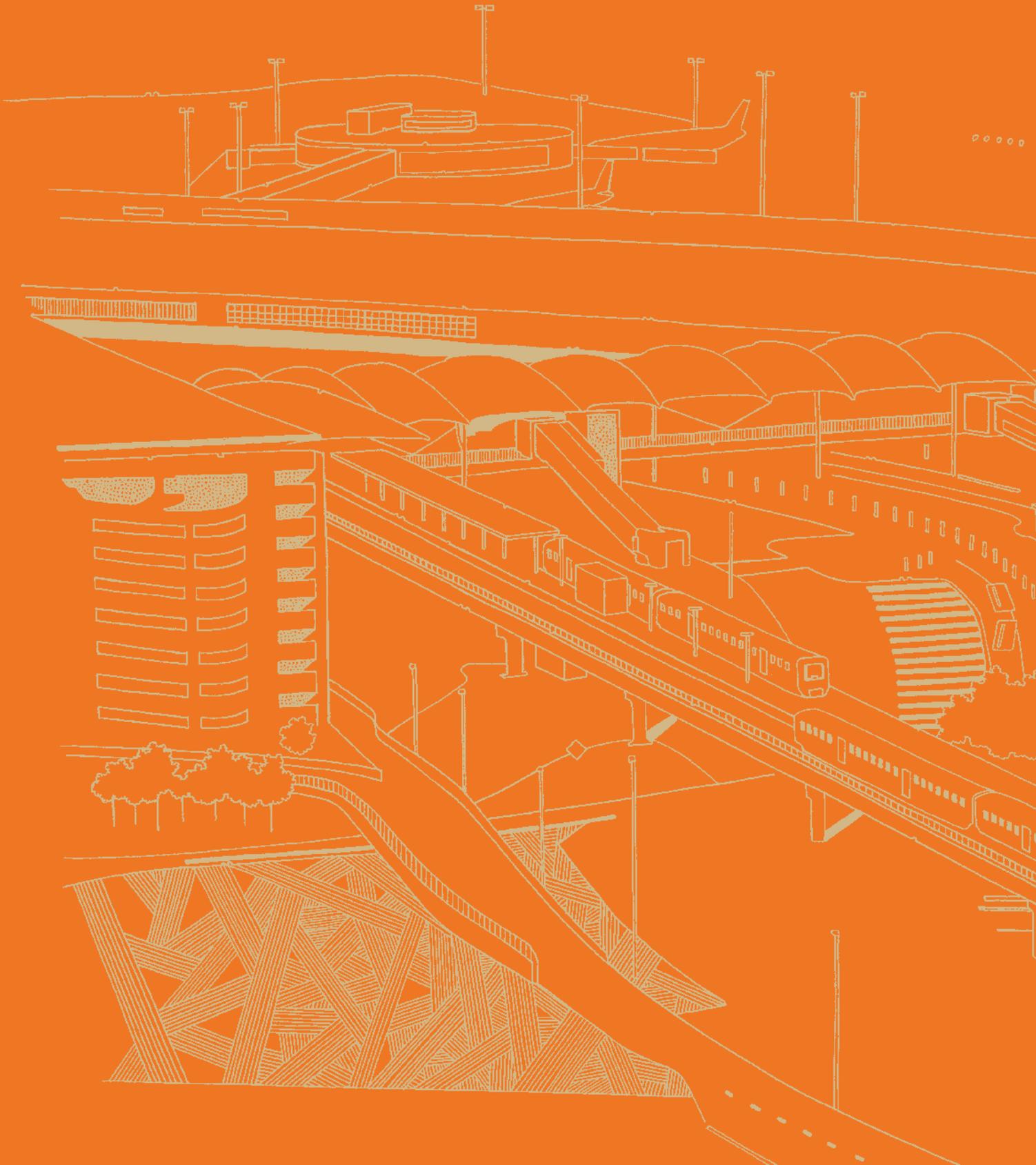


ANNUAL REPORT 2015

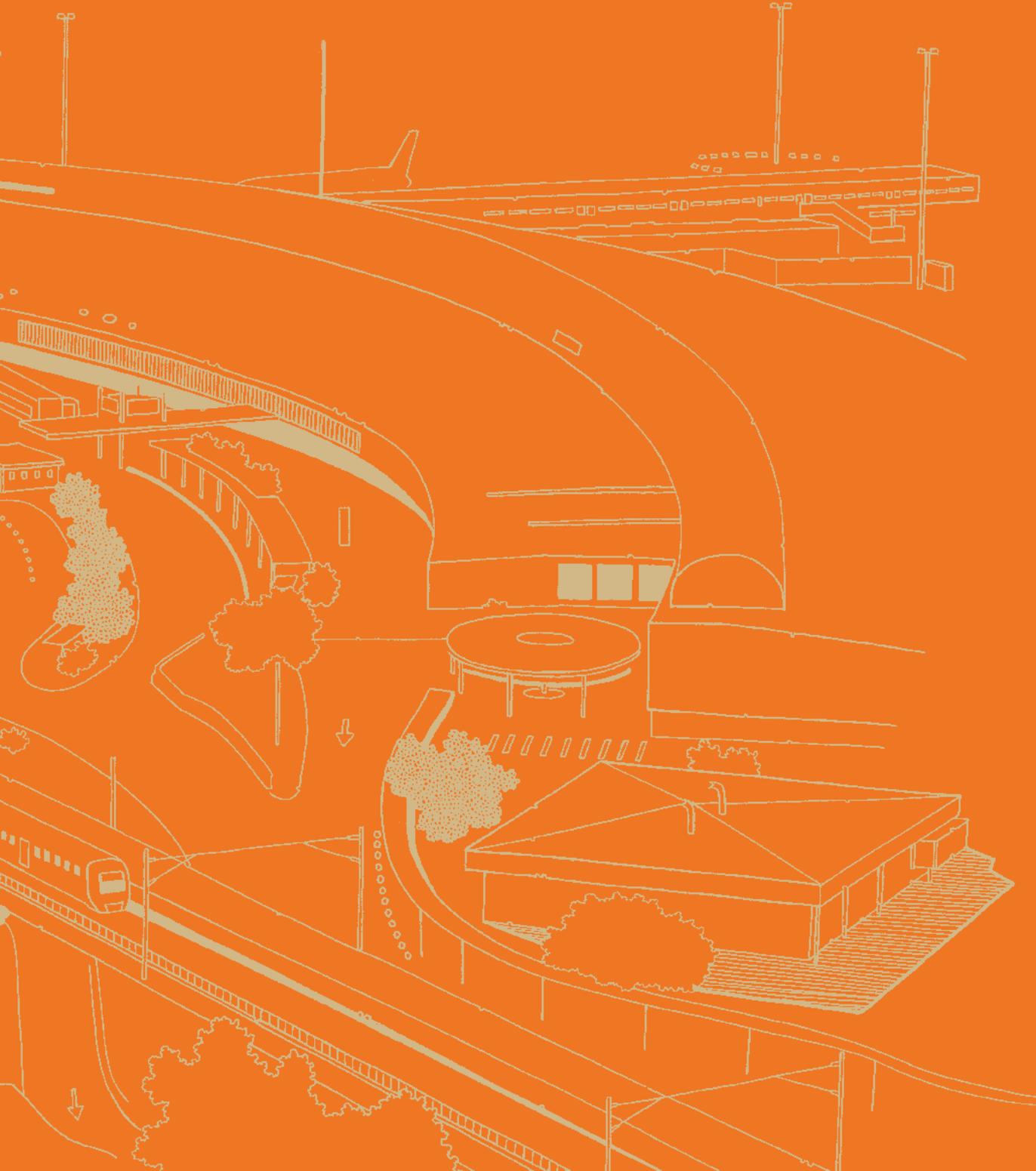
THE JOURNEY CONTINUES

Brisbane Airport Corporation has entered into an exciting delivery phase on a number of major projects, which combined, are literally transforming the airport precinct and bringing the corporation's 'world-best' vision to life.



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ABOUT BRISBANE AIRPORT

.....
Brisbane Airport Corporation Pty Limited (BAC), the operator of Brisbane Airport (BNE), is a proud, private, non-listed 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 servicing 27 airlines flying to 69 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 more than 22 million passengers travelling through the airport in FY15.

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 transport hub.

Currently 420 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 around 21,000 people, a number expected to exceed 50,000 (the size of a regional town) by 2029.

With passenger numbers also forecast to more than double by 2034, BNE is on the cusp of the most exciting phase in its history which will see more than \$3.8 billion privately invested over the next decade to build critical infrastructure at the airport. Projects include a New Parallel Runway, new car parks and access facilities, terminal expansions, road upgrades, new aprons and aeronautical facilities and a number of new commercial buildings.

In acknowledgment of BAC's efforts, BNE is consistently recognised as a leading airport nationally and internationally including being named Capital City Airport of the Year in the 2014 Australian Airports Association National Awards and rated as Australia's No. 1 airport for quality of service 11 years in a row in an ACCC survey.

In the 2015 Skytrax World Airport Awards, BNE was 1st for World's Best Airport Staff (Australia/Pacific), 2nd for Best Airports (Australia/Pacific), and 3rd for Best Airports in the World (servicing 20-30 million passengers). BNE is also ranked 20th in the World's Top 100 Airports list.

