Japan drove this passenger growth and the introduction of a new four-times weekly service to Shanghai will, along with other new routes forged in FY18, deliver very strong Chinese passenger growth in the years to come.

Domestic travel has been flat nationally off the back of a softened resources sector, resulting in a decline from a number of regional ports. BNE has positioned itself well to absorb this with the addition of four new interstate city pairs in Armidale, Narrabri, Moree and Orange. These services also expand our opportunity to offer international gateway options to travellers beyond our traditional Queensland and northern New South Wales markets.

Traffic volumes between BNE and New South Wales ports (5.39 million) surpassed traffic between regional Queensland and BNE (5.22 million) for the first time since the peak of the mining boom in 2011. Nonetheless, BAC's commitment to our state economy, and particularly the vital regional tourism economy, remains unchanged and significant work was undertaken during the year with regional partners to maximise the benefits of BNE's international traffic throughout Queensland. Overall domestic passenger numbers rose just 0.2 per cent over the financial year to 17.2 million.

The coming years offer unprecedented opportunity through the doubling of capacity that Brisbane's new runway will bring. Getting ready to take advantage of that opportunity is at the forefront of the company's activity and forward planning. Positioning BNE as the best gateway to Australia, and for Australians travelling overseas, is a part of that strategy. In this context, winning the Skytrax World Airport Awards title of Best Airport in Australia/Pacific for the second year running was an important achievement. The recognition of the company, and the airport, in national and international awards programs is a credit to the hard work of the BAC team and our partner airlines, retailers, contractors and service providers. We thank them all.

As our CEO and Managing Director, Julieanne Alroe details in her message in this Annual Report, BAC's commitment to good corporate citizenship is strong. Airports exist in communities and their responsibilities extend beyond delivering economic benefit. I have been very pleased to note the engagement of the company in the life of the city and the broader community and our strong involvement in the conversation about the future of Queensland. Our people are engaged in many organisations and causes across Brisbane and the regions. The Board and I support, and indeed strongly encourage, this.

One of the great strengths of BAC is its diversified nature. Whilst the aviation business is core, the commercial opportunities across retail and parking are extensive, and the growth potential presented by our significant land-holding, is notable.

In FY17 our BNE Property business attracted and completed a number of new developments including: Hanson Construction Material's commercial office and laboratory in the Skygate Precinct; Direct Couriers' warehouse and office facility; and a number of other major developments. Important projects that will be completed in FY18 were also underway including: the two hotels at the Domestic Terminal precinct; a 10,000sqm large format retail centre at Skygate; Miele's purpose-built trade retail, office and warehouse facility at Export Park; and Quality Food Service's warehouse and office building.

On behalf of the Board of Directors I thank management and staff for their efforts and congratulate them on another milestone year in the company's history. I thank the shareholders for their continued commitment and their shared support for the great things we envision for the airport and the business in the years to come.

David Peever
Chairman of the Board



CEO and Managing Director's message

Airports are volume businesses. We thrive on passenger growth.

This fact is key to understanding Brisbane Airport Corporation's commitment to, and investment in, better facilities, better processes and better services at BNE.

In FY17 we surpassed many important milestones in our development. These mark a journey which will see BNE meet its potential to be not only Australia's best airport, but also its most successful. Achieving this will deliver significant benefits to our shareholders, our customers, our staff and every Queenslanders.

The safe movement of people is fundamental to our growth. It is also our primary responsibility.

2017 saw a challenging security environment for aviation. It was, therefore, particularly pleasing our national safety and security regulators found no 'non compliances' from their various audits of BNE, a first for an Australian airport. The year also saw us introduce the disruptive technology of the 'Tracker Airside' into our airside operations, alongside a number of other transformational initiatives.

Building for growth is another core responsibility for BAC. Under the Airports Act and airport's lease, we are required to have the facilities to meet growing public demand for air travel. Underpinning this requirement is the broad recognition that airports drive economic and social growth.

The construction of Brisbane's new runway is the largest investment this company has made since privatisation and it is dedicated to the simple reality that without it we will not be able to meet our responsibility under the Act. With it, our performance as a catalyst for new jobs, new opportunities and new growth for Queensland will be stronger than ever.

In FY17 a major milestone in this project was reached, with the awarding of the \$120 million Dryandra Road Works contract to McConnell Dowell. This package of works includes the construction of a new airside and landside underpass which will allow vehicle access to the General Aviation precinct under the new taxiways linking the two runways.

Essential though infrastructure like runways are, securing the airline services to use our runways is also core to BNE's growth. As our Chairman, David Peever, has detailed in his message, this has been one of BAC's more successful years in the delivery of new services and routes.

At the heart of this is partnerships – with government, with the private sector, with industries as broad ranging as tourism, agriculture and manufacturing – all dedicated to proving the economic opportunities of a new airline service between Brisbane and another port. In FY17, with the strong support and partnership of all levels of government and an array of private sector allies, we announced a raft of new airline services and laid the foundation for FY18 and beyond.

Ensuring the success and sustainability of those services we work so hard to secure is a strong business focus for BAC and we have made great strides in providing ground-breaking marketing and promotional support to our airline partners. Whilst government agencies promote inbound travel, airports play an essential role in ensuring flights are full in the other direction. Balanced passenger loads are vital if a service is to survive and thrive.

During FY17 BAC's marketing teams delivered campaigns across a myriad of platforms to larger audiences than ever before. The added value this provides to our airline partners is an investment in our shared success.

In recent years I have mentioned the importance of BAC going above and beyond the minimum in providing access to the airport for all people. No airport should be too difficult to navigate for any person. In FY17 I am proud that we were able to work with QUT to find ways to minimise the challenges of the airport for people with dementia.

Brisbane is now Australia's first Dementia Friendly Airport, a milestone we will follow this Financial Year with work in addressing the difficulties faced at the airport by people with other hidden disabilities. We will also complete construction of the first Changing Places facility at our Domestic Terminal for travellers with severe or profound disabilities. I am particularly proud of this and grateful for the support of Qantas in working with us to make the space available for this wonderful facility.

This focus on the well-being of passengers is matched by the company's commitment to practice good corporate citizenship more broadly across the community. Our philanthropic focus is on those grass-roots organisations that make massive, but often unheralded, contributions to the daily lives of Brisbanites and Queenslanders. In FY17, through our Community Giving Fund, we helped more than 100 small groups and individuals to make a real difference to their neighbourhoods.

We also endeavour to contribute to the not-for-profit arts sector, recognising that the benefits of the performing and visual arts not only help make this a wonderful place to visit, but also the place we love to live.

In the year to come Brisbane Airport Corporation will continue to invest and Brisbane Airport will continue to grow. We will do this with a clear focus on gaining the real and sustainable loyalty of our customers by being an airport that keeps them safe and makes their time with us easy and enjoyable.

I thank our team for their hard work this year, our Board for their constant support, and our shareholders for their commitment to, and investment in, our successful future.

Julianne Alroe
CEO and Managing Director

Our financial performance at a glance

BAC management has extensive experience in the aviation industry, in particular in the supervision and operation of airports. This expertise has helped provide BACH with a solid track record of delivering growth by recording an EBITDA CAGR for a five-year period to FY17 of 6.0 per cent. Since privatisation in 1997, total passengers have grown from 10 million to nearly 23 million in FY17.

BACH has generated a stable and diversified revenue stream with highlights in FY17 including:

- Aeronautical revenue of \$262 million (excluding government mandated security charges of \$27 million) representing 38 per cent of revenue.
- Landside transport revenue, which includes car parking and car rentals, contributed \$131 million, or 19 per cent of revenue.
- Retail revenue of \$83 million represents 12 per cent of revenue.
- Investment property revenue totalling \$85 million, with the majority being long-term leases to quality tenants, comprise 13 per cent of total revenue.
- Operating property revenue, which includes the terminals, contributed \$46 million or 7 per cent in total revenue.
- Other revenue of \$47 million, including recharged utilities and interest received, representing 7 per cent of total revenue.
- Government mandated security charges totalling \$27 million and representing 4 per cent of revenue.

BACH has demonstrated strong operating performance as it focuses on maximising profitability. To complement its efficient operations, BAC's partnership approach with the airlines, retailers, and commercial tenants involves performance and risk sharing incentives designed to minimise risk while ensuring steady revenue growth. BACH outsources most of its non-core activities.

BACH has demonstrated strong operating performance as it focuses on maximising profitability.

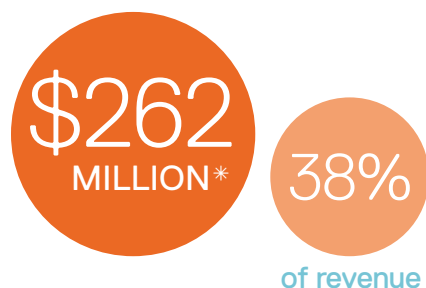
BACH maintains a solid capital structure that benefits from access to long-term debt funding and a strongly committed and financially supportive shareholder group.

Equally important to its capital structure is the blend of shareholders which combine financial strength, world-class airport expertise and State Government ownership.

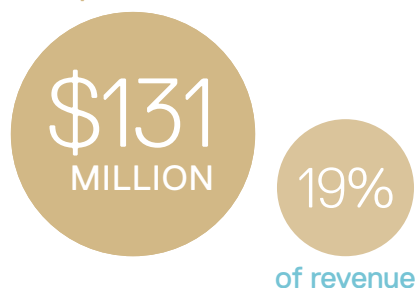
81 per cent of BACH shareholders are significant Australian institutional investors, including Queensland Investment Corporation, a state-owned entity. In addition BACH benefits from the experience and support of its international shareholder Amsterdam Airport Schiphol.

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

Aeronautical revenue



Landside transport revenue



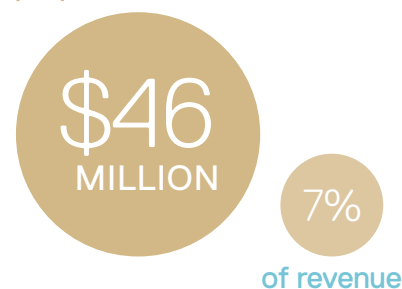
Retail revenue



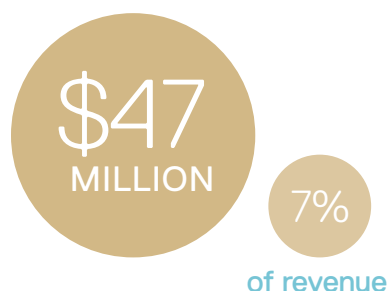
Investment property revenue



Operating property revenue



Other revenue



Government mandated security charges



* Excluding Government mandated security charges of \$27 million

The year in review FY17

July 2016

- BNE wins best in class for its International Terminal redevelopment in 'The Great Transformation in Airport Food and Beverage Award' category in the Airport Food and Beverage (FAB) Awards.



- BNE achieves 3.8 per cent growth in international passengers and 1.5 per cent increase in domestic passengers in FY16.

August 2016

- BAC becomes the first airport corporation in Australia to formally commit to celebrating and promoting the traditions, laws and customs of Aboriginal and Torres Strait Islanders, with the launch of its first Reconciliation Action Plan (RAP) officially endorsed by Reconciliation Australia.



September 2016

- Queensland Symphony Orchestra announced as BNE's second annual Artist-in-Residence.



- BNE's International Terminal marks 21 years of operations.
- BNE hosts inaugural 'Eco Fair' at Skygate showcasing simple and fun ways to incorporate eco-living principles into everyday life.



- New Aviation Australia education campus opens at BNE.



October 2016

- BNE launches new look App (v3.0) including Japanese and Korean language translation.
- BNE named 'Australasia's Leading Airport' in the 23rd World Travel Awards™ 2016.
- BAC distributes more than \$35,000 in grants to dozens of charitable organisations as part of its philanthropic Community Giving Fund.
- Plaza Premium Lounge opens at the International Terminal.



- Qantas opens new Business Lounge at the International Terminal.

November 2016

- BAC releases its first Sustainability Report.

December 2016

- Direct four-times weekly China Eastern flights between Shanghai and Brisbane commence.



- BAC opens refurbished General Aviation building.

January 2017

- BNE achieves 5 per cent year-on-year growth in international passengers in 2016 calendar year.



February 2017

- \$120 million Dryandra Road Works contract, as part of the construction for Brisbane's new runway, is awarded to McConnell Dowell.
- The Prime Minister and representatives from Infrastructure Australia visit Brisbane's new runway site.



March 2017

- BNE achieves the highest 'Overall average ratings of quality of service' for 13 years in a row in the annual Airport Monitoring Report conducted by the Australian Competition & Consumer Commission (ACCC).
- Tigerair bases third A320 at BNE.



- BNE launches an Australian-first trial of facial recognition technology.
- BNE voted 'The Best Airport in Australia/Pacific Region' together with 'The Best Airport Staff Service in Australia/Pacific Region' by air travellers in 2017 Skytrax World Airport Awards.



- BAC announces Sci-Fleet Motors as the first major automotive group to secure a site in the BNE Auto Mall precinct, and formal commencement of the land development program for the landmark \$300 million project.
- BNE's International Terminal bathrooms named 'Australia's Best Bathroom Facility' by Total Facilities.

April 2017

- Malindo Air commences daily flights between BNE - Kuala Lumpur and Bali.



May 2017

- David Peever appointed as new Chairman of the Board of Brisbane Airport Corporation Pty Limited.
- BAC distributes more than \$20,000 in grants to 20 community groups as part of its philanthropic Community Giving Fund.

June 2017

- BAC announces plan to roll out fleet of 11 electric buses.



- BNE Property to deliver a new 11,260m² facility at Airport Industrial Park for a market leader in food distribution, Quality Food Services.
- BNE named Australia's first Dementia Friendly Airport by Alzheimer's Australia
- BAC reaches financial close on its fifth offering in the US Private Placement market.

Investing in the future

Infrastructure construction continued on many fronts during the year with more than 150 asset projects underway or delivered during FY17.

THE NEW PARALLEL RUNWAY

Brisbane's new runway is progressing full steam ahead with the commencement of the next phase of construction in 2017.

Works on the Dryandra Road Underpass are currently underway, following the award of the contract to McConnell Dowell in January 2017. The works involve the construction of a four-lane underpass to allow vehicular traffic to pass under the taxiways linking Brisbane's new runway system to the existing system and terminals. The underpass structure is designed to hold a fully-laden A380 and will facilitate one lane each way airside, and one lane each way landside traffic upon its completion. Works commenced on site in March 2017 and are targeting completion in September 2018.

In July 2017 the final, and largest contract – the Airfield Works Contract – was awarded to Skyway, a 50:50 venture between BMD Construction Pty Ltd and CPB Contractors, following a competitive tender process. This body of work will involve the construction of the 3.3km x 60m runway, about 12km of taxiways, as well as all required aviation infrastructure including navigational aids, lighting, utilities, signage, operation roads, airfield drainage, security fencing, control systems and more than 300 hectares of airfield landscaping.

Scheduled for completion in 2020, Brisbane's new runway will deliver regional economic benefit of around \$5 billion a year by 2035 with an estimated 2,700 jobs created during peak construction. It will also enable BNE to maximise the number of flights that can arrive and depart over Moreton Bay, reducing noise exposure to the Brisbane community, particularly at night.