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

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

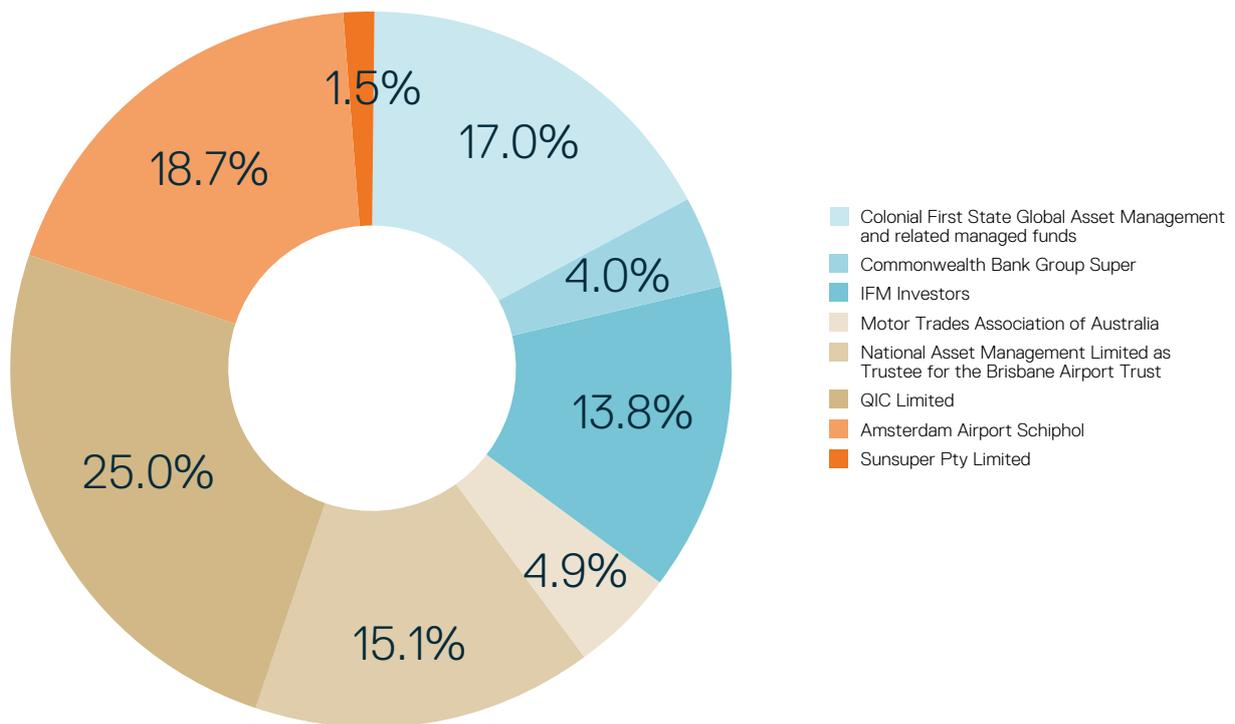
VALUES

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

Operating 24 hours a day, seven days a week, BNE has two major terminals servicing 27 airlines flying to 69 domestic and international destinations.



Ultimate Ownership structure





BRISBANE AIRPORT SNAPSHOT

Airlines



Destinations



Air New Zealand

Air Niugini

Air Vanuatu

Aircalin

Alliance Airlines

Cathay Pacific

China Airlines

China Southern Airlines

Emirates

Etihad Airways

EVA Air

Fiji Airways

Hawaiian Airlines

Jetgo

Jetstar

Korean Air

Nauru Airlines

Philippine Airlines

Qantas

QantasLink

Regional Express

Singapore Airlines

Solomon Airlines

THAI International

Tigerair Australia

Virgin Australia

Virgin Samoa



With passenger numbers forecast to more than double by 2034, BNE is on the cusp of the most exciting phase in its history which will see more than \$3.8 billion privately invested over the next decade to build critical infrastructure at the airport.

	DESTINATIONS	FREQUENCY*
DIRECT DESTINATIONS FY15		
INTERNATIONAL		
Asia	8	100
New Zealand	5	92
Pacific	9	58
North America	3	21
Middle East	2	21
Total	27	292
DOMESTIC		
Total	42	1,626

*frequencies per week, one way

Passengers	2012/13	2013/14	2014/15
INTERNATIONAL	4,548,868	4,817,882	5,080,867
Growth	0.9%	5.9%	5.5%
DOMESTIC	16,842,523	17,054,939	16,948,987
Growth	2.1%	1.3%	-0.6%
Transits/transfers	212,415	221,273	245,610
Growth	14.9%	4.2%	11.0%
Air Cargo (tonnes)	2012/13	2013/14	2014/15
INTERNATIONAL IMPORTS AND EXPORTS	46,871	45,869	43,906



CHAIRMAN'S MESSAGE

BAC Holdings Limited and its controlled entities (‘BACH Group’) had a successful 2015 financial year.

A number of notable highlights were achieved including:

- 5.4% growth in international passenger numbers.
- Revenue of \$611.0 million was up by \$46.3 million (8.2%) on the prior year.
- EBITDA of \$452.3 million was up by \$42.7 million (10.7%) on the prior year.
- Profit before tax of \$228.4 million was up by \$114.2 million (100%) on the prior year.

The \$2.2 billion capital expenditure programme continued with \$462.5 million being spent on growth of the airport in the 2015 financial year. The majority of expenditure related to the New Parallel Runway project as phase one reached its successful completion – ahead of schedule and under budget.

Despite the ongoing challenging economic environment, BACH Group's stable and diversified revenue streams are significant competitive advantages to build on in the 2016 financial year.

During the 2015 financial year, BACH Group completed its funding strategy to diversify the debt maturity profile, decrease the refinancing risk and diversify funding sources. These initiatives included:

- In October 2014, we went to the US Private Placement Market (‘USPP’) market raising A\$283 million. The funds were issued over four tranches diversifying BACH debt maturity profile.
- In March 2015, we established a European Medium Term Note (‘EMTN’) programme which is now listed on the Singapore Stock Exchange. The EMTN market will serve as an alternative to the Australian domestic market and the USPP market. In addition, having an established EMTN programme allows us to be opportunistic during strong market conditions.

The financial performance of BAC during FY15 was matched by significant achievements in its operation of a world class airport for Australia. As is described later in this Annual Report, the G20 provided a unique opportunity for the team to demonstrate its planning and service excellence and for the role of the airport in the broader economic and social life of the city and country to be showcased. On behalf of the board I congratulate management and staff for their achievement.

Over the next decade the capacity of Brisbane Airport will double. The project that will underpin that growth; the New Parallel Runway, is of national significance. Other projects, including the refurbishment of the International Terminal, upgrades at the Domestic Terminal, the commencement of the development of two hotels in the domestic precinct, excellent progress in the marketing of development sites, and others, are hallmarks of a forward thinking, responsible business.

Hand in hand with this investment in facilities has been an increased investment in securing new airline services and building a diverse portfolio of airline partners. The announcement of new services to Japan, Canada, China and New Zealand marked what was a very successful year for the aviation part of the business and the more aggressive approach BAC will take into the ongoing development of aviation services.

Critical to continued strong performance of BAC, and of the airport itself, BNE, is a supportive regulatory and policy environment across all levels of government. The success of Australia's privatised airports in delivering increased investment in public facilities and better services to the public is the strongest possible endorsement of the light handed approach which has marked the last decade. This must continue in the coming decade and beyond.

Bill Grant
Chairman of the Board



CEO AND MANAGING DIRECTOR'S MESSAGE

.....

Airports are key players in the economic, social and cultural growth of the cities and communities of Australia.

.....

Never has this been more evident than during the G20 Leaders' Summit hosted by Brisbane in November last year.

The role played by Brisbane Airport, in partnership with all levels of government, extended beyond its flawless execution of the arrival and departure of 26 world leaders and their entourages, to leverage the event for future opportunities.

Our status as a truly world class international airport, our investment in major new infrastructure, our role in bringing essential new air capacity to Brisbane, and our partnership with government to drive trade, investment and tourism, was at the centre of the message delivered by BAC to the world during the G20.

I am tremendously proud of the way BAC delivered its part of the G20 programme. It was exceptional.

Whilst perhaps not as high-profile as a global meeting of world leaders, BAC's achievements in other major projects this year were equally impressive.

The redevelopment of the International Terminal was largely completed by the end of the financial year and has already begun delivering strong commercial returns.

Important too has been the way the project has met our vision to position BNE as a truly international standard airport while retaining, and indeed increasing, a very strong sense of place.

The New Parallel Runway (NPR) project passed significant milestones this year which have seen it remain on time and under budget, whilst garnering well deserved recognition by receiving The Queensland Engineering Excellence Award for Environmental Management. This project is a text book example of environmental care and financial management.

The balancing of commercial and social good in what projects we deliver, and the way we deliver them, demonstrates BAC's belief that supporting our local community is vital. Our opportunity to grow as a business rests on our community's willingness for us to grow.

Recognition of our efforts and achievements can be measured many ways, not least through the many significant national and international awards received. These included being named Capital City Airport of the Year in the 2014 Australian Airports Association National Awards, rated as Australia's No. 1 airport for quality of service 11 years in a row in the annual ACCC survey and being the winning airport for World's Best Airport Staff (Australia/Pacific) in the prestigious 2015 Skytrax World Airport Awards.

These are as good an indicator as any that BAC is a highly regarded and respected company and that BNE is one of the best airports of its size in the world.

Our focus on growth has not been pursued without a very strong understanding of the economic circumstances which impact our markets and our customers. FY15 saw a small decline in domestic passenger numbers and with rapid recovery unlikely in the short term, we will continue a judicious and balanced approach to sustainable growth in the future.

But regardless of any economic headwinds we have stepped up our pursuit of new services for BNE and the year saw some very important and notable achievements, particularly on international routes.

During the year we announced partnerships which will see new Tokyo and Vancouver services for BNE. These will deliver significant new capacity into Brisbane, open up new markets and take us closer to our ambitions for BNE.

They were off-set by the, perhaps not unsurprising, departure of Malaysia Airlines and Garuda Indonesia from our skies, but overall the signs for the future are very positive.

I thank the Board and shareholders for their support throughout the year and congratulate the BAC team, our many partners and the whole airport community on a highly successful, and memorable, year.

Julieanne Alroe
CEO and Managing Director



OUR FINANCIAL PERFORMANCE AT A GLANCE

STABLE REVENUE STREAMS AND SOLID OPERATING PERFORMANCE

BAC Holdings Limited (BACH), the owner and operator of Brisbane Airport Corporation Pty Limited (BAC), has demonstrated consistent growth since the privatisation of the airport in 1997.

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 FY15 of 8.3 per cent. Since privatisation in 1997, total passengers have grown from 10 million to more than 22 million in FY15.

BACH has historically generated a stable and diversified revenue stream with highlights in FY15 including:

- Aeronautical revenue of \$244 million (excluding Government mandated security charges of \$27 million) represents 40 per cent of revenue.
- Landside transport revenue, which includes car parking and car rentals, contributed \$119 million, or 19 per cent to revenue.
- Retail revenue of \$67 million represents 11 per cent of revenue.
- Investment property revenue totalling \$69 million, with the majority being long term leases to quality tenants, comprised 11 per cent of total revenue.
- Operating property revenue, which includes the terminals, contributed \$43 million or 7 per cent of total revenue.
- Other revenue of \$43 million, including recharged utilities and interest received, represents 7 per cent of total revenue.
- Government mandated security charges total \$27 million 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 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.

To complement its efficient operations, BAC's partnership approach with airlines, retailers and commercial tenants involves performance and risk-sharing incentives designed to minimise risk while ensuring steady revenue growth.



* excluding Government mandated security charges of \$27 million



THE YEAR IN REVIEW FY15

July 2014

- New \$12 million BNE Service Centre opens. **A**
- BNE achieves 6 per cent growth in international passengers in FY14.
- Announcement of \$150 million hotel development including a 5-star hotel (Pullman), 3.5 star hotel (Ibis) and a Conference and Meeting Centre to be built at BNE.



- BAC Highly Commended for the Runway Overlay project in the Project Management Category for the Queensland Engineering Excellence Awards.
- BAC distributes \$20k in grants to 45 community groups as part of its annual \$1 million+ partnership and philanthropic programme.



October 2014

- BAC CEO and MD Julieanne Alroe **F** named Business Person of the Year in the 2014 Lord Mayor Business Awards.



- BAC judged best Corporate Citizen in the 2014 Lord Mayor Business Awards.
- BAC named Best Tourism Provider in Brisbane's Inclusive Community Champions Awards for its Assistance Animals facilities.
- BNE celebrates the cutting of the final wick drain for the New Parallel Runway.
- Virgin Australia commences daily services between BNE and Los Angeles.

August 2014

- BAC releases its revamped airport App to market.

September 2014

- BAC hosts Brisbane Lord Mayor Graham Quirk and Civic Cabinet visit. **B**
- BAC hosts Queensland Premier Campbell Newman and State Cabinet visit. **C**
- JR/Duty Free opens its doors at BNE International. **D**
- BAC and Shanghai Airport Authority sign collaborative MOU aimed at strengthening key relationships and boosting aviation links between Australia and China. **E**
- BAC wins Excellence Award (Environmental category) in the Queensland Engineering Excellence Awards for Phase 1 of the New Parallel Runway.



November 2014

- BNE facilitates the arrival/departure of 26 world leaders for the G20 Summit with 100 per cent safety and exceptional on-time performance.
- BAC priced its fourth offering in the US Private Placement market, issuing US\$250 million (equivalent) of Senior Secured Notes.
- BAC wins Compliance Team of the Year Australia and Compliance Team of the Year Overall in the GRC Institute's Annual Awards.
- BNE named Capital City Airport of the Year in the Australian Airport Association annual awards. **G**



G

December 2014

- Repco signs major warehouse lease at BNE.
- Final sand-pump on BNE's New Parallel Runway site completed two months ahead of schedule.
- Qantas announces direct BNE-Tokyo (Narita) flights from 1 August 2015.
- Jetstar launches services between BNE and Honolulu.
- BAC awarded Australia's first Green Star – Communities rating by The Green Building Council of Australia.
- Major new 'Keep the Sunshine' artwork by Sebastian Moody unveiled at the International Terminal. **H**



H

January 2015

- BNE achieves Level 1 Mapping Airport Carbon Accreditation certificate from Airports Council International.
- BNE records 5.5 per cent growth in international passengers, with more than 4.92 million international travellers in 2014.

February 2015

- BAC welcomes approval of Master Plan by the Federal Minister for Infrastructure and Regional Development.
- BAC backs Queensland tourism with major event sponsorship of the Liverpool FC visit to Queensland.
- BNE records the fastest rate of growth of any capital airport in Australia in December/January with a 7.1 per cent increase in international passengers (or an additional 62,700) over the two months.

March 2015

- BNE receives top honours in the World's Best Airport Staff (Australia/Pacific) category in the prestigious 2015 Skytrax World Airport Awards.
- BNE ranked 2nd for Best Airports (Australia/Pacific) and 3rd Best Airport in the World servicing 20-30 million passengers in the 2015 Skytrax World Airport Awards.
- BAC launches trial of Australia's first digital departure card. **I**
- Jetgo begins BNE-Tamworth services.



I

April 2015

- BNE the highest rated airport for quality of service in annual ACCC Survey for 11th consecutive year.
- Construction begins on new Aviation Australia education campus at BNE.
- Qantas celebrates 80 years of international service from BNE.

June 2015

- BAC launches AIRPARK, a new open air parking product with bus connections to both terminals.
- Etihad Airways launches daily non-stop flights between BNE and Abu Dhabi with new Boeing 787-9 Dreamliner. **J**
- BAC seeks Expressions of Interest for world class Auto Mall precinct at BNE.
- Jetgo announces services between BNE and Dubbo.
- BAC named GCF Corporate Philanthropist of the Year. **K**
- BNE achieves 0.7 per cent passenger growth in FY15 with 85.7 per cent of flights arriving/departing on-time in FY15, an improvement from 81 per cent in FY14 and above the national average for on-time performance for Australia's capital city airports.



J



K



THE YEAR IN REVIEW FY15

G20 AT BNE

Facilitating the arrivals and departures of World Leaders for G20, held mid-November 2014, was the most important logistical event of BNE's history.

Ensuring business continued as usual at the airport while providing a safe and efficient experience for Heads of State and their delegations were key priorities for BAC.

Together with partners from Airservices, Menzies Aviation, Customs and Immigration, the G20 Taskforce, Queensland Police Service, ISS Security Services, Corporate Protection Australia Group and the Australian Federal Police, BAC achieved these goals.

Notably, on-time performance for BNE throughout the G20 long weekend averaged 81 per cent despite the additional pressure on the system and poor weather conditions in southern capitals.

Other interesting BNE G20 facts include:

- All movements and logistics were managed with 100 per cent safety and security result.
- BNE handled around 70 G20 aircraft.
- There was a core BAC team of 25 running G20 planning with an extended team, including airside operations and terminals, of 50 people.

- The maximum handling time for state aircraft (from pull up blocks, disembarkation, baggage removal, aircraft servicing, towing and parking) was 45 minutes.
- The two peak periods experienced were: Friday 14 November when Russia, Germany, China and Canada arrived in a 90 min period, and Sunday 16 November afternoon with the arrival of six motorcades within 30 minutes.
- The biggest G20 aircraft at BNE was the Boeing 747-400 used by China, Saudi Arabia, Japan, Korea and India.
- The smallest G20 aircraft was a Falcon business jet used by Argentina.
- The biggest single motorcade was Russia with 27 cars.
- There were four separate special event zones across the airport.







INVESTING IN THE FUTURE

.....
Since privatisation BAC has spent \$1.5 billion on infrastructure and over the next decade we're investing a further \$3.8 billion, improving and adding to our airport precinct.

Infrastructure construction continued on many fronts during the year with more than 100 asset projects underway or delivered during FY15 including:

.....

THE NEW PARALLEL RUNWAY

As the largest aviation infrastructure development of its type in Australia, BNE's New Parallel Runway (NPR) is a nation-building project.

With the NPR located two kilometres west of the existing main runway, the project includes a runway 3.3 kilometres long, 60 metres wide, linked to the terminals and existing system by many kilometres of taxiways, navigational aids, airfield infrastructure and hundreds of hectares of airfield landscaping.

Scheduled for completion in 2020, the NPR 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.

BAC's dredge contractor, Jan De Nul, deployed one of its largest trailer suction dredges, the *Charles Darwin*, to deliver nearly 11 million cubic metres of sand to the NPR site within the period June to December 2014. The works, which included the engineered placement of the sand, installation of more than 8 million linear metres of vertical drain treatment (wick drains), and more than a thousand settlement monitoring plates across the 360ha site, the erection and dismantling of a temporary dredge mooring and kilometres of steel pipeline, achieved practical completion in June 2015.

The consolidation of the site is being monitored closely to track its progress against the geo-engineered design model. The effective completion of Phase 1 works is when the ground consolidation process, expected to take up to three years, has achieved suitable settlement for the excess sand surcharge to be pushed off and construction of main pavement and airfield infrastructure to begin.

Jacobs was appointed as the NPR Phase 2 designer in January 2015 and concept design was finalised by June 2015 with detailed design and documentation progressing. Phase 2 is planned to be delivered as three main contract packages including the Seawall and Early Site Access Works, the Dryandra Road Diversion Works and the Airfield Works.

INTERNATIONAL TERMINAL REDEVELOPMENT

The \$45 million redevelopment of the International Terminal is the most ambitious redevelopment embarked on since the terminal was first opened in 1995.

Due for completion in October 2015, the project includes a 7500 square metre internal refurbishment of the arrivals and departures halls which was successfully undertaken in conjunction with all government departments and other stakeholders.

The project was rolled out in stages over 20 months to ensure continuity of operations in an International Terminal that operates 24/7.

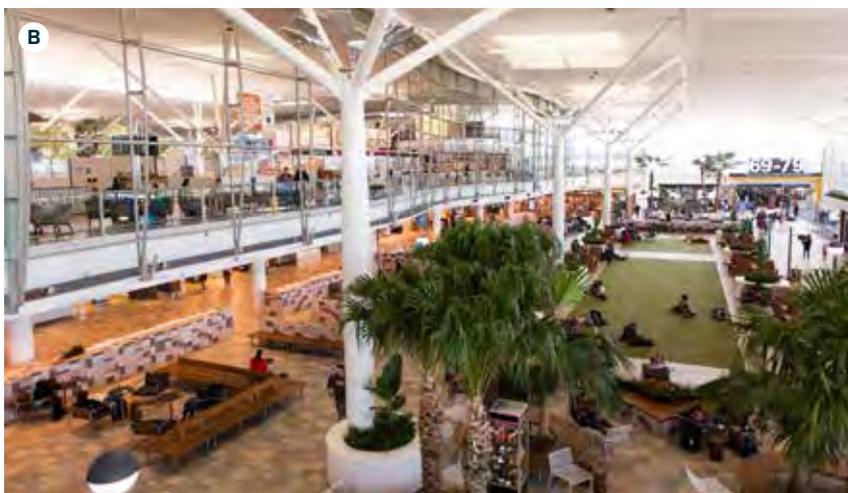
As the largest aviation infrastructure development of its type in Australia, BNE's New Parallel Runway (NPR) is a nation-building project.

With the goal of creating 'the world's most liveable airport' the redevelopment included a new themed departures lounge, incorporating a sense of place that is uniquely Brisbane; new walk through Duty Free stores for both departures and arrivals zones; new specialty retail and food and beverage outlets offering the best of local produce and products; improved way finding for passengers and unrivalled views of aviation activity on the tarmac.

Every part of the redevelopment was carefully designed to leverage the unique character of Brisbane and Queensland, with a specific focus on our enviable outdoor lifestyle. It was all about creating an environment that encapsulated the personality of Brisbane and Queensland and was memorable, engaging, intriguing and a place people wanted to return to.

Queensland artists were selected to provide key pieces within the redevelopment and local materials were used for a variety of aspects to support Queensland and Australian suppliers. The stunning fit out features locally sourced stone, timbers, fittings and plants which define dedicated dwell, work and relaxation areas.

Not only was the project designed to provide a world-class customer experience, it was about creating a world-class shopping precinct that appeals to passengers from both the traditional and emerging markets to boost non-aviation revenue for BAC.