FY17 AERONAUTICAL SERVICES AND FACILITIES

- The \$35 million overlay upgrade of BNE's main 01/19 runway was completed on 30 September 2016. With the runway closed each night for six months from midnight to 5am, the project team laid 42,000 tonnes of asphalt over a total area of 275,000m². The team also installed 43 kilometres of electrical cable, updating the runway's aeronautical lighting.
- Completion of six of seven stages of the International Terminal self-service check-in (SSCI) expansion, delivering a total of 96 SSCI kiosks on Rows 2,3,8 and 9 and 16 automatic bag drops (ABDs) on Rows 2 and 8. A further eight ABDs are being installed on Row 9.
- Completion of a multi-million dollar redevelopment and expansion of the Qantas Lounge precinct at the International Terminal.
- A major redevelopment of Qantas Lounges and Valet services at the Domestic Terminal is nearing completion.
- Completion of \$4 million upgrade of the General Aviation Terminal.
- Completion of a \$2.5 million upgrade of the Entry Control Point at International Terminal Arrivals.
- Completion of Stage 4 International Terminal Bathrooms upgrade with planning and design for Stage 5 and new VIP Lounge completed.
- A major \$120 million expansion of the International Terminal Northern precinct is underway. An expanded Terminal Concourse will deliver an extra 13,500m² of space, six more boarding zones, two new walk-out gates and four new aerobridges, while airside works will result in 55,000m² of new aircraft apron and taxiways as well as three new parking bays, Gates 69 to 71.
- An \$11 million upgrade of Virgin Australia baggage handling systems at the Domestic Terminal is underway.
- A \$29 million upgrade of Fire Services at the Domestic Terminal is underway.
- A \$25 million upgrade of the Hotel Taxiway, allowing larger aircraft to access Aerotech Park, is underway.

Scheduled for completion in 2020, Brisbane's new runway will deliver regional economic benefit of around \$5 billion a year by 2035.



Above: 42,000 tonnes of asphalt was used in the resurfacing of BNE's main 01/19 runway
Bottom: New Entry Control Point at BNE's International Terminal

Investing in the future (continued)

Advanced planning and design is also underway for:

- A \$7 million Inter Terminal Transfer upgrade to reduce minimum connection times between both facilities.
- A \$1.7 million upgrade of all Emergency Lighting and Exit signage at the International Terminal.
- A \$16 million expansion of the Domestic North Apron, delivering four new aircraft parking bays and taxiways.
- Future expansion of the International Terminal Northern Apron project Stage 2, delivering four new aircraft parking Bays 65-68 on the western side of the international concourse.
- A reconfiguration of the back of hall process at the International Terminal Entry Control Point.
- New Aircraft Nose-In Guidance Systems (NIGS) for Bays 17 to 24 at the Domestic Terminal.
- Upgrade of aircraft parking bays 19 to 21 at the Domestic Terminal.
- A \$4 million upgrade to the airport sewer network.

FY17 NON-AERONAUTICAL SERVICES AND FACILITIES

- Completion of new services for the new Brisbane Airport Hotels and Conference Centre, including a travelator linking the complex to car parks, essential civil works and a new roundabout on Dryandra Road.
- Completion of an upgrade to the Valet and Park Premium facilities in the multi-level car park for the Domestic Terminal.
- Development continues at the \$28 million Airport Industrial Park off Boronia Road, delivering 25 hectares for future building development.



Advanced planning and design is also underway for:

- An \$85 million land development and civil and track works package for the proposed BNE Auto Mall and Test Track.
- A \$75 million, seven-story, 2400 bay multi-level car park for the International Terminal.
- A new Passenger Pick-Up zone at the International Terminal.
- A multi-million dollar retail redevelopment of the northern and central areas of the Domestic Terminal.
- An \$11 million major renewable energy Solar PV project across six sites at Brisbane Airport.
- A major LED lighting project across the three multi-level car parks at Brisbane Airport.

Above: Artist's impression of the BNE Auto Mall and Test Track

BNE PROPERTY

BNE Property aims to create a unique place to attract and connect businesses, focused on delivering value and growth for BAC and its tenants.

In FY17 BNE Property continued to attract new developments with a number of key projects completed, including:

- Hanson Construction Material's commercial office and laboratory at Skygate.
- Direct Couriers' warehouse and office facility.
- Stage 2 of the AFC4 development, including two warehouses.
- A purpose-built distribution and storage facility for Gate Gourmet.

Projects due for completion in FY18 include:

- The \$150 million Brisbane Airport Hotels and Conference Centre development at the Domestic Terminal.
- 10,000sqm large format retail centre at Skygate.
- Miele's purpose-built trade retail, office and warehouse facility at Export Park.
- Expansion of the iSeek Communications data centre.
- Quality Food Services' warehouse and office facility.



Above: The new Direct Couriers warehouse and office facility at Export Park

Bottom: The new Hanson Construction Material's commercial office and laboratory at Skygate



Our people

At BAC we know our greatest asset is our people, because it is our people who shape our unique culture and reputation.

With a workforce of close to 500 people, including consultants and contractors, we are a relatively small team. However, through large service contracts to BAC, including security, cleaning, landscaping, IT and car parking, thousands more are employed through the business.

LEARNING AND DEVELOPMENT

Learning and Development (L&D) is a key area of focus at BAC. A full-time resource is dedicated to managing the personal and professional development of our people. More than \$900,000 is spent on an annual basis on L&D activities, with all BAC employees attending at least one training and development activity each financial year, and more than 89 per cent attending an external program.

STAFF ENGAGEMENT

This year 87 per cent of employees took part in our biannual Employee Opinion Survey, with an overall staff engagement rating of 75 per cent achieved, which continues to build on the strong ratings of previous surveys.

Job satisfaction, culture, manager quality and work conditions were rated as areas of strength for BAC, with many employees describing BAC's culture as 'family-like'. This year our strong culture has been formally recognised with BAC being selected as an Employer of Choice in the 2017 Australian Business Awards.

DIVERSITY

BAC's Diversity and Inclusion Program focuses on providing a satisfying, healthy and productive work environment for all employees, this is achieved through focusing on four areas: Support Staying and Returning to BAC; Attract and Recruit a Diverse Workforce; Develop and Empower Inclusive BAC Employees; and Raise Awareness and Reduce Stereotypes.

This year our strong culture has been formally recognised with BAC being selected as an Employer of Choice in the 2017 Australian Business Awards.

CLOSING THE GAP THROUGH RECONCILIATION

BAC is proud to be the first airport in Australia to formally commit to celebrating and promoting the traditions, laws and customs of Aboriginal and Torres Strait Islanders, with its first Innovate Reconciliation Action Plan (RAP) officially endorsed by Reconciliation Australia.

Working in close partnership with Traditional Owners, BAC's RAP is based on building relationships, showing respect and looking for opportunities, while helping create social change and economic contributions for Aboriginal and Torres Strait Islander communities.

To help strengthen professional development, employment and economic opportunities for Aboriginal and Torres Strait Islanders, BAC's RAP includes sponsored university scholarships and work internships for Indigenous students.

Other initiatives like flying the Aboriginal and Torres Strait Islander flags alongside other national flags in front of the International Terminal and performing Acknowledgement of Country and Welcome to Country at airport events have also been introduced.

LEAN AT BAC

To achieve company targets BAC must use its human and capital resources in the most effective and efficient manner possible. As such, the LEAN methodology was introduced to the company in FY16 to foster a culture of continuous improvement that challenges and, if necessary, changes standard practices, equipping BAC's workforce to respond quickly and effectively to rapidly changing customer demands.

BAC's LEAN program educates and trains employees in practices to ensure evidence-based workforce planning, flexible management practices, streamlined processes, elimination of waste and a focus on the end customer.

Since launch there has been a positive uptake of LEAN initiatives, resulting in significant gains in productivity and a decrease of cost and waste throughout the business.

In FY17, the first stage of LEAN training was completed with 96 per cent of staff attending a two-day workshop as at March 2017. This has resulted in more than 30 improvement initiatives completed, which has provided impressive savings in direct costs and time for BAC staff and contractors.

To further leverage the benefits of Lean, BAC has connected with businesses located at BNE to help improve the products and services offered to visitors, passengers and customers across the airport.

In FY18 we aim to strengthen these relationships and work on an overarching BNE LEAN Airport strategy.



Above: From the airfield to the office and deep in the heart of our terminals BAC staff work hard to ensure BNE is safe efficient and welcoming for all

Our community

Every day tens of thousands of travellers from around the world transit through BNE. But whilst our network reaches far and wide, when we plan for the airport's growth we have a very special focus on the people of Brisbane.

The estimated 23,000 people who work each day at the airport are part of the Brisbane community. Our families live here, our children go to school here and we have a stake in the city's future like everyone else. That is why BAC is committed to not only building an airport that the people can be proud of, but we are actively engaged in building a city and community that benefits all.

SUPPORTING OUR COMMUNITY

BAC is a dedicated supporter of local charity, community, arts and sporting organisations distributing more than \$1 million in sponsorship and philanthropic donations each year to more than 100 local community initiatives and charities.

Our major charitable partnerships include The Royal Flying Doctor Service, Crime Stoppers, Surf Lifesaving Queensland and Life Flight. We also provide sponsorship support to the not-for-profit arts sector, cultural institutions and sports organisations across the region. Our partners include the Brisbane Roar W-League Football Club, Brisbane Festival, Museum of Brisbane, Queensland Theatre, Brisbane Powerhouse, QAGOMA, La Boite Theatre Company, Brisbane Writers Festival, Camerata of St John's, and Brisbane Philharmonic Orchestra to name just a few.

Alongside this support for larger organisations, the **Brisbane Airport Community Giving Fund** has been developed to provide much needed financial assistance to smaller community groups and schools in the Brisbane area.

Under this program, twice a year BAC calls for applications from the community to apply for one of the two categories:

- 1. The Giving Fund:** cash grants to community groups providing health and wellbeing services, safety, sport, education, environment or other community benefit initiatives.
- 2. Lunch and Learn:** opportunities for students or young entrepreneurs to spend time with a leader in the aviation industry.

In FY17 nearly 60 small to medium community groups have benefitted from individual cash grants through the Fund.

In FY17 we introduced another arm to the Giving Fund – the Brisbane Airport Community Giving Fund Globes. A series of cash collection globes were positioned around the International Terminal to collect excess foreign or local currency from our passengers. With the help of Travelex more than \$40,000 was collected and converted into Australian currency for distribution through the Giving Fund.

ARTIST-IN-RESIDENCE

The arts play a vital role in Brisbane's tourism experience and the life of the city. Reflecting this, BAC's support for the arts sector is an important part of our community engagement. This relationship is perfectly expressed through our Artist-In-Residence program that brings art to the airport for the enjoyment of the travelling public. Queensland Symphony Orchestra took up the baton as BNE's Artist-in-Residence in FY17, playing six 'pop-up' performances in the International and Domestic Terminals throughout the year.

COMMUNITY ENGAGEMENT

All airports operate within communities and their operations can have impacts on those communities. BAC's multi-faceted Community Engagement Program is dedicated to generating informed, respectful, transparent and on-going communication with residents about airport development, aircraft technologies, potential impacts from increased aircraft operations and airspace management. Initiatives of the Program include:

COMMUNITY TOURS AND FESTIVALS, COMMUNICATIONS PLATFORMS

In FY17 BAC attended four festivals in local communities, providing an opportunity for residents to speak directly to BAC staff about developments at the airport, the new runway project and any other matter or issue that interested them.

This program will grow in coming years as the new runway project develops. Just under 70 tours for community groups were led by BAC across the airport site. BAC also attended and spoke to eight community group meetings.

SOCIAL AND DIGITAL MEDIA PLATFORMS

BAC communicates daily with the community across a range of platforms, including social media. Around 100,000 people are now part of our daily social media audience and more than 400,000 people have signed up to receive news and notifications on developments at the airport. In FY17 we also responded to more than 2,400 written enquiries from the public.

COMMUNITY CONSULTATION AND COORDINATED PLANNING

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

We are committed to the Brisbane community because we're part of the Brisbane community.

The Brisbane Airport Area Round Table (BAART) is a planning forum made up of representatives from federal, state, local government and BAC at which development and planning issues and projects are shared to ensure transparency and inter-dependencies are recognised and acted on appropriately. There are also planning consultation groups focused on ground transport, environment, land use and aviation development as part of the Master Planning process.

In addition to this, BAC delivered more than 70 briefings on airport developments and issues to stakeholder groups ranging from business and industry associations to government representatives.

Our environment

BAC adopts a global perspective on sustainability which reaches well beyond 'risk and compliance'. Instead, BAC's focus is on the responsible development of the airport precinct in a way that meets the needs of present generations and is viewed with pride by future generations.

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

Table 1 outlines our environmental sustainability performance achievements for FY17.



Top: BAC takes advantage of Queensland's sunshine as part of its renewable energy program
Bottom: Lake McMillan is an important recycled water catchment for BAC

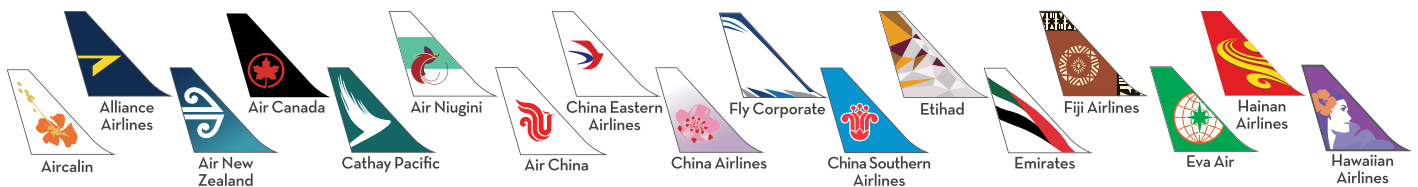
TABLE 1

METRIC	FY17 ACHIEVEMENTS
Environmental Sustainability Performance Benchmarking	Maintained Level 3 'Optimisation' under the Airports Council International – Airport Carbon Accreditation programme
Energy consumed (GWh)	176.2
Amount of renewable energy generated by BAC (MWh)	290
Greenhouse Gas Emissions (t)	45800
Potable water consumed on airport (ML)	778
Recycled water consumed on airport (ML)	321
Waste diverted from landfill (t)	657

METRIC	PLANNED INITIATIVES FOR FY18
Environmental Sustainability Performance Benchmarking	Maintain Level 3 Airport Carbon Accreditation
Energy and emissions	Installation of a 6MW array of solar pv.
Water efficiency	Installation of a new recycled water line from Luggage Point sewer treatment plant
Waste and recycling	Completion of a Zero Waste Strategy

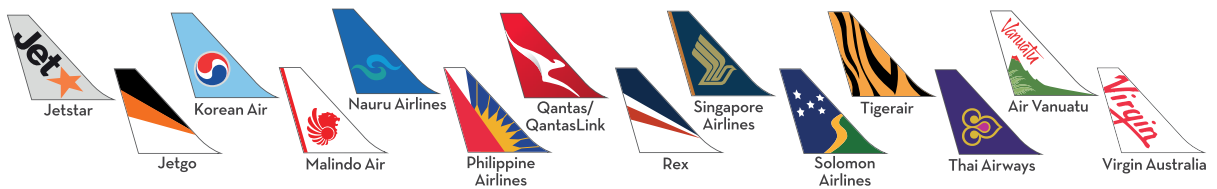


Brisbane to the world





Map not to scale. Please note airlines and destinations are current at time of publication.



Aviation industry overview

Every day around 600 flights take off or touch down at BNE carrying more than 63,000 passengers to destinations as wide-ranging as Vancouver, Hamilton Island, Shanghai and Tamworth.

In FY17 a record number of international and domestic passenger numbers passed through BNE with total passenger numbers increasing by nearly 2 per cent (or an additional 406,780 people from FY16) to nearly 23 million.

INTERNATIONAL REVIEW

International passengers through Brisbane Airport (BNE) grew by nearly 364,300 to more than 5.6 million in FY17, representing a 6.9 per cent increase on FY16, the greatest growth for BNE in a decade.

The top growth markets for Brisbane in FY17 were Canada (+97 per cent), Taiwan (+31 per cent), the United Kingdom incl. Ireland (+7 per cent) and Japan (+13 per cent).

Air Canada's launch of daily Vancouver-BNE services was the key driver of growth for the Canadian visitor market, which became one of BNE's top 10 visitor markets for the first time.