A. Aerial view of Brisbane's New Parallel Runway site

B. BNE's redeveloped International Terminal is world-class

INVESTING IN THE FUTURE

AERONAUTICAL SERVICES AND FACILITIES

- Significant apron expansion used for aircraft parking, refuelling and boarding at the Domestic Terminal, including the completion of the additional apron at the southern end of the terminal.
- Planning for significant Domestic and International Terminal projects to respond to increasing passenger demand and concept designs to prove the next stages of development for the Domestic Terminal Precinct.
- Expansion of the International Terminal Northern Concourse. Design is also currently in progress for an additional three apron bays at the northern end of the terminal.
- Completion of the Domestic Common User Terminal upgrade project including eight new common use self-service check-in kiosks and automatic bag drop units.
- Installation of 80 new self-service check-in kiosks and 16 new automatic bag drop units as part of a trail on Level 4 of the International Terminal.
- Development underway for three new airline lounges on Level 3 of the International Terminal including escalator access between Levels 3 and 4.
- Significant development and expansion of the satellite at the southern end of the Domestic Terminal including seven new aerobridges completed.
- Expanded and upgraded Virgin Australia Business lounge and Valet service at the Domestic Terminal.
- Domestic Terminal roof refurbishment.

NON-AERONAUTICAL SERVICES AND FACILITIES

- Two new remote central public and staff car park facilities designed and under construction to provide further alternatives for public car parking and to meet staff car parking demand at BNE.
- Design and construction of upgraded retail facilities in the Domestic Terminal.
- Cycle tracks and pedestrian access upgrades across the airport.
- Additional Transfer Bus stops for public and staff access to facilities.
- Rollout of additional utility infrastructure including HV power, water, sewer and communications.
- Major expansion to the DFO facility at Skygate including 30 new stories, commercial offices, a multi-level car park and alfresco dining.

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 FY15, BNE Property continued to attract new developments with a number of key announcements and projects including:

- Hayman's Electrical Warehouse
- Direct Factory Outlet (DFO) stage 4 expansion and Skygate Village connection
- Multi-level car park at Skygate
- Aviation Australia Training facility
- Two hotels and a conference centre for the Domestic Precinct
- Airport Freight Complex building development
- Hellman's Warehouse expansion
- Announcement of a new Auto Mall precinct and request for Expressions of Interest from the Property and Automotive Industries to join us in developing a world-class facility at BNE.

The land development strategy has moved into implementation phase with plans, design and works underway for Airport Industrial Park stage 1 and the International Precinct.



A. Artist's impression of the Brisbane Airport Hotels and Conference Centre development
B. Southern apron expansion at the Domestic Terminal



OUR PEOPLE

At BAC we know our greatest asset is our people, because it's 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 the total number of people employed through BAC, including major contractors looking after security, cleaning, landscaping and car parking facilities is around 1,200.

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. Over \$900,000 is spent annually on L&D activities, with all BAC employees attending at least one training and development activity each financial year, and more than 83 per cent attending an external programme.

STAFF ENGAGEMENT

We are very proud and protective of our culture and embrace the motto 'make the most of life' which recognises that working at BAC is more than just a job; it is about a way of life and about being your personal best.

This year 92 per cent of employees took part in our biannual Employee Opinion Survey, with an overall staff engagement rating of 79 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'.

INDIGENOUS RECRUITMENT AND RECONCILIATION

BAC recognises the need to support the employment of Aboriginal and Torres Strait Islander Australians. Lifting education, workforce readiness and ultimately, participation, for Aboriginals is a key priority for the business.

As part of our commitment, BAC is a sponsor of an Indigenous Scholarship Programme in partnership with QUT with the aim of increasing Indigenous employment.

BAC is also aiming to contribute meaningfully to 'Closing the Gap' by demonstrating how true reconciliation can be achieved between Aboriginal and Torres Strait Islander people and fellow Australians through the development of a Reconciliation Action Plan (RAP).

The RAP demonstrates our vision for reconciliation, in partnership with the Turrbal people of Brisbane, in facilitating strong and productive relationships and a chain of connections between Aboriginal people, the airport community, visitors to Brisbane and the wider Australian community.

RECOGNITION

As part of our 'make the most of life' philosophy, we are committed to creating a culture that rewards and motivates individuals to achieve a high standard of performance. Within this framework, it is recognised that building a high performance culture also relies on creating reward structures that encourage and motivate the contribution and achievement of individuals.

To achieve this, BAC's diverse reward and recognition programme is designed to give managers full flexibility in recognising the various achievements of staff. BAC encourages and rewards great performance, with all staff at BAC regardless of their position eligible for a performance based bonus each financial year.

HIGH FLYERS REWARD AND RECOGNITION SCHEME

The 'High Flyers' reward programme is designed to recognise those instances of above and beyond performance, leadership, safety awareness or innovations that are not necessarily taken into consideration during the annual performance review process. The High Flyer scheme allows managers the flexibility to regularly recognise the performance of their staff in a timely manner, as well as allowing other Groups within the business to provide recognition and rewards to staff outside of their area.

As part of BAC's 'make the most of life' philosophy, we are committed to creating a culture that rewards and motivates individuals to achieve a high standard of performance.

WORK HEALTH AND SAFETY

Work Health and Safety (WHS) remains a key priority driven by the highest levels of leadership at BAC. This was demonstrated in FY15 with the continuation of the 'Chairman's Award for Safety' and the introduction of the 'CEO's Safety Award', both of which were presented during Airport Safety Week (September 2014). BAC Senior Managers and the Board lead by example through a series of safety activities including safety walks, participation in WHS monthly meetings and toolbox talks with staff.

This leadership focus is supported by an AS4801 accredited WHS management system which ensures that processes and tools are developed, implemented and maintained to deliver on our safety vision. BAC has successfully maintained the accreditation of our safety management system with SAI Global since October 2010.

In its pursuit of providing world-best safety outcomes in a practical and streamlined way, BAC is continually improving its processes and technology platforms aimed at delivering a simplified product for employees and contractors.

There was an increased focus on individual health and wellbeing during FY15. Despite the challenges of managing health and safety in a diverse range of business areas, the vast majority of BAC workers have participated in at least one health and wellbeing activity in FY15. The Wellbeing Programme was recognised at the National HR Awards in 2015, with BAC being named a finalist in the 'Best Health and Wellbeing Initiative' category.

The WHS programme is now supported at every level of work, through a comprehensive health and safety leadership initiative rolled out to all staff and contractors in FY15. This increased focus on leading health and safety by example has resulted in the positive changes reflected in BAC's overall health and safety performance.



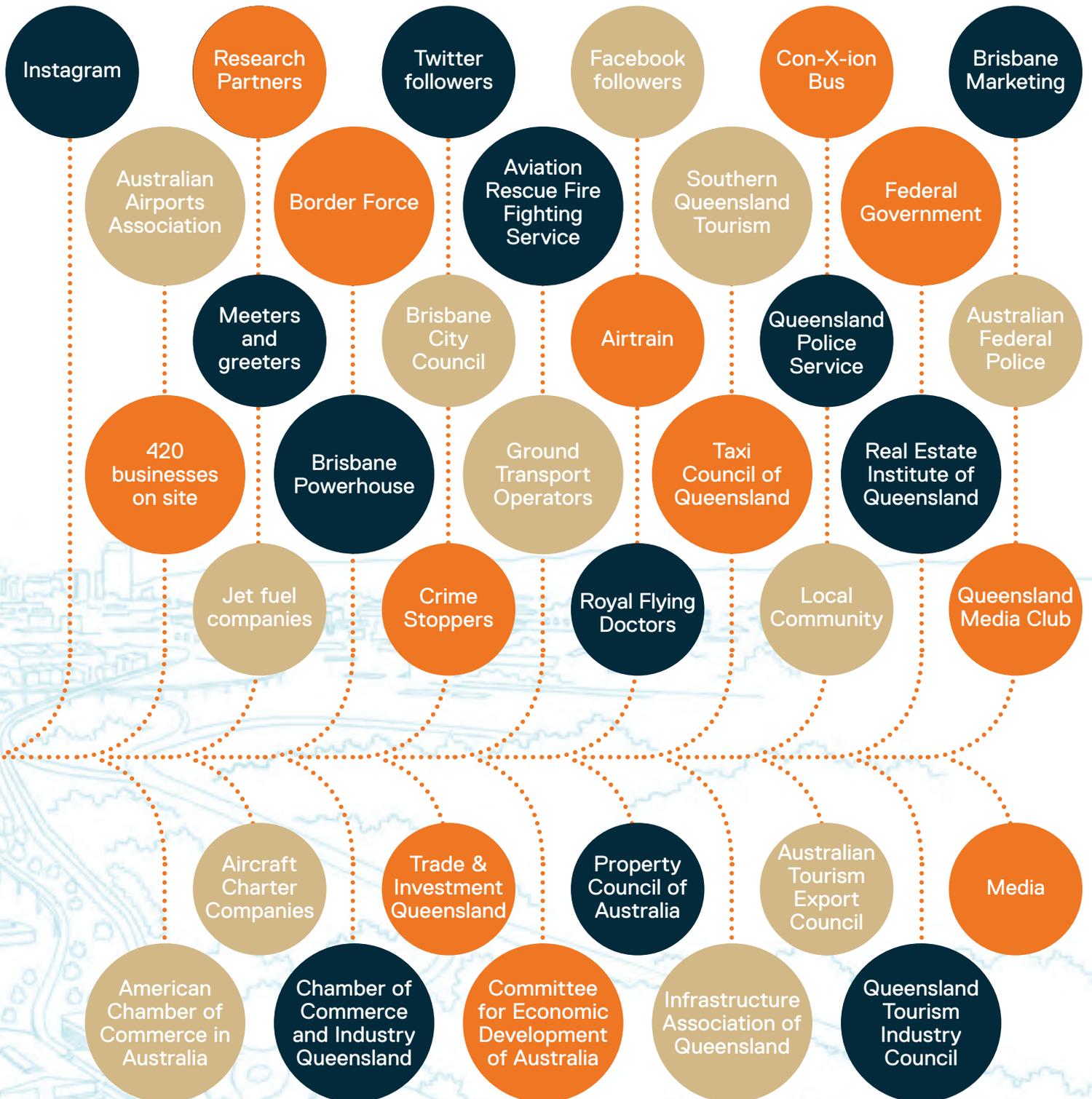
DIVERSITY

At BAC we value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives. By ensuring we have diverse skills and capabilities within our workforce, BAC is positioned to anticipate and fulfil the needs of our stakeholders and customers.

BAC's Diversity and Inclusion Programme 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.

By supporting and valuing diversity and inclusion in the workplace and striving to have an integrated Diversity and Inclusion Programme we're able to address potential areas of disadvantage that may be found in the workplace.

In all cases, BAC's aim is to build Brisbane's profile as a gateway to Australia; a flourishing business location and doorway to some of the world's best leisure destinations.





OUR COMMUNITY

Every day tens of thousands of travellers from across the region, the nation and the world transit through BNE.

While our network reaches far and wide, we are hugely conscious of the community in which we live – Brisbane.

We are committed to the Brisbane community because we're part of the Brisbane community. The nearly 22,000 people who come to work at the airport everyday are part of the community too. Our families live here, our children go to school here and we enjoy our beautiful city and all it has to offer like everyone else. That's why we are committed to connecting with our community and encouraging 'co-ownership' of BNE so we continue to build an airport that the people of Queensland are proud of.

SUPPORTING OUR COMMUNITY

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

This year BAC was named Corporate Philanthropist of the Year in the Queensland Community Foundation 2015 Philanthropist of the Year Awards.

Our major charitable partnerships include The Royal Flying Doctor Service, RACQ Careflight, Crime Stoppers and Surf Life Saving Queensland. We also provide sponsorship support to the arts, culture and professional sporting leagues in Brisbane including Brisbane Roar W-League Football Club, Brisbane Festival, Queensland Theatre Company, Brisbane Powerhouse, QAGOMA, La Boite Theatre Company, Camerata of St John's and Brisbane Philharmonic Orchestra to name but a few.

This year BAC introduced a new initiative, the **Brisbane Airport Community Giving Fund** to streamline the donation of cash grants to community organisations, community groups and schools in the Brisbane area as part of our ongoing commitment to supporting and engaging with the local community.

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

- 1. The Giving Fund:** cash grants to community groups providing health and wellbeing, safety, sport, education, environment or other community benefit initiatives.
- 2. Brisbane Airport Schools Fund – Growing Together:** cash grants to assist schools create positive learning environments for students.
- 3. Lunch and Learn:** opportunity for students or young entrepreneurs to spend time with a leader in the aviation industry. This category does not include cash grants but rather an opportunity to learn.

The initiative has been extremely successful with about 100 small to medium community groups benefitting from individual cash grants this year.

COMMUNITY ENGAGEMENT

We proudly continue to lead the way in engaging with our community through our multi-faceted *Community Engagement Programme*. This programme is dedicated to generating informed, ongoing and interactive discussion about airport development, aircraft technologies, potential impacts from increased aircraft operations and airspace management.

BAC manages the airport with a strong focus on community, sustainability, education, knowledge and economic growth, adopting world-leading technologies, systems and practices.

Initiatives of the Programme include:

Community Exchanges

Community Exchanges are hosted twice a year in BNE's neighbouring suburbs allowing members of the community to liaise directly with members of BAC's senior management and staff from Airservices Australia and airlines about any questions or concerns they may have.

Brisbane Airport Discovery Centre

Opened in 2010, the Brisbane Airport Discovery Centre was the first of its kind in Australia providing details about the airport's operations, multimedia presentations, interactive maps and unique software programs. Located at the Village Markets Skygate, the Centre is also available at bne.com.au/experience-centre.

This year approximately two million people passed through the Village Markets Skygate and a further 3700+ visited the online version.

Community Consultation

The Brisbane Airport Community Aviation Consultation Group (BACACG) is an independently-chaired meeting to promote community engagement between BNE and our surrounding communities. It focuses on issues relating to aircraft operations, airport development and aircraft noise. The BACACG includes members from federal electorates around BNE. It also includes representatives of the Queensland Premier, Brisbane Lord Mayor, as well as nominees from the major airlines, Airservices Australia and BAC. For more see bacacg.com.au.

Fairs, festivals and tours

We are proud to participate in and support local cultural and community activities that help make South East Queensland one of the world's great places to live, work and visit. This year BAC staff participated in four community festivals bringing information about the airport directly to the community. Free guided airport tours are offered to interested community organisations and schools with more than 50 groups and approximately 2,000 people attending a free BNE tour or presentation in FY15.

Coordinated planning

The Brisbane Airport Area Round Table (BAART) is a planning forum made up of representatives from federal, state, local government and BAC. As a result of this quarterly gathering other working groups, such as BACACG, are updated on the progress of planning issues including aircraft noise, airspace management and surface transport.

Similarly, the Brisbane Airport Technical Noise Working Group (TNWG) supplements the BACACG. Issues raised by 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.

There are also planning consultation groups focused on ground transport, environment, land use and aviation development as part of the Master Planning process.

A. BAC's Community Giving Fund helps organisations like Harmony Place continue its good work

B. BAC's free airport tours are very popular

C. BNE's Discovery Centre is located in the busy Village Markets at Skygate





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 BAC's impact on the environment and putting in place programmes that help us manage and minimise the long-term impacts of climate change and adverse environmental impacts from aviation and property development activities.

To ensure that BNE establishes itself as a leader in sustainability, BAC developed the BNE Innovation Hub. The BNE Innovation Hub is a new centre based at the airport to sponsor and coordinate aviation-related research in the areas of economic, environmental, social and operational sustainability.

There will be two main student associates, starting in March and July each year. The inaugural group includes projects on the optimisation of biogas digester feedstock and the feasibility of retrofitting the Domestic Terminal doors to reduce energy losses.

Other key achievements during FY15 include:

- Implementing BAC's Environmental Sustainability Action Plan.
- Achieving a 4 Star rating under the Green Building Council of Australia – Communities rating tool representing a Best Practice for master-planned developments in Australia.
- Attaining Level 1 Airport Carbon Accreditation under the Airport Council International (ACI) programme.
- Re-connecting with our local Traditional Owners with the development of a Reconciliation Action Plan.
- 15 energy efficiency projects have been completed so far in 2015 with projected annual energy savings of 2.6 GWh.

Table 1 outlines the achievement of environmental sustainability performance for FY15 with targets sourced from the BAC Environmental Sustainability Action Plan.



BAC is committed to treading lightly on the land and putting in place programmes 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

METRIC	FY15 ACHIEVEMENT
Environmental Sustainability Performance Benchmarking	EarthCheck Bronze Benchmarking achieved for second year running Energy, Greenhouse Gas, water consumption at Best Practice level compared to other airports of similar size and climate.
Energy consumed (GWh)	176
Amount of renewable energy generated by BAC (kWh)	295,000
Greenhouse Gas Emissions (t)	44,520
Potable water consumed on airport (ML)	784
Waste Recycled (t)	385
Ecosystem Health	Mangrove biomass stable Near threatened Lewin's Rail population stable Migratory shorebird abundance and species richness stable
Habitat Restoration	Transplantation of vegetation suitable for the Lewin's Rail in the Habitat Conversion Area
Sustainable Development Performance	Achieved a 4 Star Rating under the Green Buildings Council of Australia – Communities Rating Tool.

METRIC	PLANNED INITIATIVE FOR FY16
Environmental Sustainability Performance Benchmarking	Maintain EarthCheck Bronze Benchmarking certification
Energy and Emissions	Development of an Energy & Carbon Management Plan Achievement of Level 3 Airport Carbon Accreditation
Water Efficiency	Continue to reduce potable water consumption by undertaking leak detection
Waste and Recycling	Install a general waste compactor and a cardboard compactor at the southern end of the Domestic Terminal to increase recycling rates
Ecosystem Health	Continue ecosystem health monitoring in all Environmentally Significant Areas Monitor the progress of the relocated White-bellied Sea Eagle nest
Habitat Restoration	Undertake weed maintenance in the Lewin's Rail Environmentally Significant Area Monitor mangrove rehabilitation of degraded sites
Sustainable Development Performance	Ensure a 4.5 star minimum standard in new building design
Research and Innovation	Continue aviation based research out of the newly established BNE Innovation Hub.



OUR OPERATIONS

AVIATION PARTNERS AND NETWORK MAP





*Flights commencing June 2016

OUR OPERATIONS

AVIATION INDUSTRY OVERVIEW

Every day around 610 flights take off or touch down at BNE carrying more than 61,700 passengers to destinations as wide-ranging as Abu Dhabi, Alice Springs, Taipei and Thargomindah.

In FY15 international and domestic passenger numbers through BNE increased by more than 155,000 to exceed 22 million, representing a 0.7 per cent increase on FY14.

International review

International passenger numbers through Brisbane Airport (BNE) grew by nearly 260,000 to more than 5 million in FY15, representing a 5.4 per cent increase on FY14.

Every month saw an increase in international passenger numbers in FY15 with the greatest growth experienced in March 2015 when an additional 44,000 travellers (+ 12 per cent) came through the terminal.

Growth in passengers exceeded growth in supply with seats increasing by 2.6 per cent. The most notable seat capacity changes were made by Australian carriers: Jetstar with the launch of BNE–Honolulu services and Virgin Australia growing to daily frequency on the Los Angeles route.

Air Niugini, Emirates, China Airlines, Hawaiian Airlines and Singapore Airlines were some of the other carriers that increased flights or up-gauged aircraft on various routes in the last 12 months. One carrier ceased operations at BNE during the year: Garuda Indonesia in February 2015.

China was the fastest growing Asian market (+ 23 per cent), overtaking the UK to become BNE's third largest source market. These numbers were boosted by the busiest Chinese New Year on record, when visitors from mainland China were up 15 per cent on 2014 and up 300 per cent compared to 10 years ago.

Growth in the Japanese market was also significant (+ 37 per cent), validating the introduction of the daily Qantas Tokyo Narita service in August 2015.

The busiest day at the International Terminal was on 4 January with more than 19,000 arrivals and departures, exceeding the previous record by 1,201 passengers.

Looking ahead, the new Qantas Tokyo (Narita) – BNE services launching 1 August will be a key driver of the forecast growth in international passenger volumes in FY16.

New Air Canada BNE–Vancouver services starting mid-June 2016 are also expected to provide a boost at the end of the financial year.

Domestic review

Compared to strong positive changes in capacity in prior years (nearly 3.5 million seats added in the last three years), there was a reduction in seat availability in FY15 of 2.3 per cent or 540,000 seats, which contributed to domestic passenger numbers declining marginally (-0.6 per cent).

Some of the difference in supply can be attributed to flight cancellations around the G20 summit in November 2014 and several weather events – Cyclone Marcia in February 2015, a major rain event in New South Wales in April 2015, and a major Brisbane rain event in May 2015. A reduction in FIFO demand also contributed to reduced services and passenger numbers compared to previous years.

The reduction in supply assisted the airlines to achieve higher load factors, and the airport to achieve better on-time performance.