Additional direct capacity to/from Taipei (China Airlines and EVA Air) from October 2016 was the key driver of Taiwanese visitor growth of 43.6 per cent between October 2016 and June 2017 as compared to the prior year.

The UK visitor market growth at BNE far exceeded the overall national growth (+2.3 per cent, year ended May 2017).

The Japanese visitor market growth at Brisbane Airport in FY17 was in-line with overall national growth (+13.5 per cent, year ended May 2017). Volumes continued to increase even after the anniversary of the Tokyo service launch (August 2016).

The busiest day at the International Terminal was on 7 January 2017 with a record 20,760 arrivals and departures.

The greatest monthly passenger growth was experienced in April 2017, with 65,813 additional travellers.

DOMESTIC REVIEW

An additional 42,484 passengers took BNE's domestic traffic to more than 17.2 million in FY17, a 0.2 per cent increase on FY16.

During FY17 the number of destinations on offer increased, with Norfolk Island reclassified as domestic and the addition of Armidale, Narrabri and Moree (Aug 16) and Orange (Feb 17) by Fly Corporate, and Wagga Wagga (Feb 17) by Jetgo.

Sydney, Melbourne and Newcastle city pairs were the strongest growth markets by passenger volumes with growth to/from Newcastle (+30,800) only slightly below Melbourne passenger growth (+32,500 pax), driven by additional capacity.

Traffic volumes between BNE and New South Wales (5.39 million) surpassed traffic volumes between regional Queensland and BNE (5.22 million) for the first time since FY11 (a year before the peak of the mining boom), with growth to/from Sydney and Newcastle accounting for 55.5 per cent and 20.8 per cent of overall growth.

Strongest intrastate growth was on the Cairns-BNE city pair, which also ranked fourth amongst all domestic routes. Cairns services achieved the highest load factor (83.1 per cent) amongst the top 10 domestic city pairs.

The busiest day at the Domestic Terminal was on 16 September 2016 with 62,649 arrivals and departures.

BRISBANE AIRPORT TRAFFIC PERFORMANCE – FY17

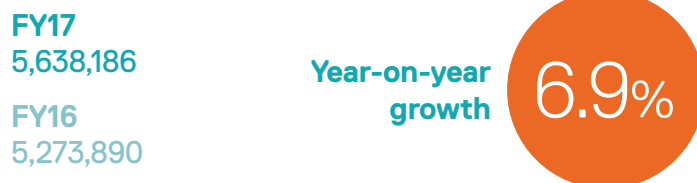
International arrivals and departures



Domestic-on-carriage



Total international passengers*



Domestic arrivals and departures



Total passengers



* Excludes transits and transfers



Passenger services – a fresh welcome

Being a good host means making sure that all visitors are comfortable and provided for – whether it is assistance for a parent travelling with children, accessible parking and facilities, or multilingual signage. That is why great customer service, as opposed to good customer service, is at the heart of BNE's operations.

ACCESS FOR ALL

Following a research project conducted by QUT, BNE was the first airport in Australia to be recognised by Alzheimer's Australia as an approved Dementia Friendly organisation. As part of the project BAC developed a Dementia Action Plan detailing future initiatives including way-finding upgrades, provision for quiet places or areas within the terminals and continued awareness training for airport staff.

BAC also engaged an Access Consultant to conduct a compliance audit of both terminals and report on recommended actions, whilst looking for opportunities to further enhance our services and achieve best practice.

Other accessible remediation works this year included upgrading public stairs at the terminals, installation of Tactile Ground Surfaces indicators on escalators and new lift and entrance upgrade to the Port Villa meeting room at the International Terminal.

Looking forward BAC will launch Australia's first airport 'Changing Places' facility at the Domestic Terminal in October 2017. This unique facility provides additional bathroom space and specialised equipment for use by people with severe disabilities and their carers.

These projects demonstrate BAC's ongoing commitment to providing universal access to all our services.

AIRPORT AMBASSADORS

Every week 170 volunteer Airport Ambassadors roam the Domestic and International Terminals providing courteous, friendly and free assistance to travellers and visitors. With visitors from Asia now accounting for more than 37 per cent of total international visitors to Brisbane, 10 Chinese speaking Ambassadors are available to help and can be easily identified by their red shirts.

This year, BNE's Airport Ambassador team volunteered nearly 20,000 hours assisting more than 400,000 domestic and international travellers. As part of a charity initiative to reduce food waste for Ozharvest, 35 Ambassadors also assisted with the rescue of 23 tonnes of untouched food off aircraft.

BAC has an ongoing commitment to providing universal access to all our services.

DIGITAL INNOVATION

BAC's digital journey is centred on assisting and supporting 'the connected traveller' through providing a seamless digital experience with real-time, relevant content across a number of virtual channels.

In FY17 some of the digital innovations rolled out included:

- Releasing Version 3.0 and 3.1 of the Brisbane Airport App (Android and iOS) including the introduction of social sign-in (Facebook and Google).
- Consolidating BAC's e-commerce offering, including online booking for parking, car hire, hotels, tours and attractions.
- Enhanced Wi-Fi coverage to all areas of the International Terminal and Skygate, along with improved analytics and data collection capability.
- Development of a new responsive platform for BAC website properties to better meet the needs of consumers and enabling the business to be more reactive.
- Further developing data and analytics capability to generate customer insights and grow revenue.

THE CONNECTED TRAVELLER

Social Media plays a critical role for BAC for direct engagement with our community, customers and media, especially when information needs to be shared quickly.

BAC has a significant presence on Twitter, Facebook, Instagram, LinkedIn and YouTube and continues to grow the audience for each of these important platforms through the sharing of engaging content and speedy response times.

Other communication initiatives include the bi-monthly BNE Mag which showcases Brisbane and Queensland's unique way of life, events, fashion, food and people, electronic direct mail newsletters, Project Fact Sheets and BNE's YouTube channel highlighting exciting announcements and important project updates.

PARKING AND TRANSPORT

Convenient, secure and undercover short and long-term parking is available within walking distance to both terminals. Another option is AIRPARK, BNE's centrally located open-air car park with free and regular bus services to and from both terminals.

Special parking offers and the best deals are always available online and via the BNE App. A dedicated Pick-Up Waiting Area (first 30 minutes free) is located beside the long-term car park on Dryandra Road for drivers whose passengers are not yet ready to be collected, and accessible parking bays are located throughout the car parks and on the Departures/Arrivals Road under the Skywalk at the Domestic Terminal.

SHOPPING PRECINCT

Skygate, located at the entrance to BNE, is a retail, leisure and commercial hub. Home to Queensland's first 24-hour Woolworths supermarket, the shopping precinct also has a 24-hour gym and more than 130 retailers including brand-name factory outlets, butcher, hairdresser, restaurants, chemist, medical clinic, hotel, beauty services, child care centres, liquor store and golf leisure centre.



Top: Skygate is BNE's popular retail, leisure and commercial hub

Bottom: BNE offers free bus transfers between the terminals and to and from Skygate

Our team

BOARD OF DIRECTORS



David Peever
BEc, MSc
(Mineral Economics)
Chairman

Julieanne Alroe
BEc, GAICD
Chief Executive
Officer and
Managing Director

Paul DeSouza
B Com, BBus (Acc)
(Hons), CA
Director

Chris Freeman
AM, BCom, FAICD,
FFin, FDIA
Director

Belinda Gibson
BEc, LLB, LLM,
FAICD, FGIA
Director



Chris McArthur
BE, MBA, FAICD
Director

Jos Nijhuis
Director

Michael Thompson
BCom
Director

John Ward
BSc, FIML, FAICD,
FAMI, FCILT, FRAeS
Director

ALTERNATE DIRECTORS

GROUP COMPANY SECRETARY (ACTING)



Tony Harrington
AM, FCA, SFFin
Alternate Director
for Jos Nijhuis



Ross Israel
BCom, LLB, SFFin
Alternate Director
for Paul DeSouza



Kirsten Whitehead
BCom/LLB (Hons),
GDLP
Alternate Director
for Belinda Gibson



Alan Wu
MCom, CFA, GAICD
Alternate Director
for Chris McArthur



Gregory Seeto
LLB(Hons), BJ,
GradDipLP, GradDipACG,
FGIA, FCIS, GAICD

SENIOR MANAGEMENT



A
David Malek
 B.Bus, MBA,
 MAppFin, GAICD
 Chief Financial Officer

B
Andrew Brodie
 B.Bus, RE Val and
 Admin, GAICD
 General Manager Airline
 and Retail Management

C
Krishan Tangri
 BE, MCPM, MBA,
 CPPE GAICD
 General Manager
 Assets


D
Stephen Goodwin
 B.Ec, MAICD
 General Manager
 Operations

E
Roel Hellemons
 MA
 General Manager
 Strategic Planning
 and Development

F
Gwilym Davies
 B.Bus, GAICD, JP
 Head of People
 and Culture

G
John Tormey
 FAPI, FRICS, FAICD
 General Manager
 Commercial Businesses

H
Rachel Crowley
 BA, MAICD
 Head of Corporate
 Relations



BAC Holdings Limited financial statements
for the year ended 30 June 2017

Financial contents

CONTENTS

Directors' Report	32	Section 2: Results	61	Section 4: Capital structure and financing costs.....	77
Corporate Governance Statement ...	44	2.1 Revenue	61	4.1 Interest-bearing liabilities and borrowings	77
Consolidated statement of profit or loss and other comprehensive income.....	53	2.2 Finance costs	61	4.2 Derivative financial instruments.....	79
Consolidated statement of financial position.....	54	2.3 Other commitments	62	4.3 Financial risk management.....	80
Consolidated statement of cash flows.....	55	2.4 Auditor's remuneration.....	63	4.4 Equity and reserves.....	88
Consolidated statement of changes in equity	56	2.5 Taxation.....	63		
Notes to the financial statements	57	2.6 Deferred tax assets and liabilities.....	65	Section 5: Other.....	89
				5.1 Related parties	89
Section 1: Basis of preparation.....	57	Section 3: Operating assets and liabilities.....	67	5.2 Parent entity disclosures	91
1.1 Defined terms.....	57	3.1 Cash and cash equivalents.....	67	5.3 Events subsequent to reporting date and other matters	91
1.2 Reporting entity.....	57	3.2 Trade and other receivables	68	Directors' Declaration	92
1.3 Statement of compliance	57	3.3 Intangible assets	68	Independent Auditor's Report.....	93
1.4 Basis of measurement.....	58	3.4 Property, plant and equipment ..	69	Lead Auditor's Independence Declaration.....	95
1.5 Going concern	58	3.5 Capital commitments.....	72	Additional information	96
1.6 Use of estimates and judgements	58	3.6 Investment property.....	72		
1.7 Basis of consolidation	58	3.7 Impairment.....	74		
1.8 Foreign currency translation	58	3.8 Trade and other payables.....	74		
1.9 New and amended accounting standards	59	3.9 Employee benefits.....	75		
1.10 Determination of fair values	60	3.10 Other liabilities.....	76		

Directors' report

The Directors present their report along with the consolidated financial report of BAC Holdings Limited ('BACH') and its controlled entities, BAC Holdings No. 2 Pty Limited ('BACH No.2') and Brisbane Airport Corporation Pty Limited ('BAC') (together the 'BAC Group') for the year ended 30 June 2017.

1. Principal activities

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

2. Operating and financial review

	2017 \$000	2016 \$000
Revenue from ordinary activities	679,703	643,175
Operating expenses	(175,559)	(168,153)
Revenue from ordinary activities less operating expenses	504,144	475,022
Depreciation and amortisation	(108,674)	(101,188)
Impairment of property, plant and equipment	(638)	–
Finance costs	(114,658)	(120,355)
Operating results	280,174	253,479
Redeemable preference shares dividend	(55,481)	(50,437)
Change in fair value of investment property	(7,527)	54,884
Gain/(loss) on derivatives not hedge accounted	37,506	(6,120)
Unrealised foreign exchange (loss)/gain	(2)	7
Profit before income tax	254,670	251,813
Income tax expense	(74,202)	(76,563)
Profit for the year	180,468	175,250

The core underlying business grew strongly in the year ended 30 June 2017, which is reflected by a 5.7% increase in total revenue from ordinary activities from \$643.2 million to \$679.7 million.

Revenue from aeronautical activities was \$261.6 million, an increase of \$12.3 million or 4.9%. This was due to growth in international and domestic passengers (up 1.8%) and pricing increases per aeronautical agreements.

Revenue from landside transport activities was \$130.7 million, an increase of \$5.9 million or 4.8%. This was contributed to by passenger growth, increased average ticket price and the introduction of ride sharing pick up areas.

Investment property revenue was \$85.4 million, an increase of \$8.7 million or 11.4%. The increase was mainly due to new tenancies, higher turnover rent and annual rent increases.

Revenue from retail activities was \$82.5 million, an increase of \$9.4 million or 12.9%. The increase was as result of higher duty free and terminal retail activity.

Total operating expenses were \$175.6 million, an increase of 4.4%. Maintenance and contract services were \$43.7 million, an increase of \$2.6 million or 6.3%, resulting from additional maintenance on a number of newly completed assets and terminal upgrades. Utilities were \$37.7 million, an increase of \$3.3 million or 9.4%, reflecting growth of the airport precinct and increased electricity prices.

Revenue from ordinary activities less operating expenses was \$504.1 million, an increase of 6.1%.

The BAC Group's investment property portfolio recorded a valuation decline of \$7.5 million (revaluation decrease of 0.6% on the investment property value) compared to a revaluation increment of \$54.9 million (revaluation increase of 4.6% on the investment property value) in the prior year, reflecting a leasehold valuation methodology (freehold approach adopted in prior years).

Directors' Report

2. Operating and financial review (continued)

Profit from ordinary activities before the redeemable preference shares dividend, changes in fair value of investment property and gain on derivatives not hedge accounted, unrealised foreign exchange (loss)/gain and income tax expense was \$280.2 million, an increase of \$26.7 million from the prior year profit of \$253.5 million.

Profit before income tax was \$254.7 million (2016: \$251.8 million), an increase of \$2.9 million on the prior year. The key driver of this increase was an uplift in revenue in addition to favourable movement derivatives not hedge accounted. These growth areas were offset by a decline in the fair value of investment property.

3. Dividends

The redeemable preference shares dividend payable by BACH has been accrued in the financial statements (\$55.5 million (2016: \$50.4 million)). Dividends declared and paid by BACH during the current financial year were \$7.6 million (2016: nil) which is made up of \$3.8 million in a performance share dividend and \$3.8 million in ordinary share dividends.