Monthly domestic passenger growth was recorded in four out of 12 months, including October 2014 when a new passenger record was set – more than 1.57 million travellers; up 24,913 on the prior record set in October 2013.

JetGo commenced scheduled services between BNE and Tamworth during the year, with Regional Express (REX) taking over regulated intrastate routes from Skytrans.

The busiest day at the Domestic Terminal was on 3 October with 62,227 arrivals and departures.

Every day around 610 flights take off or touch down at BNE carrying more than 61,700 passengers to destinations as wide-ranging as Abu Dhabi, Alice Springs, Taipei and Thargomindah.

Growing airline capacity – the China Strategy

As part of a broader suite of business development plans, BAC's comprehensive 'China Strategy' has gained momentum with a number of goals being achieved during FY15 including:

- Bilingual terminal signage being installed throughout the International Terminal, including static way-finding signs, and digital flight information signage.
- The signing of a Memorandum of Understanding between BAC and Shanghai Airports Authority to conduct cooperative activities in air services development and an Executive Training Exchange Programme.
- A staff exchange with Shanghai Airports Authority in late 2014, which saw a manager from Shanghai-Hongqiao Airport undertake a six week programme in Brisbane and a manager from BAC undertake a temporary placement at Shanghai-Pudong Airport.
- The delivery of a keynote address at the China Airport Development Congress in Chengdu, a high-level forum for Chinese aviation executives.
- Continued engagement with the Chinese business community in Queensland through the Australia China Business Council, the Chinese Consul General to Queensland and a variety of other activities.
- BAC personnel continuing to pursue additional direct airline capacity with airline marketing campaigns in Guangzhou, Shanghai and Chengdu.

SECURITY, EMERGENCY PLANNING AND AIRFIELD SAFETY

BAC is committed to ensuring a safe and secure environment at BNE and the security measures in place reflect the strict regulations specified by the Australian Government which are constantly monitored for compliance and reporting purposes.

Emergency preparedness is also a key focus for BAC and the training we do ensures we have the processes and procedures in place to manage incidents efficiently and effectively. This helps us increase our resilience, build greater confidence and remain well-practiced for emergency situations across people, processes and technology.



OUR OPERATIONS



Key projects and outcomes for security, airfield safety and emergency planning in FY15 include:

- Introduction and installation of new x-ray and scanning equipment to scan for liquid explosives at transit screening points making the passenger screening experience more user-friendly. This follows the relaxation in the current Liquids, Aerosols and Gels security legislation which now allows transiting and departing passengers to bring duty free liquids into the sterile area.
- Development of high threat level response strategies in relation to active armed offenders and low/non-metallic improvised explosive devices.
- Ongoing review of the Aerodrome Emergency Plan and redesign of the Incident Management Framework aimed at minimising the impact of emergency situations and ensuring business continuity.
- Development, planning and implementation of the G20 Summit security overlay ensuring safe and secure arrival and departures of international delegations associated with this high profile event.
- Ongoing security assessment of the airport's fence-line ensuring areas of higher risk and vulnerability were prioritised for repair and or replacement.
- Hosting of several full and part scale multi-agency exercises to test the arrangements to support the G20 Leaders' Summit and the interoperability between Australian and Queensland Government agencies and other relevant stakeholders.
- Facilitating the arrival/departure of world leaders during the G20 with 100 per cent security and safety outcome.
- Ongoing development and re-design of Noggin and mobile reporting system for incident and safety management.
- Completion of an external review of our Wildlife Hazard Management Plan in line with World Best practices, the International Bird Strike Standard for Aerodrome Wildlife Control.
- Implementation of a field research study and literature review of mud nesting wasp species on airport as part of BNE's Wildlife Hazard Management Plan.





PASSENGER SERVICES A FRESH WELCOME

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

We're achieving this through introducing digital innovations to increase efficiency and streamline processes, providing fully accessible services and facilities and working with our partners to providing consistent and flawless customer service across the board.

Access for all

Access for all is a key focus for BAC and we have a team dedicated to ensuring our terminals are compliant and all upgrades improve access and the overall airport experience for people with special needs.

Initiatives underway or completed this year include:

- Upgraded stairs and handrails to Domestic Terminal aerobridges.
- The installation of 'Step-Hear Audible' signs in the Animal Assistance facilities in both terminals.
- Upgraded accessible toilets and parent facilities at the International Terminal.
- Installation of hearing augmentation loops throughout the International Terminal.
- Upgraded visual emergency alarms at the International Terminal.
- Upgraded and improved way-finding throughout both terminals.
- Upgraded pedestrian crossings and paths at Domestic Terminal, including the Transfer Bus stops.
- Evaluating the installation of a 'Changing Places' facility, a unique accessible bathroom for those who are severely disabled.

Airport Ambassadors

Every week over 162 volunteer Airport Ambassadors rove the Domestic and International Terminals providing courteous, friendly and free assistance to travellers and visitors. BNE Ambassadors are often the first point of contact for arriving passengers and their mission is simple: to ensure travellers feel welcomed and informed about the airport, our city, state and country.

This year the Ambassadors played an integral role in representing the city and state during the G20 Summit, including being the first point of contact for Heads of State and delegates. They also ensured other passengers were provided a warm and informative welcome throughout a very busy period for the airport.

Airport infrastructure and 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 2012, BAC developed its first overarching Digital Strategy that is robust enough to evolve with the ever-changing digital landscape, positioning it as a world-best digital airport.

The Digital Strategy is BAC's plan of action to build a new, tangible, technology-enabled and technology-accessed environment that generates value for visitors to the airport. It is not a stand-alone strategic effort however; it is embedded into BAC's corporate vision to become a world-best airport with three distinct pillars: *grow connectivity, offer a unique customer experience and develop a business hub.*

Initiatives delivered under the Digital Strategy include:

- Releasing version 2 of the Brisbane Airport App (Android & iOs) including a world first initiative – the Digital Departure Card. The App has been downloaded over 120,000 times.
- Digital way-finding signage in the International Terminal.
- An interactive guidance system and on-line booking system for car parking which has amassed a customer database of over 100,000.
- E-commerce booking engines for theme parks and attractions and car rentals on our website www.bne.com.au.
- Providing eight hours/5000MB free Wi-Fi in the terminals.
- Providing iPads to Airport Ambassadors to assist passengers with any information they may need on arrival.
- Installing innovative self-check and baggage drop facilities at the Domestic and International Terminals, reducing check-in time by approximately 60 per cent.

Within this programme, the development of BNE's innovative 'Digital Departure Card' was one of the most satisfying and far reaching digital developments undertaken by BAC. It created local and international interest, reinforcing Brisbane and Queensland as a leader in innovation.

THE CONNECTED TRAVELLER

Social Media plays a critical role for BAC for direct engagement with our community, customers and media.

We have had significant audience growth on all platforms during the year with key events boosting our following and reach.

All major national and media outlets follow and engage with our targeted messages and we continue to form close partnerships with BAC partners and sponsors to leverage our involvement in the Brisbane community.

Our primary goal is to improve the travel experience for our passengers and encourage positive conversation for our brand. We focus on stretching media coverage and key messages on our social media platforms. The platforms are also a key communication tool for crisis management.

The G20 activation put us on the map in the media during November 2015 with our content being picked up by major media networks and tourism bodies.



The year in numbers

Twitter – Our twitter profile has all major Australian media outlets following and an audience of 11,000. Our messages were shared by this audience to more than 26 million others. This was due to the G20 coverage and key media events.

Facebook – BNE's Facebook fan growth was 40 per cent on 2014. Our current audience is 39 000 fans with posted content being viewed by 1.3+ million people.

Instagram – BNE's Instagram account has the most followers for Australian airports (double our competitors) with a total of 4607 followers. This is a 223 per cent increase of followers from last year. Our engagement (likes/reach) on content has been 66,500.

Linked in – Our audience is 4815 which is a 78 per cent increase on FY14. Three quarters of this audience is Manager/Senior Manager level and 13 per cent Director/Vice President level. Our content was viewed 350,000 times during the year.

You Tube – BNE's You Tube channel focuses on bringing to life the diversity of BNE. Our major infrastructure developments are promoted and used to educate the community on works being undertaken by BAC. Our total views for the year were 39,800+ with the most popular being the New Parallel Runway, the G20 Summit and BNE's Major Infrastructure videos.



A. Team of dedicated Airport Ambassadors volunteer more than 22,000 hours a year assisting passengers at BNE

B. BAC's award winning App now offers a world-first Digital Departure Card function

PASSENGER SERVICES

A FRESH WELCOME



A. Cultural liaison and staff training is a key focus for BAC

B. Recently launched AIRPARK is a popular option for travellers

Communications

From the ground to the cloud, our commitment to communicating with our key communities is at the centre of what we do. From the 22 million passengers who passed through our terminals last financial year, to the more than 21,000 people who work on airport every day; we're here to ensure they have the information they need to make their journey with BNE a positive experience.

Initiatives include a dedicated BNE Mag which celebrates our unique Brisbane, Queensland way of life. The publication highlights our thriving sporting and arts culture while inspiring the intrepid traveller to discover exciting national and international destinations.

Our communication efforts are also supported by our electronic newsletters, Project Fact Sheets and video clips highlighting exciting announcements and important project updates. Updates are tailored to specific audiences and can be viewed online at bne.com.au.

Cultural training and passenger liaison

BNE's Chinese Liaison programme has continued throughout FY15 and is complemented by the Chinese Customer Service and Cultural Training.

With the launch of direct Japan services, Japanese Customer Service and Cultural Training was delivered to retailers to provide basic language skills and an understanding of the Japanese service expectations.

The food and beverage offer has also evolved in BNE's International Terminal with operators now offering Chinese and Japanese translated menus to further appeal to these markets.

Parking

Whether travelling for business or for leisure, convenient, secure and undercover short and long-term parking is available within walking distance to both terminals at BNE. BAC has also recently launched AIRPARK, a new centrally located open-air public car park with regular bus connections to both terminals.

Special parking offers and the best deals are always available online and via the BNE App. Other parking products include a 'Concierge Service' in Domestic Park Valet along with a Porter Service to the terminal, Car Wash, Park Premium and Guaranteed Space. There is also a dedicated Pick-Up Waiting Area (first 30 minutes free) 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 throughout the car parks and on the Departures/Arrivals Road under the Skywalk at the Domestic Terminal.

This year the parking offering was enhanced with the addition of three more check in/check-out lanes for the Domestic Terminal Valet to accommodate growing demand. Strategic digital marketing has also boosted sales with the launch of a dedicated Brisbane Airport Parking Promotions Facebook page providing another platform for BNE Parking to acquire new customers and offer great parking deals.

Shopping precinct

Skygate, located at the entrance to BNE, is a retail, leisure and commercial hub. It's both a quality shopping environment, and a destination; where doing business, shopping and eating really take off.

Home to Queensland's first 24-hour Woolworths supermarket, the shopping precinct also has a 24-hour gym and 130 retailers including brand-name factory outlets, butcher, hairdresser, barber, restaurants, chemist, medical clinic, hotel, beauty services, child care centres, liquor store and a golf leisure centre.

The precinct is currently undergoing a major \$30 million transformation with an expansion to DFO, new commercial office space, alfresco dining and a new multi-level car park.





OUR TEAM

BOARD OF DIRECTORS



William (Bill) Grant
OAM, ALGA, FAICD
Chairman

Julieanne Alroe
BEc, GAICD
Chief Executive
Officer and
Managing Director

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

Chris McArthur
BE, MBA, FAICD
Director

Janice Morris
BCom, CA, GAICD
Director



Jos Nijhuis
Director

**Matina
Papathanasiou**
BCom, LLB, MAICD
Director

Tom Parry
AM, BEc (Hons),
MEc, PhD
Director

John Ward
BSc, FAIM, FAICD, FAMI,
FCILT
Director



John Allpass
FCA, FCPA, FAICD
Alternate
Director for
Jos Nijhuis

Perry Clausen
BCom, CA(Canada),
MTax, MAICD
Alternate
Director for
Chris McArthur

Ross Israel
BCom, LLB, SFFin
Alternate
Director for
Matina
Papathanasiou
and Tom Parry

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

SENIOR MANAGEMENT



A
Michael Bradburn
 Chief Financial
 Officer

B
Andrew Brodie
 General Manager
 Airline and Retail
 Management

C
Krishan Tangri
 General Manager
 Assets

D
Stephen Goodwin
 General Manager
 Operations

E
Roel Hellemons
 General Manager
 Strategic
 Planning and
 Development

F
Gwilym Davies
 Head of People
 and Culture

G
Rachel Crowley
 Head of Corporate
 Relations

H
Sarah Thornton
 General Counsel and
 Company Secretary

I
John Tormey
 General Manager
 Commercial
 Businesses

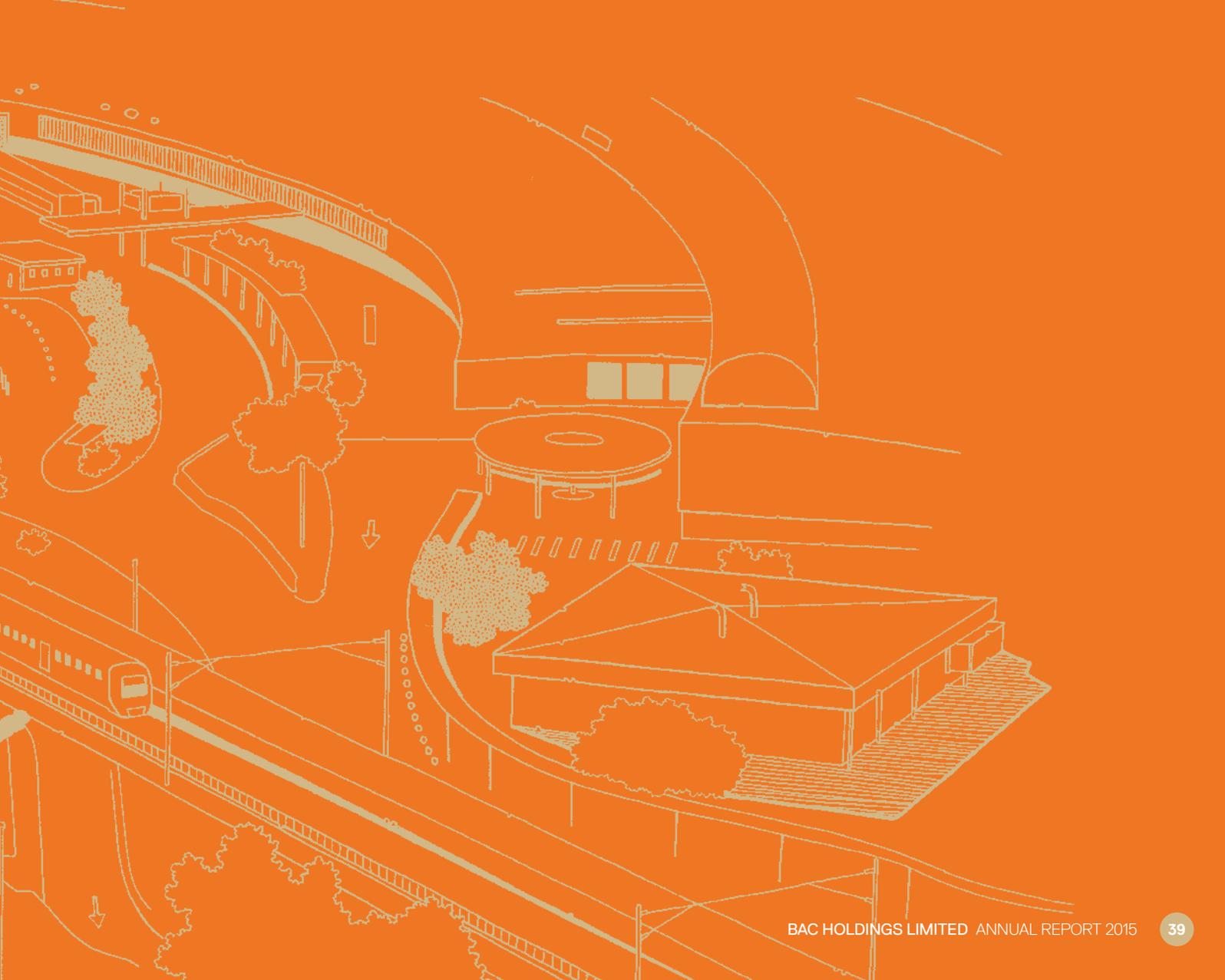
BAC HOLDINGS LIMITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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DIRECTORS' REPORT

The Directors present their report along with the consolidated financial report of BAC Holdings Limited ('BACH') and its controlled entities, BAC Holdings No. 2 Pty Limited and Brisbane Airport Corporation Pty Limited ('BAC') (together the 'BAC Group') for the year ended 30 June 2015.

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

	2015 \$000	2014 \$000
Revenue from ordinary activities	610,998	564,678
Operating expenses	(158,678)	(155,099)
Revenue from ordinary activities less operating expenses	452,320	409,579
Depreciation and amortisation	(100,359)	(81,706)
Finance costs	(131,660)	(145,424)
Operating results	220,301	182,449
Redeemable preference shares dividend	(46,921)	(51,517)
Change in fair value of investment property	34,067	30,351
Change in fair value of non-designated derivatives	19,070	(57,398)
Unrealised foreign exchange gain	1,905	10,333
Profit before income tax	228,422	114,218
Income tax expense	(68,601)	(34,829)
Profit for the year	159,821	79,389

On 1 July 2014, the BAC Group applied hedge accounting, and redesignated the borrowings using a combination of cash flow and fair value hedges. The core underlying business grew strongly in the year ended 30 June 2015, which is reflected by the increase in total revenue from ordinary activities of 8.2% from \$564.7 million in the prior year to \$611.0 million. Had the BAC Group not applied hedge accounting, the profit for the year would have been \$115.2 million.

Revenue from aeronautical activities was \$243.6 million, an increase of \$32.4 million or 15.4%. This was due to growth in international passengers (up 5.4%) on the prior year and pricing increases per aeronautical agreements, partially offset by a decline in domestic passengers (down 0.6%).

Revenue from parking and transport activities was \$119.0 million, an increase of \$7.1 million or 6.3% from the prior year. This was contributed to by international passenger growth and improved car parking products.

Investment property revenue was \$69.4 million, an increase of \$3.4 million or 5.1% from the prior year. The increase was mainly due to revised tenant charges for outgoings, additional parking licences and annual rent increases.

Total operating expenses were \$158.7 million, an increase of 2.3% from the prior year. Staff expenses were \$34.4 million, an increase of \$1.1 million or 3.4% from the prior year. This increase reflects the wage rises along with additional resourcing required due to the increased level of activity throughout the airport.

Revenue from ordinary activities less operating expenses was \$452.3 million, an increase of 10.4% from the prior year. The BAC Group's investment property portfolio recorded a valuation increment of \$34.1 million (revaluation increase of 3.1%) compared to a revaluation increment of \$30.4 million (revaluation increase of 2.9%) in the prior year.

Profit from ordinary activities before the redeemable preference shares dividend, changes in fair value of investment property and non-designated derivatives, unrealised foreign exchange gain and income tax expense was \$220.3 million, an increase of \$37.9 million from the prior year profit of \$182.4 million.

Profit before tax was \$228.4 million (2014: \$114.2 million), an increase of \$114.2 million on the prior year. The main driver of this increase was a favourable movement in non-designated derivatives (hedges).

DIRECTORS' REPORT

3. Dividends

The redeemable preference shares dividend payable by BACH has been accrued in the financial statements. An ordinary share dividend was declared and paid by BACH during the current financial year of \$20.0 million (2014: \$9.1 million).