4. State of affairs

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

5. Events subsequent to reporting date

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

6. Likely developments

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



7. Directors

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

Name and qualifications	Experience, special responsibilities and other directorships
<p>David Peever BEc, MSc (Mineral Economics)</p> <p>Chairman and Non-Executive Director</p> <p>Date appointed: 05/05/2017</p> 	<p>David was appointed as Director and Chairman of the Board on 5 May 2017.</p> <p>He is currently Chairman of Cricket Australia and a Non-Executive Director of the Australian Foundation Investment Company, Naval Group and Stars Foundation, a not for profit body which promotes education of Indigenous girls. David is also a member of the Foreign Investment Review Board. Until July 2017 he chaired the Minister of Defence's First Principles Review of Defence and following the acceptance of the review by Government the Oversight Board which helped guide implementation of the Review's recommendations.</p> <p>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 the Company'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.</p>



Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>William (Bill) Grant OAM, ALGA, FAICD</p> <p>Chairman and Non-Executive Director</p> <p>Date appointed: 28/01/2009 Date resigned: 05/05/2017</p>	<p>Bill was appointed to the Board on 28 January 2009 following an earlier appointment as Director from April 2007 until May 2008. He was appointed as Chairman of the Board on 25 September 2009 and resigned as Director and Chairman on 5 May 2017. He was also Alternate Director for Dr Pieter Verboom from August 2008 to September 2009.</p> <p>Bill currently holds a number of other board and advisory board positions, including being a Director of New Hope Corporation Limited and Chairman of Bridgeport Energy Pty Limited (100% owned subsidiary of New Hope Corporation Limited).</p> <p>Bill has significant experience in property development, venue management, and project management. Previously, Bill held positions as CEO of Southbank Corporation and Newcastle City Council, and was Chairman of the Urban Land Development Authority of Queensland, Chairman of the Townville CBD Taskforce, a Trustee of the Queensland Performing Arts Centre (QPAC) and a Director of Brisbane Development Association.</p> <p>In January 2013 Bill was awarded the Medal of the Order of Australia for services to business and to the community.</p>
 <p>Julieanne Alroe BEC, GAICD</p> <p>CEO & Managing Director</p> <p>Date appointed: 01/07/2009</p> 	<p>Julieanne Alroe was appointed to the position of CEO and Managing Director at Brisbane Airport Corporation Pty Limited in July 2009. In addition to this role, Julieanne currently holds board positions with Infrastructure Australia Board (Chair), Tourism and Events Queensland (Deputy Chair) and Urban Futures Brisbane. She is also a Member of the Council of Governors of the American Chamber of Commerce QLD, is a Queensland State Advisory Council Member for the Committee for Economic Development of Australia (CEDA), is the Inaugural President of the Queensland Futures Institute, a member of the Brisbane Infrastructure Council (BIC) and a member of the Queensland Climate Advisory Council (QCAC).</p> <p>Prior to this recent appointment, Julieanne developed extensive experience within the aviation industry after holding a number of roles at Sydney Airport Corporation. These roles included executive management positions in the commercial, operations, corporate affairs, and planning and infrastructure departments.</p> <p>Previous board appointments include the position of Chairman of Airports Coordination Australia Ltd and Airports Council International Safety and Technical Standing Committee. She was also a Board member of The Queensland Theatre Company, Australia Trade Coast Ltd and the International Grammar School Sydney.</p> <p>Julieanne has a Bachelor of Economics from the University of Queensland and is a Graduate of the Australian Institute of Company Directors.</p>




Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Paul DeSouza B Com, BBus(Acc)(Hons), CA Non-Executive Director Date appointed: 16/02/2017</p>	<p>Paul is a Partner in the QIC Global Infrastructure team having been with the business since 2006. Within QIC Global Infrastructure Paul is a member of the Investment Committee and the Asset and Investment Management Committee.</p> <p>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.</p> <p>Prior to joining QIC, Paul was a Director in the Infrastructure Advisory and Lending team at ING Bank in London and also worked in the Corporate Finance and Audit divisions of Deloitte, both in London and Australia.</p> <p>Paul previously served for more than six years on the board of the Port of Brisbane Group of entities (including being the Chair of the Audit and Risk Committee). Paul has also been a director (or alternate director) of MI Longbeach LLC (the project vehicle for the Long Beach Courthouse PPP project), the EPIC Energy Group of companies, 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.</p> <p>Paul is a member of Chartered Accountants Australia and New Zealand, holds a Bachelor of Commerce from the University of Queensland and a Bachelor of Business Accountancy (Honors) from the Queensland University of Technology.</p> <p>Paul is Chairman of the FARM Committee.</p>
	
<p>Chris Freeman AM, BCom, FAICD, FFin, FDIA Non-Executive Director Date appointed: 01/03/2014</p>	<p>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, Member Brisbane City Council Urban Futures Board, Chair Tennis Australia and Chair of the Queensland Performing Arts Trust, and is a past Chair of Watpac.</p> <p>Prior to joining Watpac, Chris held the position of Executive Chairman, Development for Queensland, United Kingdom and United Arab Emirates at Mirvac. Previously, Chris was the Chief Executive Officer for Mirvac Queensland from 1998 to 2008.</p> <p>Chris' former roles include Executive Director, Sunland Group and prior to that, Head of Business Banking at QIDC.</p> <p>Chris is a past President of the Urban Development Institute of Australia and remains a life member. He has a strong interest in the arts and sport. He holds a Bachelor of Commerce from The University of Queensland and has completed advanced management programs at the University of Hawai'i, INSEAD in France and Mt Eliza Staff College. In June 2009, Chris was awarded a Member in the General Division of the Order of Australia (AM) for his contribution to the property development industry, the arts and other cultural affairs.</p> <p>Chris is Chairman of the BAC Property Committee and a member of the Human Resources and Remuneration (HRR) Committee.</p>
	




Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Belinda Gibson BEc, LLB, LLM, FAICD, FGIA</p> <p>Non-Executive Director</p> <p>Date appointed: 05/05/2017</p>	<p>Belinda is a non-executive director of Citigroup's Australian retail bank, Ausgrid (representing the NSW State interests in the Ausgrid partnership), and Thorn Group Ltd.</p> <p>She was a corporate and securities partner with the global law firm Mallesons Stephen Jaques for 20 years. She particularly focused on transaction strategies, partnerships and joint venture arrangements and governance issues. In 2007 she was appointed Commissioner and then Deputy Chairman of the Australian Securities and Investments Commission, with primary responsibility for oversight of the capital markets. In 2013 she left ASIC and established her independent corporate advisory and legal business.</p> <p>She is a past director of AirServices Australia, the air traffic control agency. She also provided legal advice to major airlines for many years.</p> <p>She is a Trustee of the Australian Museum and of its affiliate, the Lizard Island Reef Research Foundation.</p> <p>She has a Bachelor of Economics and of Laws from The University of Sydney and a Master of Law from The University of Cambridge. She is a fellow of the Australian Institute of Company Directors and a fellow of the Governance Institute of Australia.</p> <p>Belinda is a member of the HRR Committee.</p>
	
<p>Chris McArthur BE, MBA, FAICD</p> <p>Non-Executive Director</p> <p>Alternate Director for John Ward</p> <p>Date appointed as Director: 25/11/2008</p> <p>Date appointed as Alternate Director for John Ward: 07/12/2007</p>	<p>Chris is a Partner, Infrastructure Investments, with Colonial First State Global Asset Management. He is responsible for the management of selected assets globally, primarily in the transport sector, including board representation on existing assets and evaluation of new investment opportunities.</p> <p>Chris was previously head of the commercial division of Pacific National, the former Toll/Patrick joint venture and Australia's largest private rail group. He also held senior management positions with Qantas in Sydney and London, including as Head of the QantasLink group of regional airlines. Chris is a current Director of Adelaide Airport and former Director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd.</p> <p>As a full Director of Brisbane Airport Corporation, Chris is also Alternate Director for John Ward. Chris is Chairman of the HRR Committee and a member of the FARM Committee.</p>
	
<p>Janice Morris BCom, CA, GAICD</p> <p>Non-Executive Director</p> <p>Date appointed: 01/11/2014</p> <p>Date resigned: 31/10/2016</p>	<p>From January to August 2017, Janice was at the Port of Melbourne assisting with transition projects. Prior to this Janice was an Executive Director in IFM Investors' Infrastructure Group. IFM Investors is well recognised as a global provider of investment services across infrastructure, debt investments, listed equities and private equity. Janice has extensive infrastructure experience and during her time with IFM (2000-2016) she had involvement in a range of transaction and asset management activities across IFM infrastructure funds' portfolio of assets.</p> <p>From 2006 to 2008, Janice also worked in London, where she assisted with the establishment of IFM Investors London office. She was also previously with Ernst & Young (Melbourne) with the Assurance and Advisory Business Group and Ernst & Young (London) in the Transaction Advisory Services team.</p>
	




Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Jos Nijhuis Non-Executive Director Date appointed: 01/01/2015</p>	<p>Having joined Royal Schiphol Group as a board member in 2008, Jos was appointed President & CEO from 1 January 2009. He is also Non-Executive member of the board of directors of Groupe ADP (Aéroports de Paris). Jos started his career as an accountant and worked for many years (1980-2008) at PricewaterhouseCoopers in various management capacities, most recently as CEO and Chairman of the Board of Management.</p> <p>Jos is a member of the ACI World Governing Board, ACI Europe Board and the Executive Committee. He is a member of the Supervisory Board of Okura Hotel Amsterdam B.V. and member of the General and Executive Board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and a member of the Amsterdam Economic Board, Chairman Cluster Logistics. Jos is also active in the social sector as a member of the Dutch National Opera and Ballet Board of Governors.</p>
	
<p>Matina Papathanasiou BCom, LLB, GAICD Non-Executive Director Date appointed: 15/05/2009 Date resigned: 05/05/2017</p>	<p>Matina is Deputy Head of QIC Global Infrastructure, in which she co-founded in 2006. Within QIC Global Infrastructure Matina has overall responsibility for portfolio construction and is a member of the Investment Committee, chairs the Asset and Investments Committee, and is a member of the Management Committee.</p> <p>Matina has an extensive background in the finance and infrastructure industry, particularly in investment, corporate finance, business plan and strategic management of infrastructure businesses. She was previously an investment banker with Bankers Trust and Macquarie Bank. Matina commenced her career as a tax adviser with Arthur Andersen.</p> <p>Matina has completed a Bachelor of Laws and a Bachelor of Commerce from the University of NSW. Matina is currently an alternate director of Port of Melbourne, and has previously served on the boards of Powering Australia Renewables Fund (PARF), Northwestern Roads Group, EPIC Energy (alternate), Queensland Motorway Finance, India Infrastructure Holdings, Pacific Solar and TransGrid. Matina is a graduate of the Australian Institute of Company Directors, a member of Chief Executive Women and of the UNSW Business School Alumni Leaders.</p>
	
<p>Thomas Parry AM, BEc (Hons), MEc, PhD Non-Executive Director Date appointed: 01/07/2012 Date resigned: 16/02/2017</p>	<p>Matina was Chair of the FARM Committee from to January 2016 to May 2017.</p> <p>Tom is a Director of ICON Water, ASX Compliance (the regulatory arm of the Australian Securities Exchange) and Powerco New Zealand, Chairman, Powering Australia Renewables Fund and Deputy Chairman, Actew-AGL. He was Foundation Chairman of the Australian Energy Market Operator (AEMO) from 2008-2015; Chairman of First State Super Trustee Corporation from 2000 to 2014 and Chairman of First State Super Financial Services from 2010 to 2015. He was Chairman of Sydney Water Corporation from 2006 to 2013. He also is an advisor to QIC.</p> <p>From 2004 to 2009, he had several roles with Macquarie Bank, the last four and a half years advising Macquarie Capital on utility and infrastructure assets in Australia and overseas. For the previous 12 years, Tom was Foundation Executive Chairman of the Independent Pricing and Regulatory Tribunal of NSW ('IPART') and its predecessor Government Pricing Tribunal, the first utility regulator in Australia. He was Chairman of NSW Gas Council in 1995 before its functions were absorbed into IPART. He was also the Foundation NSW Natural Resources Commissioner from 2004 to 2006. He was an ex officio Commissioner of the Australian Competition and Consumer Commission; a member of the NSW Council on the Cost and Quality of Government, a board member of SE Area Health, a foundation Director of the NSW Clinical Excellence Commission and a Director of the Children's Medical Research Institute. He was Chair of the Expert Panel for the 2011/12 review of the structure of the NSW electricity network businesses.</p>
	
<p>Tom has had over 40 years' experience as an academic, business and public policy consultant, in the financial sector and as a regulator. He has been Head of the School of Economics, The University of New South Wales and Dean, Faculty of Commerce, University of Wollongong.</p>	


Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Michael Thompson BCom Non-Executive Director Date appointed: 23/11/2016 Date appointed as Alternate Director for Janice Morris: 21/10/2016 Date resigned: 29/10/2016</p>	<p>Michael is an Executive Director of Infrastructure for IFM Investors. He is responsible for sourcing, evaluating and executing Australian and international infrastructure investments, and managing existing investments within the Australian infrastructure portfolio. Michael was seconded to IFM Investors' New York office in August 2008 and returned to the Melbourne office in December 2011. Prior to joining IFM Investors which he joined in February 2008, Michael was Director and Head of Energy Mergers & Acquisitions in the corporate advisory division of PwC. Previously, Michael was a Director in the Specialised Capital Group at Westpac, where he originated and executed equity investments in the energy and infrastructure sectors. He has also held senior energy and infrastructure investment banking roles at Citigroup and Merrill Lynch. Michael holds a Bachelor of Commerce from the University of Melbourne.</p> <p>Michael is a member of the FARM Committee and Property Committee.</p>
	
<p>John Ward BSc, FIML, FAICD, FAMI, FCILT, FRAeS Non-Executive Director Date appointed: 24/11/1997 Date appointed as Alternate Director for Chris McArthur: 4/11/2016 Date resigned: 18/11/2016</p>	<p>John is a professional company director and corporate advisor. He was interim Chairman of the Board from 30 January 2009 to 25 September 2009, and is a member of the FARM Committee, previously holding the position of Committee Chairman for 13 years.</p> <p>John retired as the General Manager Commercial of News Limited in May 2001. Prior to joining News Corporation in mid-1994, he was Managing Director and Chief Executive of Qantas Airways Limited. This culminated a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America.</p> <p>John is an Honorary Life Governor of the Research Foundation of Information Technology and a Director of Adelaide Airport Limited, Ward Advisory Services and Ward Securities Pty Limited. He was the Chairman of Wolseley Private Equity for 10 years until July 2014 and Chairman of the NSW Freight Advisory Council from June 2010 until its dissolution in January 2012.</p>
	
<p>Tony Harrington AM, FCA, SFFin Alternate Director for Jos Nijhuis Date appointed: 01/01/2016</p>	<p>Mr Harrington is the Chief Executive of MinterEllison. He has a distinguished career in financial and professional services, with over 35 years of business and strategic leadership experience, in Australia and internationally.</p> <p>Most recently, Mr Harrington was Managing Director of the fast-growing and innovative global investment bank, Moelis & Company. Prior to that, he was Global Managing Partner, Strategy & Transformation at PwC and was a member of the PwC Global Executive Leadership Team. From 2000 to 2008, Mr Harrington was Australian Senior Partner and Chief Executive of PwC, coming into the position not long after the merger of Price Waterhouse with Coopers & Lybrand, and oversaw the successful cultural integration and significant growth of the merged firm in Australia. At Coopers & Lybrand, Mr Harrington was Deputy Chairman of the Firm and National Managing Partner of Taxation Services.</p> <p>Mr Harrington holds a Bachelor of Commerce from the University of New South Wales. He is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of FINSIA, and Chairman of The Australian Charities Fund.</p> <p>He was appointed a Member of the Order of Australia (AM) in 2011 in recognition of his charitable work.</p>
	

Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Ross Israel BCom, LLB, SFFin</p> <p>Alternate Director for Paul DeSouza</p> <p>Date appointed as Alternate Director for Paul DeSouza: 26/06/2017</p>	<p>Ross co-founded QIC Global Infrastructure (GI) division in early 2006. Ross provides overall leadership to the team which currently manages 12 direct investments out of offices in Brisbane, Sydney, Melbourne, New York and London. He has had oversight on all of the team's investments.</p> <p>Ross is a member of the GI Investment Committee and on QIC's Executive Committee. Ross has over 24 years of experience in the field of corporate finance and funds management with specialist skills in infrastructure, asset management, capital raisings and M&A.</p> <p>Prior to QIC, Ross was with AMP Capital from 2000 to 2005. He co-led the AMP team responsible for the creation of the Diversified Utility and Energy Trusts ('DUET') after which he was seconded into the management joint venture between AMP Capital and Macquarie Bank established prior to DUET's listing on the ASX in August 2004. He was DUET's Chief Operating Officer until his departure to QIC. Prior to AMP Capital, Ross worked for ABN AMRO and BZW in their Australian Infrastructure Corporate Advisory and London M&A teams, and with Ernst & Young in their Sydney Corporate Tax division.</p> <p>Ross is currently a director of Lochard Energy and an alternate director of Port of Brisbane.</p> <p>Ross holds a Bachelor of Commerce and Bachelor of Law from the University of Queensland.</p>
	
<p>Kirsten Whitehead BCom/LLB (Hons), GDLP</p> <p>Alternate Director for Belinda Gibson</p> <p>Date appointed as Alternate Director for Belinda Gibson: 22/05/2017</p> <p>Date appointed as Alternate Director for Paul DeSouza: 23/02/2017 Date resigned: 26/06/2017</p> <p>Date appointed as Alternate Director for Matina Papathanasiou: 19/11/2015 Date resigned: 05/05/2017</p> <p>Date appointed as Alternate Director for Tom Parry: 19/11/2015 Date resigned: 16/02/2017</p>	<p>Kirsten joined QIC in early 2010 and is currently responsible for portfolio management for QIC Global Infrastructure's separately managed accounts and large co-investors. Her role is focused on infrastructure investment management, investment structuring, associated portfolio construction, managing client mandate requirements and asset management. Kirsten is also a member of the QIC Global Infrastructure Asset and Investment Management Committee.</p> <p>Since joining QIC, Kirsten has had a broad exposure to a variety of sub-sectors from both an investment origination and asset management perspective. This has included being an integral part of the teams that successfully acquired Epic Energy South Australia, Heathrow Toggle and implementing the strategy for the US public private partnership investments. She has also held asset management roles in the transport and utilities sectors, in particular with respect to Brisbane Airport, Port of Brisbane and Thames Water. Kirsten has also had a long standing involvement in the management of QIC's investment in Brisbane Airport.</p> <p>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.</p> <p>Kirsten holds a Bachelor of Commerce / Bachelor of Laws (Honours) from the University of Queensland and a Graduate Diploma of Legal Practice from the College of Law, New South Wales.</p>
	

Directors' Report

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Alan Wu MCom, CFA, GAICD</p> <p>Alternate Director for Chris McArthur</p> <p>Date appointed: 03/11/2014</p>	<p>Alan is Director, Infrastructure Investment for Colonial First State Global Asset Management. He is responsible for the management of transport and utilities infrastructure assets, as well as sourcing, evaluating and securing investment opportunities within the Infrastructure team. He currently serves as a Director on the boards of International Parking Group, and Water Utilities Australia, and as an Alternate Director of First Gas and Adelaide Airport. He has previously served as a Director of Bankstown and Camden Airports and an Alternate Director of Perth Airport.</p> <p>Alan has over 14 years of experience in the investment, management and divestment of infrastructure assets, as well as portfolio management. Prior to being appointed Director, Alan held various roles within the team including Head of the Analytics team. Alan was also actively involved in the establishment and growth of CFSGAM's flagship infrastructure funds in Australia.</p> <p>Alan holds a Master of Commerce (Funds Management) from The University of New South Wales, and Bachelor of Commerce (Accounting and Finance) from the same university. He is a CFA charter holder and a graduate member of the Australian Institute of Company Directors.</p>



8. Company Secretary

Name and qualifications	Experience
<p>Gregory Seeto LLB(Hons), BJ, GradDipLP, GradDipACG, FGIA, FCIS, GAICD</p> <p>Group Company Secretary (Acting)</p> <p>Date appointed: 13/07/2017</p>	<p>Greg was appointed Group Company Secretary (Acting) of the Brisbane Airport Group of Companies in July 2017, and is responsible for all company secretarial matters. Prior to this appointment, Greg assisted Brisbane Airport in managing the delivery of legal service and solutions across the business as well as all company secretarial and governance related duties. In 2016, Greg was seconded to Amsterdam Airport, Schiphol in the Netherlands.</p> <p>Before commencing with Brisbane Airport, Greg was Company Secretary/Corporate Counsel of an ASX/S&P200 company, where he was responsible for all legal and company secretarial functions across Australia, London and Africa.</p> <p>Greg also has experience as a senior lawyer at a top tier law firm and compliance advisor at the Australian Securities Exchange. He also holds a number of Board and Committee positions, including with the Queensland Youth Orchestra, Queensland University of Technology Law and Justice Advisory Committee and the Queensland State Council for the Governance Institute of Australia, in which he chairs the Not-For-Profit Discussion Group and is a member of the National Communications Committee.</p> <p>Greg is also Concertmaster / Leader of the Brisbane Concert Orchestra, a 60 piece community orchestra and Patrol Captain of a team of volunteer surf life savers with Surf Life Saving Australia.</p>



Directors' Report

8. Company Secretary (continued)

Name and qualifications	Experience
<p>Sarah Thornton BA, DipEd, LLB (Hons), GradDipACG, FGIA, GAICD</p> <p>General Counsel and Company Secretary</p> <p>Date appointed: 12/11/2010 Date ended: 12/07/2017</p>	<p>Sarah commenced with BAC in November 2010 and was appointed to the Senior Management Team on 4 March 2013. She ended as General Counsel and Company Secretary of the BAC Group on 12 July 2017. Whilst at BAC, she was responsible for managing the delivery of legal services across the business as well as company secretarial and related governance duties.</p> <p>Sarah has a diverse background in commercial roles including customer service management, sales management and as project manager for Virgin Australia's venture into long haul operations. After taking up a legal career, Sarah was a Solicitor with Clayton Utz, moving to Virgin Australia (formerly Virgin Blue Airlines) as its first in house counsel in 2002 and then on to become the first South East Asia/Australasia Regional General Counsel for global mining equipment manufacturer, Joy Global, Inc, in 2008.</p> <p>Sarah has over 10 years' experience in governance roles including Alternate Director on the board of Polynesian Blue Airlines (a joint venture with the Samoan Government) and Company Secretary for the Australian-based subsidiaries of the Joy Global group.</p>



Directors' Report

9. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors during the financial year were¹:

DIRECTOR	BOARD MEETINGS		FARM COMMITTEE MEETINGS		HRR COMMITTEE MEETINGS		PROPERTY COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B
W Grant (Director and Chairman of the Board until 5 May 2017)	11	11	4 [#]	–	1 [#]	–	2	3
D Peever (Director and Chairman of the Board from 5 May 2017)	2	2	–	–	1 [#]	–	–	–
J Alroe (CEO & Managing Director)	13	13	5 [#]	–	2 [#]	–	4 [#]	1
P DeSouza (from 16 Feb 2017)	4	5	2 [#]	1	–	–	1 [#]	–
C Freeman	13	13	4 [#]	1	3 [#]	2	4	4
B Gibson (from 5 May 2017)	3 [*]	2	1 [#]	–	1	1	–	–
C McArthur (Director and also Alternate Director for J Ward)	12	13	5	5	3	3	1	1
J Morris (until 31 Oct 2016)	3	4	–	–	1	1	1	1
J Nijhuis	5	13	1 [#]	–	1 [#]	–	–	1
M Papatthanasious (until 5 May 2017)	7	11	4	4	–	–	1	1
T Parry (until 16 Feb 2017)	7	8	–	–	1	1	1	1
M Thompson (from 23 Nov 2016)	9 [*]	8	4 [#]	1	–	–	1	1
M Thompson (Alternate Director for J Morris from 21 Oct 2016 until 29 Oct 2016)	1	1	–	–	–	–	–	–
J Ward	13	13	5	5	–	–	1	1
J Ward (Alternate Director for C McArthur from 4 Nov 16 until 18 Nov 2016)	–	–	–	–	–	–	–	–
T Harrington (Alternate Director for J Nijhuis)	12 ^{**}	12	2 [#]	–	–	–	1	1
R Israel (Alternate Director for P DeSouza from 26 Jun 2017)	1	1	1 [#]	–	–	–	–	–
K Whitehead (Alternate Director for B Gibson from 22 May 2017)	–	–	–	–	–	–	–	–
K Whitehead (Alternate Director for P DeSouza from 23 Feb 2017 until 26 Jun 2017)	–	–	–	–	–	–	–	–
K Whitehead (Alternate Director for M Papatthanasious until 5 May 2017)	4	4	1 [#]	–	–	–	–	–
K Whitehead (Alternate Director for T Parry until 16 Feb 2017)	1	1	1 [#]	–	–	–	–	–
A Wu (Alternate Director for C McArthur)	1	1	–	–	–	–	–	–

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.

* In capacity of invitee for one meeting.

** In capacity of invitee for four meetings.

Attended the relevant committee meeting as an invitee.

¹ Please refer section (e) of the Corporate Governance Statement with regards to the Nominations Committee (Board Chair).

If any Circulating Written Resolutions of Directors are made during the year pursuant to rule 20.17 of the Constitution, these are included in the number of Board meetings held and attended. Rule 20.17 states that such a resolution is 'as valid and effectual as if it had been passed at a duly convened meeting of the Board'. Two Circulating Written Resolutions were made in the 2017 financial year.

Directors' Report

10. Indemnification

BACH on behalf of itself and its subsidiaries (including BAC) has entered into Deeds of Indemnity, Insurance and Access ('Deeds') with each Director, Alternate Director and Company Secretary and certain BAC senior managers ('Officers').

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

11. Insurance

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

12. Environmental regulation

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

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

There have been no significant breaches of any environmental regulations to which BAC is subject.

13. Non-audit services

During the year, KPMG, the BAC Group's auditor, performed certain other services in addition to their statutory duties.

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

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

Details of the amounts paid to the auditor of BACH, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 2.4 to the financial statements.

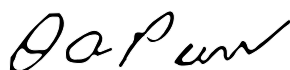
14. Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 95 of the 2017 Annual Report and forms part of the Directors' Report for year ended 30 June 2017.

15. Rounding off

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

Signed in Brisbane on 29 September 2017 in accordance with a resolution of the Directors:



David Peever
Director

Corporate Governance Statement

BACH is an unlisted public company limited by shares, primarily subject to the corporate governance requirements of the BACH Shareholders' Agreement, the BACH Constitution, the *Corporations Act 2001* (Cth) and common law principles. The Directors of the BAC Group are committed to embracing good corporate governance policies, practices and procedures. Fundamentally, the BAC Group believes good corporate governance is based on a strong organisational culture underpinned by shared principles and values.

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

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

As an unlisted public company, BACH has no obligation to comply with or report against ASX guidelines or listing rules. Nor are many of the ASX (or other aforementioned entities) principles necessarily applicable or appropriate to the BAC Group's corporate arrangements. Therefore, the Board has considered each model and adopted a number of key common aspects consistent with the BAC Group's particular circumstances and overarching governance documents – each BAC Group Constitution and the BACH Shareholders' Agreement.

This statement, which was issued by the Board on 29 September 2017, outlines the main corporate governance practices that were in place during the 2017 financial year.

(a) Board of Directors

Role of the Board

The Board is responsible for the overall corporate governance of the BAC Group including participation in charting its strategic direction, objective setting, policy guidelines, goals for management and monitoring of the achievement of these matters. It actively engages in and guides development of strategy and approves the Business Plan and Operating and Capital Budgets each financial year. The Board also reviews matters of a major or unusual nature which are not in the ordinary course of business.

Having set the BAC Group's direction, the Board delegates management responsibility to the CEO & Managing Director. The Board has also established a risk management framework including a system of internal control, a business risk management process and a delegation policy.

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

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

Size and composition of the Board

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

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

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

Corporate Governance Statement

(a) Board of Directors (continued)

Key meeting protocols

Resolutions at Board meetings are decided by a simple majority of votes cast by Directors, with each Director entitled to cast one vote. The Chairman does not have a casting vote.

A quorum for Board meetings is five Directors. The Chief Financial Officer is invited to the meetings at the discretion of the Board.

The Board holds approximately eight meetings each year, plus a strategy workshop and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise outside the normal Board meeting schedule. In addition, the Board also utilises Circulating Written Resolutions of Directors pursuant to the Constitution and *Corporations Act 2001* (Cth) if required.

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

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

(see below for further details).

The Board also establishes various committees as the needs of the business require (e.g. the Nominations Committee (Board Chair) as described in item (e) below).

The Board has also established a risk management framework for the BAC Group including a system of internal control, and a business risk management process. Further details of the BAC Group's risk management system are provided later in this statement.

Board performance assessment

During the 2014 financial year, the Board undertook a comprehensive board evaluation that was facilitated by an external independent specialist organisation. A detailed report was provided which commented on the well-developed system of governance within the BAC Group and the depth and broad range of skills amongst Directors. The findings of the report were implemented in subsequent financial years. A further board evaluation to be facilitated by an external independent specialist organisation is planned for 2018.

(b) FARM Committee

As mentioned above, to assist in the execution of its responsibilities, the Board established the FARM Committee, the composition, role and responsibilities of which are governed by a Charter. The role of the Committee is wide ranging to include matters of a financial, accounting, audit, risk and insurance nature.

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

The members of the Committee during the 2017 financial year were:

- Matina Papathanasiou, Chair (from 1 July 2016 to 5 May 2017);
- Paul DeSouza, Chair (from 6 May 2017 to present);
- Chris Freeman (from 1 July 2016 to 30 September 2016);
- Chris McArthur;
- Janice Morris (from 1 October 2016 to 31 October 2016);
- Michael Thompson (from 1 December 2016 to present); and
- John Ward.

The CEO & Managing Director and the Chief Financial Officer, along with the external auditors and internal auditors (as appropriate), are invited to the meetings at the discretion of the Committee. The Company Secretary is Secretary for the Committee.

Corporate Governance Statement

(b) FARM Committee (continued)

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

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

The Board has an External Audit Policy which covers:

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

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

The external auditor, KPMG, has declared its independence to the Board and has confirmed its audit signing partner will be rotated every five years. The FARM Committee has examined material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

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

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

Directors who are not members are also invited to attend meetings. The Board receives access to all Committee agendas and papers, copies of all FARM Committee meeting minutes and oral briefings from the Committee Chair.

(c) HRR Committee

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

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

Board and Board committees:

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

Corporate Governance Statement

(c) HRR Committee (continued)

Management and staff:

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

The members of the Committee during the 2017 financial year were:

- Chris McArthur, Chairman;
- Chris Freeman (from 1 October 2016 to present);
- Belinda Gibson (from 6 May 2017 to present);
- Janice Morris (from 1 July 2016 to 31 October 2016); and
- Tom Parry (from 1 July 2016 to 16 February 2017).

Directors who are not members are also invited to attend meetings.

The Head of People and Culture is Secretary for the Committee. The Board receives copies of all HRR Committee meeting minutes and oral briefings from the Committee Chair.

(d) Property Committee

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

The Committee's key objectives are to:

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

All BAC Directors were members of the Committee from 1 July 2016 to 30 August 2016.

The members of the Committee from 31 August 2016 were:

- Chris Freeman, Chairman;
- Bill Grant (from 31 August 2017 to 5 May 2017); and
- Michael Thompson (from 6 May 2017 to present).

The General Manager-Commercial Businesses is also a member of the Committee (from 31 August 2016), with the CEO & Managing Director invited to attend each meeting.

The Board receives copies of all Property Committee meeting minutes. The Company Secretary is the Committee Secretary.

Corporate Governance Statement

(e) Nominations Committee (Board Chair)

On 27 January 2017, the BAC Group Board established the Nominations Committee (Board Chair) for the purpose of assisting the Board to fulfil its role and responsibilities in relation to Board Chair succession planning. Upon appointment of the new Board Chair, the Committee was formally discontinued on 5 May 2017.

For the period from 27 January 2017 to 5 May 2017, the members of the Committee were:

- Chris McArthur, Chairman;
- Chris Freeman;
- Tony Harrington;
- Matina Papathanasiou; and
- Michael Thompson.

The Committee kept the Board apprised of its deliberations through regular updates.

(f) Shareholder relations

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

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

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

(g) Risk management

Financial control framework

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

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

Corporate Governance Statement

(g) Risk management (continued)

Financial control framework (continued)

Each year, the CEO & Managing Director and Chief Financial Officer provide a Management Representation Letter to the BAC Group's external auditors and formally provide sign-off to the Board addressing matters such as internal control, compliance with accounting standards, asset values, liabilities, related party transactions and contingencies. In addition, the CEO & Managing Director provides a Compliance Report from management to the Board each quarter which, amongst other things, addresses matters of legal compliance and enterprise risk management. The BAC Group's external auditor also attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit.

Business risk management

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

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

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

- enterprise-wide strategic risk identification, evaluation and treatment;
- major project risk identification, evaluation and treatment;
- significant contract risk assessments;
- regulatory compliance;
- insurance policy audits;
- WHS management systems based on Australian Standard AS/NZS 4801:2001 'Occupational health and safety management systems – Specification with guidance for use' (see further details later in this statement); and
- environmental risk program.

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

Internal audit

Internal auditor services are provided by Deloitte. The internal auditor conducts a series of risk-based and routine reviews based on an annual plan agreed with management and the FARM Committee, with the objective of providing assurance to the Board on the adequacy of the BAC Group's risk framework and the completeness and accuracy of risk reporting by management.

The BAC Group has a Board approved Internal Audit Policy and a three year Internal Audit program in place, which considers emerging risks and is integrated with risk management, compliance and the external statutory audit.

Financial reporting

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

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

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

Corporate Governance Statement

(h) Environmental management

Airport Environment Strategy

The Airports Act 1996 (Cth) ('Airports Act') outlines the requirement for BAC to include in its Master Plan, an Airport Environment Strategy ('AES') which, at five yearly intervals, must undergo a review and reissue process. The Commonwealth Government approved Brisbane Airport's 2014 Master Plan and AES on 13 January 2015. The AES continues to set the strategic direction for environmental management and sustainability until the end of 2019. The range of the environmental legislation which applies to Brisbane Airport is identified throughout the document.

Environmental performance

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

Environmental compliance

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

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

Major developments

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

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

Sustainability

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

New parallel runway

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

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

- Seawall and site access road – complete;
- Dryandra road underpass – contract awarded January 2017. Works on schedule and should be complete September 2018; and
- Airfield works – contract awarded June 2017. Contract completion scheduled May 2020.

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

Corporate Governance Statement

(i) Work health and safety

Overview

The business is subject to State legislation in the WHS field. WHS compliance is primarily governed by the Work Health and Safety Act 2011 (Qld) and the associated Work Health and Safety Regulation 2011 (Qld). This legislation provides a range of duties for ensuring the health and safety of persons who may be affected by the undertakings of the BAC Group. Further guidance on how to manage health and safety risks is provided through additional legislation such as the Electrical Safety Act 2002 (Qld) (and its associated Regulation) as well as various other documents including Codes of Practice and Australian Standards. Workplace Health and Safety Queensland and the Electrical Safety Office (Office of Industrial Relations, reporting to the Queensland Minister for Employment and Industrial Relations) are the regulators for this legislation.

Work health and safety compliance

BAC's WHS management system is certified to AS/NZS 4801:2001 and the system is externally reviewed against this standard every six months and a full re-accreditation audit conducted every three years in order to retain accreditation. BAC was successfully re-accredited during the 2017 financial year.

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

(j) Diversity and inclusion

Overview

The BAC Group is a values-based organisation whose vision includes creating a business environment that values partnerships and people. BAC's Diversity and Inclusion Program focuses on providing a satisfying, healthy and productive work environment. This is supported by Bullying, Harassment and Unlawful Discrimination Policies which were reviewed in early 2016 and the Diversity Policy which was reviewed in mid-2015. These policies:

- provide guidance for the development and implementation of programs and initiatives aimed at promoting diversity and inclusion across all levels including staff, management and the Board. The BAC Group's definition of diversity extends beyond gender and also includes origin, age, race, cultural heritage, lifestyle, education, physical ability, appearance, language and other factors;
- require the establishment of clear measurements and reporting to management, the Board and the HRR Committee;
- encourage the adoption of diversity and inclusion strategies and incorporate flexible approaches to the individual needs of the workforce; and
- prohibit any form of unlawful discrimination, harassment or bullying.

Diversity compliance

Compliance in this area is in accordance with a number of pieces of legislation (including the Anti-Discrimination Act 1991 (Qld) and the Workplace Gender Equality Act 2012 (Cth)). In terms of gender diversity in the BAC Group's senior leadership positions, during the 2017 financial year there were:

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

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

BAC Holdings Limited

Financial statements

30 June 2017

IN THIS SECTION ...

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$000	2016 \$000
Revenue from ordinary activities			
Aeronautical		261,591	249,316
Landside transport		130,739	124,799
Investment property		85,408	76,660
Retail		82,529	73,130
Operating property		45,679	43,773
Government mandated security		27,230	26,935
Interest		3,894	3,396
Other		42,633	45,166
Total revenue from ordinary activities		679,703	643,175
Operating expenses			
Maintenance and contract services		(43,655)	(41,074)
Staff		(39,317)	(37,570)
Utilities		(37,676)	(34,431)
Corporate and administration		(27,681)	(28,143)
Government mandated security		(27,230)	(26,935)
Total operating expenses		(175,559)	(168,153)
Revenue from ordinary activities less operating expenses		504,144	475,022
Depreciation and amortisation		(108,674)	(101,188)
Impairment of property, plant and equipment		(638)	-
Finance costs		(114,658)	(120,355)
Operating results		280,174	253,479
Redeemable preference shares dividend		(55,481)	(50,437)
Change in fair value of investment property	3.6	(7,527)	54,884
Gain/(loss) on derivatives not hedge accounted		37,506	(6,120)
Unrealised foreign exchange (loss)/gain		(2)	7
Profit before income tax		254,670	251,813
Income tax expense	2.5	(74,202)	(76,563)
Profit for the year		180,468	175,250
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gain/(loss), net of tax		1,688	(916)
Items that may be reclassified subsequently to profit or loss			
Hedge reserve, net of tax		21,668	(94,494)
Total other comprehensive income		23,356	(95,410)
Total comprehensive income		203,824	79,840

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 2017

	Note	2017 \$000	2016 \$000
Current assets			
Cash	3.1	94,741	32,674
Trade receivables and other	3.2	69,615	65,933
Inventories		1,014	907
Total current assets		165,370	99,514
Non-current assets			
Trade receivables and other	3.2	63,484	62,975
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	3,043,310	2,890,469
Investment property	3.6	1,264,995	1,245,880
Derivative instruments	4.3(d)	192,019	271,800
Total non-current assets		5,386,822	5,294,138
Total assets		5,552,192	5,393,652
Current liabilities			
Trade payables and other	3.8	129,133	101,926
Interest-bearing liabilities and borrowings	4.1	299,829	-
Current tax payable		1,814	16,430
Total current liabilities		430,776	118,356
Non-current liabilities			
Interest-bearing liabilities and borrowings	4.1	2,648,095	2,989,153
Deferred tax liabilities	2.6	509,204	447,923
Derivative instruments	4.3(d)	319,529	430,558
Other liabilities	3.10	143,453	102,704
Total non-current liabilities		3,620,281	3,970,338
Total liabilities		4,051,057	4,088,694
Net assets		1,501,135	1,304,958
Equity			
Issued capital		78,388	78,388
Reserves		(120,132)	(143,488)
Retained earnings		1,542,879	1,370,058
Total equity		1,501,135	1,304,958

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 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
Cash receipts from customers		666,230	632,918
Payments to suppliers and employees		(157,877)	(146,899)
Cash generated from operations		508,353	486,019
Interest paid		(155,880)	(156,258)
Interest received		3,781	3,422
Income taxes paid		(37,548)	(43,031)
Net cash from operating activities	3.1	318,706	290,152
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		302	342
Acquisitions of property, plant and equipment		(213,316)	(172,747)
Acquisitions of investment property		(26,642)	(58,976)
Net cash used in investing activities		(239,656)	(231,381)
Cash flows from financing activities			
Proceeds from interest-bearing liabilities and borrowings		460,664	566,893
Repayments of interest-bearing liabilities and borrowings		(470,000)	(627,000)
Dividends paid		(7,647)	-
Net cash used in financing activities		(16,983)	(60,107)
Net increase/(decrease) in cash held		62,067	(1,336)
Cash and cash equivalents at 1 July		32,674	34,010
Cash and cash equivalents at 30 June	3.1	94,741	32,674

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

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

	Issued capital \$000	Defined benefit superannuation fund deficit reserve \$000	Hedge reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2015	78,388	(1,678)	(46,400)	1,194,808	1,225,118
Total comprehensive income					
Profit for the year	-	-	-	175,250	175,250
Other comprehensive income					
Defined benefit superannuation fund actuarial loss	-	(916)	-	-	(916)
Hedge reserve	-	-	(94,494)	-	(94,494)
Total other comprehensive income	-	(916)	(94,494)	-	(95,410)
Total comprehensive income	-	(916)	(94,494)	175,250	79,840
Dividends paid	-	-	-	-	-
Balance at 30 June 2016	78,388	(2,594)	(140,894)	1,370,058	1,304,958

The amounts recognised directly in equity are disclosed net of tax.

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

Other

AASB	Australian Accounting Standard
ATO	Australian Taxation Office
AUD	Australian dollars
BBSW	Bank bill swap reference rate
BBSY	Bank bill swap bid and ask rate
ELTIP	Executive long term incentive plan
FARM	Finance, Audit and Risk Management
GST	Goods and services tax
HVAC	Heating, ventilation and air conditioning
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
NPR	New parallel runway
RPS	Redeemable preference shares
USD	United States dollars
USPP	United States Private Placement

1.2 Reporting entity

BACH is a company incorporated and domiciled in Australia. The consolidated financial statements of the BAC Group ('financial statements') comprise 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.

The nature of the operations and principal activities of the BAC Group are described in the Directors' Report.

1.3 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with AASBs adopted by the Australian Accounting Standards Board and the Corporations Act 2001 (Cth). The financial report complies with the IFRSs as issued by the IASB.

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

The financial statements were approved by the Board of Directors on 29 September 2017.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION (continued)

1.4 Basis of measurement

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

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

1.5 Going concern

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

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

1.6 Use of estimates and judgements

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

- taxation - note 2.5;
- depreciation - note 3.4; and
- investment property - note 3.6.

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

1.7 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

1.8 Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of BACH and each controlled entity is 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 hedge reserve and the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION (continued)

1.9 New and amended accounting standards

Keeping it simple ...

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

Accounting policies and disclosures

The accounting policies applied are consistent with those of the previous financial year.

Accounting standards and interpretations issued or amended but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these consolidated financial statements where deemed not relevant to the BAC Group. Those which may be relevant to the BAC Group in future financial years are set out below. The BAC Group plans to adopt these standards when mandatory. The BAC Group is currently assessing the impact of these standards.

AASB 9 Financial Instruments

AASB 9, which is a new standard, replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. This standard will be mandatory for the BAC Group's 30 June 2019 financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15, which is a new standard, was issued by the Australian Accounting Standards Board in December 2014. It specifies the accounting treatment for revenue arising from contracts with customers. The core principle of AASB 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This standard will be mandatory for the BAC Group's 30 June 2019 financial statements.

AASB 16 Leases

AASB 16, which is a new standard, was issued by the Australian Accounting Standards Board in February 2016. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most operating leases, even when they pay constant annual rentals. This standard will be mandatory for the BAC Group's 30 June 2020 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION (continued)

1.10 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;
- interest-bearing liabilities and borrowings (USPP) - note 4.1; and
- derivative financial instruments - note 4.2.

Fair value measurements hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 2: RESULTS

In this section ...

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

Keeping it simple ...

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

2.1 Revenue

Aeronautical revenue

Aeronautical revenue comprises runway and terminal charges. Domestic and international flights are generally 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.

Landside transport revenue

Landside transport revenue comprises revenue from public and staff car parks, ground facilities fees and car rental operators.

Property revenue

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

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

Property rental revenue is accounted for on a straight-line basis over the lease terms.

Retail revenue

Retail revenue comprises base rent, concessionaire rent, other charges received and advertising revenue. Retail rent revenue is accounted for on a straight-line basis over the lease terms.

Government mandated security revenue

The BAC Group is required by the Australian Government to undertake certain security measures, the costs of which are recoverable in full from the airlines. Government mandated security revenue comprises recharges of expenditure incurred by the BAC Group in respect of security services such as passenger and checked baggage screening. Revenue and expenses are disclosed separately.

Interest revenue

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

2.2 Finance costs

Accounting policies

Finance costs comprise interest payable on borrowings and are calculated using the effective interest basis. Borrowing costs are expensed as incurred and included in net financing costs unless they are capitalised to capital work in progress for qualifying assets.

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 2: RESULTS (continued)

2.3 Other commitments

Operating lease receivable commitments

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

	2017 \$000	2016 \$000
Within one year	243,436	208,076
One year or later and no later than five years	506,528	540,048
Later than five years	970,074	854,747
	1,720,038	1,602,871

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

Finance lease receivable

The finance lease receivable relates to an asset held under a finance lease recognised at its fair value at inception of the lease. The lease is due to expire in 2047.

	2017 \$000	2016 \$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	59,919	62,407
	74,847	77,335
Future finance charges	(53,116)	(55,518)
	21,731	21,817

Finance lease payable

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

	2017 \$000	2016 \$000
Within one year	(205)	-
One year or later and no later than five years	(2,595)	-
Later than five years	(130)	-
	(2,930)	-
Future finance charges	689	-
	(2,241)	-

NOTES TO THE FINANCIAL STATEMENTS

SECTION 2: RESULTS (continued)

2.4 Auditor's remuneration

	2017	2016
	\$	\$
Amounts received or due and receivable by the auditor for:		
Audit services		
Audit fees - 2017 financial year	222,500	-
Audit fees - 2016 financial year	-	214,000
Other regulatory/contract audit services	140,325	99,500
	362,825	313,500
Other services		
Transactional related assurance	47,000	-
Other advisory	340,523	438,179
	387,523	438,179

2.5 Taxation

Accounting policies

Income tax

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

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

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

Tax consolidation

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

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

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

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

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 2: RESULTS (continued)

2.5 Taxation (continued)

Goods and services tax (continued)

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

	2017 \$000	2016 \$000
Current tax expense		
Current year expense	(25,200)	(37,554)
Over/(under) provided in prior years	2,268	(984)
	(22,932)	(38,538)
Deferred tax expense		
Origination and reversal of temporary differences:		
Derivatives	(88)	(17,440)
Other	(51,182)	(20,585)
	(51,270)	(38,025)
Total income tax expense recognised in profit or loss	(74,202)	(76,563)
Defined benefit superannuation fund actuarial gain/(loss)	(725)	392
Hedge reserve	(9,286)	40,498
Total income tax expense recognised in other comprehensive income	(10,011)	40,890

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

	2017 \$000	2016 \$000
Profit for the year	180,468	175,250
Income tax expense	74,202	76,563
Profit before income tax	254,670	251,813
Income tax using the corporate tax rate of 30%	(76,401)	(75,544)
Increase in income tax due to:		
Other non-deductible expenses	(69)	(35)
Over/(under) provided in prior years	2,268	(984)
Income tax expense on pre-tax accounting profit	(74,202)	(76,563)

NOTES TO THE FINANCIAL STATEMENTS

SECTION 2: RESULTS (continued)

2.6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Property, plant and equipment	-	-	(600,776)	(560,051)	(600,776)	(560,051)
Finance lease receivable	-	-	(1,597)	(1,298)	(1,597)	(1,298)
Derivatives	38,254	47,628	-	-	38,254	47,628
Lease incentive asset	-	-	(8,900)	(7,068)	(8,900)	(7,068)
Inventories	-	-	(304)	(272)	(304)	(272)
Prepayments	-	-	(5,305)	(8,842)	(5,305)	(8,842)
Employee benefits	994	1,966	-	-	994	1,966
Other provisions	3,373	2,819	-	-	3,373	2,819
Interest-bearing liabilities and borrowings	59,805	70,969	-	-	59,805	70,969
Accruals	5,252	6,226	-	-	5,252	6,226
Tax assets/(liabilities)	107,678	129,608	(616,882)	(577,531)	(509,204)	(447,923)

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

	Balance at 1 July 2016 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Balance at 30 June 2017 \$000
Property, plant and equipment	(560,051)	(40,725)	-	(600,776)
Finance lease receivable	(1,298)	(299)	-	(1,597)
Derivatives	47,628	(88)	(9,286)	38,254
Lease incentive asset	(7,068)	(1,832)	-	(8,900)
Inventories	(272)	(32)	-	(304)
Prepayments	(8,842)	3,537	-	(5,305)
Employee benefits	1,966	(247)	(725)	994
Other provisions	2,819	554	-	3,373
Interest-bearing liabilities and borrowings	70,969	(11,164)	-	59,805
Accruals	6,226	(974)	-	5,252
Tax liabilities/(assets)	(447,923)	(51,270)	(10,011)	(509,204)

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

2.6 Deferred tax assets and liabilities (continued)

The movement in temporary differences during the previous year is:

	Balance at 1 July 2015 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Balance at 30 June 2016 \$000
Property, plant and equipment	(516,983)	(43,068)	-	(560,051)
Finance lease receivable	(1,042)	(256)	-	(1,298)
Derivatives	24,570	(17,440)	40,498	47,628
Lease incentive asset	(3,517)	(3,551)	-	(7,068)
Inventories	(240)	(32)	-	(272)
Prepayments	(12,379)	3,537	-	(8,842)
Employee benefits	1,389	185	392	1,966
Other provisions	1,340	1,479	-	2,819
Interest-bearing liabilities and borrowings	51,695	19,274	-	70,969
Borrowing costs	93	(93)	-	-
Accruals	4,286	1,940	-	6,226
Tax (liabilities)/assets	(450,788)	(38,025)	40,890	(447,923)

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES

In this section ...

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

Keeping it simple ...

Operating assets and liabilities are those that relate to the trading activities of the BAC Group. This includes property, plant and equipment, investment property, inventories and trade and other receivables and payables. In this section, you will find further information regarding the elements of operating assets and liabilities.

3.1 Cash and cash equivalents

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

	2017 \$000	2016 \$000
Cash in bank	94,731	32,664
Cash on hand	10	10
Cash and cash equivalents	94,741	32,674

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

	Note	2017 \$000	2016 \$000
Profit for the year		180,468	175,250
Adjustments for:			
Depreciation and amortisation		108,674	101,188
Impairment of property, plant and equipment		638	-
Capitalised borrowing costs		(45,637)	(39,918)
Change in fair value of investment property	3.6	7,527	(54,884)
Gain/(loss) on derivatives not hedge accounted		(37,506)	6,120
Unrealised foreign exchange (gain)/loss		2	(7)
Amortisation of borrowing costs		2,775	3,061
Loss on sale of property, plant and equipment		733	482
RPS dividend		55,481	50,437
Income tax expense	2.5	74,202	76,563
Profit before changes in working capital and provisions		347,357	318,292
Change in trade receivables and other		(1,492)	5,032
Change in inventories		(107)	(107)
Change in trade payables and other		10,496	9,966
Income taxes paid		(37,548)	(43,031)
Net cash from operating activities		318,706	290,152

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.2 Trade receivables and other

Accounting policies

Trade receivables and other are recognised initially at fair value and subsequently stated at their amortised cost less impairment losses. Trade receivables are normally settled within 30 days.

Trade receivables and other are as follows:

	Note	2017 \$000	2016 \$000
Current			
Trade receivables and accrued income		53,894	49,705
Sundry receivables		1,540	1,502
Prepayments		14,085	14,640
Finance lease receivable		96	86
		69,615	65,933
Non-current			
Sundry receivables		29,668	23,560
Prepayments		8,495	17,684
Finance lease receivable		21,635	21,731
Employee benefits	3.9	3,686	-
		63,484	62,975

3.3 Intangible assets

Accounting policies

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

The cost and carrying amount of goodwill are as follows:

	2017 \$000	2016 \$000
Goodwill	823,014	823,014

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

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 that were adjusted as a result of the transition to Australian equivalent IFRSs. Depreciation and amortisation are charged to the statement of profit or loss to reflect annual wear and tear and the reduced value of the asset over time. Depreciation and amortisation are calculated by estimating the number of years the BAC Group expects the asset to be used. This section also explains the accounting policies followed by the BAC Group.

Accounting policies

Owned assets

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

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

Leased land

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

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 NPR.

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 are depreciated over the period between surfacing projects. This recognises that the benefit relates to both current and future years.

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

Depreciation and amortisation

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

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

3.4 Property, plant and equipment (continued)

Accounting policies (continued)

Depreciation and amortisation (continued)

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

Item	Rate %
Runways, taxiways and aprons	
Runways, taxiways and aprons (original)	1.0
Expansion, extension, line marking, earthworks and overlay	2.5 – 5.0
Runway overlay	8.3
Minor assets less than \$1,000	100
Roads and car parks	
Roads and car park infrastructure	2.5
Security, signage, lighting and other	2.5 – 10.0
Buildings	
Passenger terminal buildings and other permanent buildings	2.5
Fit-out, finishing, services and HVAC	5.0 – 10.0
Security, signage, lighting and other	5.0 – 33.3
Minor assets less than \$1,000	100
Plant and equipment	
Mains services and fences and gates	2.0 – 20.0
Mobile plant and equipment (including motor vehicles)	6.7 – 25.0
Computer equipment and software	10.0 – 33.3
Furniture and fittings, office equipment and artwork	1.3 – 33.3
Minor assets less than \$1,000	100
Leased land	
Operating land	1.0

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.4 Property, plant and equipment (continued)

Property, plant and equipment can be analysed as follows:

	Runways, taxiways and aprons \$000	Roads and car parks \$000	Buildings \$000	Plant and equipment \$000	Leased land \$000	Capital work in progress \$000	Total \$000
Cost or deemed cost							
At 1 July 2016	834,511	521,826	874,303	624,044	102,885	678,483	3,636,052
Additions/transfers	22,438	(256)	45,422	52,599	-	142,348	262,551
Disposals	-	(577)	(1,007)	(33,330)	-	-	(34,914)
At 30 June 2017	856,949	520,993	918,718	643,313	102,885	820,831	3,863,689
Cost or deemed cost							
At 1 July 2015	830,380	489,979	819,163	567,081	97,660	611,937	3,416,200
Additions/transfers	4,131	32,387	55,140	57,980	5,225	66,546	221,409
Disposals	-	(540)	-	(1,017)	-	-	(1,557)
At 30 June 2016	834,511	521,826	874,303	624,044	102,885	678,483	3,636,052
Accumulated depreciation and amortisation							
At 1 July 2016	111,169	87,147	274,520	259,128	13,619	-	745,583
Depreciation and amortisation	13,631	13,365	39,866	40,695	1,117	-	108,674
Disposals	-	(577)	(989)	(32,312)	-	-	(33,878)
At 30 June 2017	124,800	99,935	313,397	267,511	14,736	-	820,379
Accumulated depreciation and amortisation							
At 1 July 2015	98,763	74,336	237,426	222,104	12,502	-	645,131
Depreciation and amortisation	12,406	12,860	37,094	37,710	1,117	-	101,187
Disposals	-	(49)	-	(686)	-	-	(735)
At 30 June 2016	111,169	87,147	274,520	259,128	13,619	-	745,583
Carrying amounts							
At 30 June 2017	732,149	421,058	605,321	375,802	88,149	820,831	3,043,310
At 30 June 2016	723,342	434,679	599,783	364,916	89,266	678,483	2,890,469

A total of \$45.6 million (2016: \$39.9 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 6.82% to 7.04% (2016: 6.31% to 6.69%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2017 \$000	2016 \$000
Contracted for but not provided for and payable:		
Within one year	345,224	125,368
One year or later and no later than five years	288,435	26,251
	633,659	151,619

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.

Accounting policies

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

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio annually. The basis of the valuation of the properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and same condition and subject to similar leases. The determination of fair value is therefore more heavily supported by market evidence as opposed to other factors. The 2017 valuation was based on independent assessments made by CBRE, an accredited independent valuer (2016: CBRE).

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

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

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

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

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

In 2017, the valuation was prepared on a leasehold valuation basis, whereas in 2016, it was prepared on a hypothetical freehold basis.

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

3.6 Investment property (continued)

The movement in investment property is as follows:

	2017 \$000	2016 \$000
Balance at 1 July	1,245,880	1,137,245
Investments	26,642	58,976
Transfer to property, plant and equipment	-	(5,225)
Fair value adjustments	(7,527)	54,884
Balance at 30 June	1,264,995	1,245,880

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

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

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

Input	2017 \$000
Level 1 Quoted prices in active markets for identical assets	-
Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset	-
Level 3 Inputs for the asset that are based on unobservable market data	1,264,995
	1,264,995

Significant unobservable inputs

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

Capitalisation rate: the rate at which net property income is capitalised to determine the value of a property. The rate is determined with regard to market evidence. The rates used in the valuation range between 5.5% and 10.0% (2016: 6.25% and 9.5%).

Discount rate: the rate used to discount the net cash flows generated from rental and investment activities during the period of analysis. The discount rates used in the valuation range between 7.25% and 10.75% (2016: 7.75% and 11%) having regard to the risk of each property's net cash flows.

Sensitivity to changes in significant unobservable inputs

The relationship between the significant unobservable inputs and fair value is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

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 recoverable amount of goodwill based on a value in use calculation which uses cash flow forecasts for five years (from its Business Plan), with key assumptions of a terminal growth rate of 2.5% (2016: 2.5%) and a pre-tax discount rate of 10.64% (2016: 10.64%) per annum.

Sensitivity to changes in assumptions

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

3.8 Trade payables and other

Accounting policies

Trade payables and other are stated at their amortised cost. Trade payables are non-interest-bearing and are normally settled on 30 day terms.

Trade payables and other are as follows:

	Note	2017 \$000	2016 \$000
Trade payables and accruals		90,668	85,275
RPS dividend		18,464	-
Employee benefits	3.9	7,434	6,515
Unearned revenue		9,958	7,636
Retentions and deposits held on behalf of third parties		2,480	2,500
Finance lease payable		129	-
		129,133	101,926

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.9 Employee benefits

Keeping it simple ...

The BAC Group has 33 employees in a defined benefit superannuation fund. In a defined benefit superannuation fund, members receive cash payments when they retire and during their retirement, the value of which are dependent on factors such as salary and length of service. In the event of poor returns for the fund, the BAC Group needs to address this through a combination of increased levels of contribution or by making adjustments to the fund. Under defined contribution superannuation funds, the BAC Group pays fixed contributions into a separate fund on behalf of the employees and has no further obligations to the employees. The risks and rewards associated with this type of fund are assumed by the members rather than the BAC Group. It is the member's responsibility to make investment decisions relating to their retirement benefits.

Accounting policies

Defined contribution superannuation funds

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

Defined benefit superannuation funds

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

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

Long term service benefits

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

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

Wages, salaries and annual leave

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

ELTIP

The cost of cash settled transactions is measured initially at fair value. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in staff expenses.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 3: OPERATING ASSETS AND LIABILITIES (continued)

3.9 Employee benefits (continued)

Liabilities for employee benefits can be analysed as follows:

	Note	2017 \$000	2016 \$000
Current			
Wages and salaries accrued		527	328
Liability for annual leave		2,790	2,475
Liability for long service leave		4,117	3,712
	3.8	<u>7,434</u>	<u>6,515</u>
Non-current			
Present value of unfunded obligation		9,933	10,825
Fair value of plan assets		(13,619)	(12,194)
Recognised asset for defined benefit obligation	3.2	<u>(3,686)</u>	<u>(1,369)</u>
Liability for long service leave		1,960	1,738
ELTIP		181	160
	3.10	<u>2,141</u>	<u>1,898</u>
Net employee benefits		<u>(1,545)</u>	<u>529</u>

3.10 Other liabilities

Keeping it simple ...

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

Other liabilities can be analysed as follows:

	Note	2017 \$000	2016 \$000
RPS dividend		134,799	97,627
Unearned revenue		4,401	4,548
Employee benefits	3.9	2,141	529
Finance lease payable		2,112	-
		<u>143,453</u>	<u>102,704</u>

The payment of RPS dividends is subject to an annual free cash test. Should the test not be met, a waiver is required to be sought and granted prior to 30 June of each year for payment to be made, otherwise the outstanding RPS liability is classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

In this section ...

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

Keeping it simple ...

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

4.1 Interest-bearing liabilities and borrowings

Accounting policies

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

Borrowing 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.

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

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

	2017 \$000	2016 \$000
Current		
Secured wrapped bond issue	300,000	-
Secured wrapped bond issue transaction costs	(171)	-
	299,829	-
Non-current		
Secured bank loan	-	450,000
Secured bank loan transaction costs	-	(3,817)
Secured domestic and wrapped bond issues	550,000	850,000
Secured domestic and wrapped bond issue transaction costs	(1,831)	(3,102)
Secured USPP bond issues	1,633,729	1,229,449
Secured USPP bond issue transaction costs	(5,336)	(5,065)
RPS	471,533	471,688
	2,648,095	2,989,153
Total interest-bearing liabilities and borrowings	2,947,924	2,989,153

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

4.1 Interest-bearing liabilities and borrowings (continued)

Annual nominal interest rate	Financial year of maturity	Face value 2017 \$000	Carrying amount 2017 \$000	Face value 2016 \$000	Carrying amount 2016 \$000
Bank loan - AUD					
BBSY + margin - Tranche A	2018	-	-	150,000	148,741
BBSY + margin - Tranche B	2019	-	-	90,000	89,236
BBSY + margin - Tranche C	2021	-	-	210,000	208,206
BBSY + margin - Tranche D	2023	-	-	-	-
		-	-	450,000	446,183
Domestic bonds - AUD					
Fixed 8.0%	2020	200,000	198,725	200,000	199,166
Fixed 6.0%	2021	350,000	349,444	350,000	348,342
		550,000	548,169	550,000	547,508
Wrapped bonds - AUD					
BBSW + margin	2018	300,000	299,829	300,000	299,390
		300,000	299,829	300,000	299,390
USPP bonds - AUD					
BBSW + margin	2026	100,000	99,615	100,000	99,569
Fixed 6.8%	2023	30,000	29,926	30,000	29,912
Fixed 8.3%	2027	98,864	98,297	98,864	98,233
Fixed 5.6%	2030	152,550	151,643	152,550	151,570
Fixed 5.5%	2037	50,000	49,901	-	-
		431,414	429,382	381,414	379,284
USPP bonds - USD					
Fixed 5.2%	2022	195,325	197,451	201,993	205,743
Fixed 3.9%	2023	61,202	62,157	63,291	65,263
Fixed 5.3%	2024	195,325	202,182	201,993	213,951
Fixed 3.6%	2025	32,554	32,997	33,665	34,238
Fixed 4.0%	2025	78,130	80,519	80,797	85,574
Fixed 3.7%	2027	84,641	86,455	87,530	89,970
Fixed 3.8%	2027	130,217	131,844	-	-
Fixed 4.2%	2028	101,569	106,724	105,036	115,228
Fixed 3.9%	2029	130,217	132,257	-	-
Fixed 3.9%	2030	32,554	33,546	33,665	35,133
Fixed 4.1%	2032	130,217	132,879	-	-
		1,171,951	1,199,011	807,970	845,100
RPS - AUD					
Fixed 10.0%	2022	471,533	471,533	471,688	471,688
		2,924,898	2,947,924	2,961,072	2,989,153

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.1 Interest-bearing liabilities and borrowings (continued)

RPS are subject to an annual dividend rate and accounted for using an effective interest rate of 9.9% (2016: 9.9%) per annum. The fixed annual dividend rate is 10.0% (2015 to 2022) per annum. The holders of RPS are entitled to fixed rate dividends, declared annually (in arrears) in relation to the prior financial year, and on redemption (to the extent of the level of Free Cash, as defined by the BACH Shareholders' Agreement, and available profits in the BAC Group). In the event that RPS dividends are not paid, any unpaid dividend will accrue interest using the dividend rate for the current year (10.0%). RPS rank equally with each other, but in priority over ordinary shares for the payment of dividends and repayment of capital. Holders of RPS are not entitled to voting rights except in the event of winding up of the company, or any resolution impacting on the rights applicable to RPS. The percentage of RPS held by a shareholder must be equal at all times to the percentage of ordinary shares held.

Finance facilities

Current liabilities of \$430.8 million exceed current assets of \$165.4 million. The BAC Group has bank facilities of \$900.0 million (2016: \$900.0 million), all of which is undrawn (2016: \$450.0 million). \$150.0 million expires in November 2017, \$300.0 million expires in December 2018, \$225.0 million expires in November 2020 and \$225.0 million expires in November 2022. Unutilised bank facilities of \$900.0 million (2016: \$450.0 million) are sufficient to cover the net current asset deficiency and ongoing operations.

Security for financing arrangements

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

Bank overdraft

The bank overdraft facility of \$4.0 million (2016: \$4.0 million) was undrawn as at 30 June 2017 (2016: undrawn).

4.2 Derivative financial instruments

Keeping it simple ...

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

Derivative financial instruments are measured at their marked to market value at each reporting date. From 1 July 2014, the BAC Group adopted hedge accounting which allows the value movement in these instruments to be allocated across both the consolidated financial statement of financial position and the consolidated statement profit or loss and other comprehensive income.

Accounting policies

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

Derivative financial instruments are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value and changes therein are recognised in profit or loss, or in the case of derivatives qualifying for hedge accounting, other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.2 Derivative financial instruments (continued)

Accounting policies (continued)

Current versus non-current classification

Derivative financial instruments are classified as current or separated into current and non-current portions when the BAC Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date.

Hedge accounting

On 1 July 2014, the BAC Group redesignated the borrowings into effective hedge relationships for accounting purposes. On entering into a hedging relationship, the BAC Group formally designates and documents the hedge relationship and 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 as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period.

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 or financial instrument is recognised in profit or loss immediately, together with the gain or loss on the hedged asset or liability that is attributable to the hedge risk.

4.3 Financial risk management

Keeping it simple ...

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

Overview

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

Overview (continued)

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 Deloitte. The internal audit reviews risk management controls and procedures and the results are reported to the FARM Committee.

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

(a) Credit risk

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

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

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

Trade and other receivables

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

The Board has established a credit policy under which customers are analysed individually for creditworthiness before the standard payment terms and conditions are offered. The review of creditworthiness includes external ratings, when available, and/or the possible requirement of bank guarantees or cash deposits of up to three to six months' rent plus outgoings in the case of property tenants.

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

The majority of customers have been transacting with the BAC Group for over 10 years and losses have been incurred infrequently. In monitoring customer credit risk, customers are classified according to their credit characteristics.

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

Cash and swaps

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk

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

	Note	2017 \$000	2016 \$000
Cash and cash equivalents	3.1	94,741	32,674
Trade receivables and accrued income - current	3.2	53,894	49,705
Sundry receivables - current	3.2	1,540	1,502
Finance lease receivable - current	3.2	96	86
Sundry receivables – non-current	3.2	29,668	23,560
Finance lease receivable - non-current	3.2	21,635	21,731
Derivative instruments - non-current	4.3(d)	192,019	271,800
		393,593	401,058

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

	2017 \$000	2016 \$000
Aeronautical	34,434	34,021
Property	18,939	15,048
Other	521	636
	53,894	49,705

The most significant customer accounted for 30.3% of the trade receivables and accrued income carrying amount at 30 June 2017 (2016: 30.4%).

Impairment losses

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

	2017 Gross \$000	2017 Impairment \$000	2017 Net \$000
Not past due (0 – 30 days)	38,522	-	38,522
Past due (31 – 60 days)	12,029	-	12,029
Past due (61 – 90 days)	2,100	-	2,100
Past due (more than 90 days)	1,243	-	1,243
	53,894	-	53,894
	2016 Gross \$000	2016 Impairment \$000	2016 Net \$000
Not past due (0 – 30 days)	21,255	-	21,255
Past due (31 – 60 days)	16,968	-	16,968
Past due (61 – 90 days)	5,975	-	5,975
Past due (more than 90 days)	5,657	(150)	5,507
	49,855	(150)	49,705

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(b) Liquidity risk

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

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

Funding

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

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

2017	Note	6 months or less \$000	6 – 12 months \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
Floating bank loan		-	-	-	-	-
Floating bonds		305,190	1,981	4,237	14,357	101,287
Fixed bonds		49,376	49,577	101,689	943,162	1,553,356
RPS		-	-	94,099	141,148	470,494
		354,566	51,558	200,025	1,098,667	2,125,137
Trade payables and accruals	3.8	90,668	-	-	-	-
Finance lease payable	3.8/3.10	64	65	702	1,288	122
RPS dividend	3.8/3.10	18,464	-	134,799	-	-
Derivatives		35,662	35,662	71,324	229,637	320,970
2016	Note	6 months or less \$000	6 – 12 months \$000	1 – 2 years \$000	2 – 5 years \$000	More than 5 years \$000
Floating bank loan		6,519	6,157	160,237	318,645	-
Floating bonds		5,419	5,419	306,994	13,027	120,541
Fixed bonds		41,247	41,247	81,937	768,037	1,100,196
RPS		-	-	94,099	141,148	517,543
		53,185	52,823	643,267	1,240,857	1,738,280
Trade payables and accruals	3.8	85,275	-	-	-	-
RPS dividend	3.10	-	-	97,627	-	-
Derivatives		23,700	23,700	48,820	137,776	232,970

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.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(c) Market risk

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

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

Interest rate risk

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

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

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

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 actual debt levels on 1 July each year.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(c) Market risk (continued)

Interest risk (continued)

Profile

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

	2017 \$000	2016 \$000
Nominal fixed interest rate instruments		
Financial liabilities	<u>(2,524,898)</u>	<u>(2,111,072)</u>
Variable interest rate instruments		
Financial assets - cash and cash equivalents	94,741	32,674
Financial liabilities	<u>(400,000)</u>	<u>(850,000)</u>
Net financial liabilities	<u>(305,259)</u>	<u>(817,326)</u>

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 between 10 and 15 years.

BAC Group policy

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

Fixed interest rate secured international bonds denominated in USD

At the reporting date, the BAC Group had the following foreign exchange exposures which had been economically hedged back to AUD for the duration of the issue:

	Face value 2017 USD000	Face value 2017 AUD000	Face value 2016 USD000	Face value 2016 AUD000
Total foreign exchange exposures hedged	<u>900,000</u>	<u>1,171,951</u>	<u>600,000</u>	<u>807,970</u>

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/(loss) before tax and equity before tax. For the purpose of this disclosure, the following assumptions were used:

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

The 30 June 2017 foreign exchange rate of AUD 1 to USD 0.77 (2016: AUD 1 to USD 0.74) was used in the translation of USD denominated borrowings.

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(c) Market risk (continued)

Sensitivity on interest rate and foreign exchange risk (continued)

Analysis for fixed interest rate instruments

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

Analysis for variable interest rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit/(loss) 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:

	Profit/(loss) before tax		Equity before tax	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Movement in interest rates				
100 basis point increase in interest rates:				
Interest expense on variable interest rate instruments	(9,341)	(8,173)	-	-
Fair value of interest rate swaps	-	32,680	87,381	101,180
Fair value of cross currency swaps	(2,747)	(47,308)	(4,336)	(9,378)
Net impact	(12,088)	(22,801)	83,045	91,802
100 basis point decrease in interest rates:				
Interest expense on variable interest rate instruments	9,341	8,173	-	-
Fair value of interest rate swaps	-	(26,762)	(96,736)	(121,136)
Fair value of cross currency swaps	3,140	54,043	4,955	6,895
Net impact	12,481	35,454	(91,781)	(114,241)

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

Analysis for USD rate movements

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

	Profit/(loss) before tax		Equity before tax	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Movement in USD rates				
10% appreciation	908	-	(17,410)	17,048
10% depreciation	(1,110)	-	21,279	(17,048)

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.3 Financial risk management (continued)

(d) Fair value

Fair value versus carrying amounts

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

	Note	Carrying amount 2017 \$000	Fair value 2017 \$000	Carrying amount 2016 \$000	Fair value 2016 \$000
Assets carried at fair value					
Interest rate and cross currency swaps		192,019	192,019	271,800	271,800
Assets carried at amortised cost					
Cash and cash equivalents	3.1	94,741	94,741	32,674	32,674
Finance lease receivable - non-current	3.2	21,635	21,635	21,731	21,731
Employee benefit - non-current	3.2	3,686	3,686	-	-
		120,062	120,062	54,405	54,405
Liabilities carried at fair value					
Interest rate and cross currency swaps - non-current		319,529	319,529	430,558	430,558
		319,529	319,529	430,558	430,558
Liabilities carried at amortised cost					
Secured bank loan	4.1	-	-	446,183	450,000
Secured domestic bond issues	4.1	548,169	607,047	547,508	647,165
Secured wrapped bond issues	4.1	299,829	300,429	299,390	301,808
Secured USPP bond issues	4.1	1,628,393	1,902,781	1,224,384	1,529,203
RPS	4.1	471,533	471,534	471,688	471,688
RPS dividend	3.8/3.10	153,263	153,263	97,627	97,627
Finance lease payables – non-current		2,112	2,112	-	-
		3,103,299	3,437,166	3,086,780	3,497,491
Net liabilities		3,110,747	3,444,614	3,191,133	3,601,844

Fair value of financial instruments

As at 30 June 2017, the fair value of derivative instruments that are held for liquidity management, which are the BAC Group's only financial instruments carried at fair value, resulted in a net loss of \$ 33.2 million (2016: net loss of \$76.9 million) measured based on Level 2 valuation techniques as defined in the fair value hierarchy shown in note 1.10.

(e) Capital management

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

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

NOTES TO THE FINANCIAL STATEMENTS

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (continued)

4.4 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.

	2017 000	2016 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 are entitled to 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

As the BAC Group redesignated the borrowings using existing hedges to undertake hedge accounting, the hedge reserve recognises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be effective. Amounts are reclassified to profit or loss if they become ineffective or in the same period or periods during which the hedged forecast cash flows affect profit or loss.

Performance shares

The controlled entity (BAC) has issued 100 performance shares to its parent entity, BACH No. 2, which in turn has issued 100 performance shares to BACH on the same terms and conditions. BACH has in turn issued 100 performance shares to its shareholders on the same terms and conditions. Holders of performance shares are not entitled to vote at shareholders' meetings or to receive notices, reports, audited accounts and statements of financial position of BACH. Dividends on performance shares are received by BACH based on the BAC Group reaching financial targets and having sufficient Free Cash.

Dividends

During the current financial year, BACH declared and paid \$7.6 million in dividends linked to performance shares to address underpayments from the 2005, 2006, 2007, 2008 and 2011 financial years which is made up of \$3.8 million in a performance share dividend and \$3.8 million in ordinary share dividends.

	2017 \$000	2016 \$000
Dividend franking account:		
The taxable value of franking credits for subsequent financial years	195,684	179,481

NOTES TO THE FINANCIAL STATEMENTS

SECTION 5: OTHER

5.1 Related parties

Keeping it simple ...

The related parties include the Directors of the company, Key Management Personnel, shareholders and the BAC Group controlled entities.

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

Executives

David Malek	Chief Financial Officer
Andrew Brodie	General Manager - Airline and Retail Management
Rachel Crowley	Head of Corporate Relations
Gwilym Davies	Head of People and Culture
Stephen Goodwin	General Manager - Operations
Roel Hellemons	General Manager - Strategic Planning and Development
Krishan Tangri	General Manager - Assets
Sarah Thornton	General Counsel and Company Secretary (ended 12 July 2017)
John Tormey	General Manager - Commercial Businesses

Transactions with Key Management Personnel

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

ELTIP

Key Management Personnel also participate in the BACH ELTIP.

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

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

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

The grant date of units for the ELTIP 6 ('Plan 6') was 1 July 2014, with an initial base value of \$1 per unit. Total units issued under Plan 6 were 763,708. Since the grant date, 92,474 units were cancelled upon termination of participant employment. The value of entitlements under Plan 6 payable at 30 June 2017 was \$151,151 (2016: \$107,277).

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

5.1 Related parties (continued)

Key Management Personnel compensation

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

	2017	2016
	\$	\$
Short term employee benefits	6,007,524	5,553,387
Post-employment benefits	286,402	326,406
Other long term benefits	700,147	1,100,281
	6,994,073	6,980,074

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

Other related party transactions

Amounts recognised during the year relating 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 \$580,306 (2016: \$613,839). As at 30 June 2017, the amount payable was nil (2016: nil).

Intellectual Property Agreement

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

As at 30 June 2017, the amount payable, which represents the total fee for the year, was \$3,493,662 (2016: \$3,442,380).

Board fees and travel expenses

Board fees and travel expenses paid to the Directors for the year amounted to \$1,057,632 (2016: \$1,060,302).

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

- Colonial First State Asset Management (Australia) Limited, a company related to C McArthur, received \$126,809 for the year (2016: \$125,555);
- QIC Private Capital Pty Ltd, a company related to M Papathanasiou and P DeSouza, received \$107,379 and \$39,410 respectively for the year (2016: \$116,768 and nil); and
- IFM Investors (Nominees) Limited, a company related to J Morris and M Thompson, received \$34,922 and \$65,648 respectively for the year (2016: \$99,195 and nil).

NOTES TO THE FINANCIAL STATEMENTS

Section 5: Other (continued)

5.2 Parent entity disclosures

	2017	2016
	\$000	\$000
Results of BACH		
Profit for the year	12,941	7,776
Total comprehensive income	<u>12,941</u>	<u>7,776</u>
Financial position of BACH		
Current assets	44,318	42,947
Non-current assets	1,061,610	1,018,636
Total assets	<u>1,105,928</u>	<u>1,061,583</u>
Current liabilities	18,465	16,430
Non-current liabilities	606,331	569,316
Total liabilities	<u>624,796</u>	<u>585,746</u>
Net assets	<u>481,132</u>	<u>475,837</u>
Equity		
Issued capital	470,494	470,494
Retained earnings	10,638	5,343
Total equity	<u>481,132</u>	<u>475,837</u>

5.3 Events subsequent to reporting date and other matters

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

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

DIRECTORS' DECLARATION

In the opinion of the Directors of BAC Holdings Limited:

- (a) the financial statements and notes set out on pages 55 to 89 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 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 (Cth); and
- (b) there are reasonable grounds to believe that the BAC Group will be able to pay its debts as and when they become due and payable.

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

Signed in Brisbane on 29 September 2017 in accordance with a resolution of the Directors:



David Peever
Director

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the shareholders of BAC Holdings Limited

Opinion

We have audited the **Financial Report** of BAC Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company 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 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- consolidated statement of financial position as at 30 June 2017;
- consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended;
- notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in BAC Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Corporate Governance Statement and Additional Information. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

INDEPENDENT AUDITOR'S REPORT (continued)



We are required to report if we conclude that there is a material misstatement of this Other Information. Based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

Matthew McDonnell
Partner

Brisbane
29 September 2017

LEAD AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of BAC Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of BAC Holdings Limited for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Matthew McDonnell
Partner

Brisbane
29 September 2017

ADDITIONAL INFORMATION

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

Registered office:

11 The Circuit
Brisbane Airport
Queensland 4008
Australia

Telephone: +61 7 3406 3000

Email: info@bne.com.au

Web address: www.bne.com.au