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>William (Bill) Grant OAM, ALGA, FAICD</p> <p>Chairman and Non-Executive Director</p> <p>Date appointed: 28/01/2009</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. 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>Julieanne Alroe BEc, GAICD</p> <p>CEO & Managing Director</p> <p>Date appointed: 01/07/2009</p> 	<p>Julieanne has held the position of CEO & Managing Director of Brisbane Airport Corporation since 1 July 2009. With more than 30 years in the aviation industry, she is one of only a handful of women in the world to run a privatised airport. In addition to this role, Julieanne currently holds board positions with Tourism and Events Queensland and the Queensland Theatre Company. She is also the inaugural President of the Queensland Futures Council. Most recently, Julieanne has been appointed to be a member of Infrastructure Australia and joined the Board effective 1 June 2015.</p> <p>Julieanne has extensive experience in commercial airport management and operations, infrastructure management, business and airport planning, corporate affairs, airport scheduling and slot management, security, passenger facilitation, terminal management and airport IT systems.</p> <p>Previous board appointments include the position of Chairman of Airports Coordination Australia Ltd, International Grammar School in Sydney, Airports Council International Safety and Technical Standing Committee and Australia Trade Coast Ltd.</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>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 and was a Director of Watpac from May 2011 and Chairman from 2012 until November 2014.</p> <p>Prior to joining Watpac, Chris held the position of Chairman, Development for Queensland, United Kingdom and United Arab Emirates at Mirvac. In this international role, he was responsible for the market review and developments within the property sector in both the UK and the UAE. Previously, Chris was the Chief Executive Officer for Mirvac Queensland from 1998 to 2008 where he was instrumental in directing the growth of Mirvac in Queensland and was responsible for the success of a range of large scale multi-awarded projects. He resigned from his full time positions at Mirvac in January 2010 and was subsequently appointed to a consultancy position.</p> <p>Chris' former roles include Executive Director, Sunland Group for two years and the Head of Business Banking at QIDC for six years. In addition to his extensive property development experience, he has held responsibility at an executive management level in the finance markets operating in the property, corporate and agri-business sectors.</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 and continues to hold a range of appointments in the arts, sports and government sectors at State and Federal level. He holds a Bachelor of Commerce from The University of Queensland and has completed advanced management programmes 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 a member of the Finance, Audit and Risk Management ('FARM') Committee.</p>
	
<p>Chris McArthur BE, MBA, FAICD Non-Executive Director Alternate Director for John Ward Date appointed as Director: 25/11/2008 Date appointed as Alternate Director for John Ward: 07/12/2007</p>	<p>Chris is Head of Asset Management, Australia for infrastructure investment at 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 Human Resources and Remuneration ('HRR') Committee and a member of the FARM Committee.</p>
	

DIRECTORS' REPORT

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Janice Morris BCom, CA, GAICD</p> <p>Non-Executive Director</p> <p>Date appointed: 01/11/2014</p> 	<p>Janice is an Executive Director in IFM Investors' Infrastructure Group. Janice's responsibilities include ongoing management of infrastructure assets and a range of portfolio matters across the Australian and global infrastructure funds, along with the origination and evaluation of fund investments.</p> <p>IFM Investors is well recognised as an asset manager of both alternative and traditional asset classes, and in infrastructure is one of the top five managers globally, managing over \$25 billion in infrastructure assets. Janice has extensive infrastructure experience and since joining in 2000 she has been involved 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. Janice's current other directorships include Wyuna Water.</p> <p>Janice is a member of the HRR Committee.</p>
<p>Jos Nijhuis</p> <p>Non-Executive Director</p> <p>Date appointed: 01/01/2015</p> 	<p>Having joined Schiphol Group as a board member in 2008, Jos was appointed President & CEO from 1 January 2009 and re-appointed in 2012. He is also Non-Executive Director of Aéroports de Paris. Jos started his career as an accountant and worked for many years (1980 to 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 Europe Board and the Executive Committee. He is a member of the Supervisory Board and Chairman of the Audit Committee of SNS Reaal and a member of the Supervisory Board and Chairman of the Audit Committee of Aon Groep Nederland B.V. Jos is also active in the social sector as a board member of Stichting Nationale Opera & Ballet.</p>
<p>Matina Papathanasiou BCom, LLB, MAICD</p> <p>Non-Executive Director</p> <p>Date appointed: 15/05/2009</p> 	<p>Matina co-founded QIC Global Infrastructure in January 2006. She is the Deputy Head of the QIC Global Infrastructure business. QIC Global Infrastructure manages a global portfolio of 11 direct investments with \$6 billion of value.</p> <p>Matina has almost 30 years' funds management and investment banking experience including 14 years as an equity investor in infrastructure companies.</p> <p>Matina holds a Bachelor of Commerce and Bachelor of Laws from The University of New South Wales, and was admitted as a Solicitor of the Supreme Court of NSW.</p> <p>She has been a Director on a number of boards of infrastructure companies including a current Director role at North West Roads Group (Alternate) and previously on Westlink M7, Queensland Motorways Ltd, TransGrid, Epic Energy, Pacific Solar and India Infrastructure Holdings.</p> <p>Matina is a member of the FARM Committee.</p>

DIRECTORS' REPORT

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>Thomas Parry AM, BEc (Hons), MEc, PhD</p> <p>Non-Executive Director</p> <p>Date appointed: 01/07/2012</p>	<p>Tom is Foundation Chairman of the Australian Energy Market Operator (AEMO). He is a Director of ASX Compliance (the regulatory arm of the Australian Securities Exchange) and a Director of Powerco New Zealand. He was 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> <p>Tom is a member of the HRR Committee.</p>
	
<p>Jill Rossouw BCom, MPhil, GAICD</p> <p>Non-Executive Director</p> <p>Date appointed: 26/11/2009</p> <p>Date resigned: 01/11/2014</p>	<p>Jill is an Investment Director in IFM Investors' Infrastructure Group. Jill's responsibilities include managing IFM Investors' investments in the Australian transportation and social infrastructure (PPP) sub-sectors. IFM Investors is well recognised as an asset manager of both alternative and traditional asset classes, and in infrastructure is one of the top five managers globally, managing over \$25 billion in infrastructure assets.</p> <p>Jill has over 15 years' project finance, corporate finance, infrastructure and private equity investment experience. Before joining IFM Investors, Jill held positions as Associate Director at PricewaterhouseCoopers in its Project Finance Group and at GE Capital Australia.</p> <p>Jill's current directorships include Port of Brisbane, Southern Cross Station, Defence Head Quarters, Perth Courts PPP, and Axiom Education. Previous board appointments include the Royal Victorian Eye and Ear Hospital (2005 to 2009); and Airport Development Group as Chairperson (2006 to 2007).</p> <p>Jill was Chair of the HRR Committee from 28 March 2014 until 1 November 2014 and was a member of the FARM Committee.</p>
	
<p>Pieter Verboom PhD</p> <p>Non-Executive Director</p> <p>Date appointed: 25/07/2008</p> <p>Date resigned: 01/01/2015</p>	<p>Pieter studied econometrics at the Erasmus University of Rotterdam and was employed as Assistant Professor in Information Technology. He became Associate Professor in Finance, was engaged in consultancy assignments and received a PhD in 1981. From 1983, he held several management positions at Philips, of which seven years were spent abroad as CFO/ Vice Chairman of the management of Argentina, Hong Kong/China and the Far East.</p> <p>Pieter joined Amsterdam Airport Schiphol in September 1997 as Executive Vice President and CFO and retired as a member of the Board of Management as of 1 May 2012. He currently serves on the Supervisory Board of Tennet and served on the Supervisory Board of VastNed Retail from 2004 until April 2015. Pieter is also an Expert judge of the Dutch Enterprise Court. As of October 2012, he joined the Board of RFS Holland Holding (an online retail, financial services company).</p>
	

DIRECTORS' REPORT

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
<p>John Ward BSc, FAIM, FAICD, FAMI, FCILT</p> <p>Non-Executive Director</p> <p>Date appointed: 24/11/1997</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>John Allpass FCA, FCPA, FAICD</p> <p>Alternate Director for Jos Nijhuis</p> <p>Date appointed as Alternate Director for Jos Nijhuis: 01/01/2015</p> <p>Alternate Director for Pieter Verboom from 17/09/2009 until 01/01/2015</p> 	<p>John is an Alternate Director for Jos Nijhuis and was appointed Chairman of the FARM Committee effective from 1 July 2011. He has for more than 20 years practised as an independent Non-Executive Director of various companies.</p> <p>John is a Director of Schiphol Australia Pty Limited. His other board appointments have included Chairman of Envestra Limited from 2002 to 2014 and Director since 1997, Bupa Australia Group (2008 to 2013), BrisConnections Management Company Limited Group (2008 to 2013), MBF Australia Limited (1999 to 2008), Macquarie Bank Limited (1994 to 2007), QIC (1991 to 2008), and Macquarie Life Limited as Chairman (1994 to 2003).</p> <p>John is a Chartered Accountant by profession and was a Partner in KPMG for 22 years and Queensland Managing Partner from 1984 to 1993. During his career in KPMG, he acted as an Auditor of publicly listed companies and other non-listed enterprises. He also established a substantial corporate recovery practice and acted as Receiver and Manager or Liquidator of many companies.</p>
<p>Perry Clausen BCom, CA (Canada), MTax, MAICD</p> <p>Alternate Director for Chris McArthur</p> <p>Date appointed: 25/11/2008</p> <p>Date resigned: 03/11/2014</p> <p>Date re-appointed: 13/08/2015</p> 	<p>Perry was Alternate Director for Chris McArthur from 25 November 2008 until 3 November 2014 and was re-appointed on 13 August 2015. Perry is Global Head of Infrastructure Investment at Colonial First State Global Asset Management ('CFSGAM'), having commenced with CFSGAM in March 2007.</p> <p>Perry has overall responsibility for the global unlisted infrastructure investment business, with a primary focus on direct investment in and management of major infrastructure businesses including airports, toll roads, water distribution, and pipelines. In his prior role, he was Director of infrastructure investments for Super Investment Management Pty Limited, a wholly owned funds management company of Retail Employees Superannuation Trust ('REST'). Perry was responsible for establishing a direct infrastructure portfolio and for managing REST's investment in a number of entities.</p> <p>Perry has over 25 years of infrastructure and financial experience including nine years at the National Australia Bank where he was a Director in the Project and Structured Finance Group. He was for six years a Director and Investment Committee member of National Australia Bank Superannuation Pty Ltd, the trustee of the \$2 billion National Australia Bank Group Superannuation Fund. Perry is a Director of a number of CFSGAM corporate entities.</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 Matina Papathanasiou and Tom Parry</p> <p>Date appointed as Alternate Director for Matina Papathanasiou: 15/05/2009</p> <p>Date appointed as Alternate Director for Tom Parry: 01/07/2012</p> 	<p>Ross is an Alternate Director for Matina Papathanasiou and Tom Parry. Ross co-founded QIC's Global Infrastructure ('GI') division in early 2006. Ross provides overall leadership to the team and has 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, 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'). He was then 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 CampusParc (OSU Car Parking) and an Alternate Director of Port of Brisbane.</p>
<p>Alan Wu MCom, CFA, GAICD</p> <p>Alternate Director for Chris McArthur</p> <p>Date appointed: 03/11/2014</p> 	<p>Alan was appointed Associate Director of Infrastructure Investment for Colonial First State Global Asset Management in March 2008. 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 is a Director of Bankstown and Camden Airports and International Parking Group, and an Alternate Director of Adelaide Airport and Etihad Stadium. He has previously served as 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 Associate Director, Alan was 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>Sarah Thornton BA, DipEd, LLB (Hons), GradDipACG, FAGIA, GAICD</p> <p>General Counsel and Company Secretary</p> 	<p>Sarah is General Counsel and Company Secretary for each of the BAC Group companies.</p> <p>Sarah commenced with the BAC Group in November 2010 and was appointed to the senior management team on 4 March 2013. She is 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 were:

DIRECTOR	BOARD MEETINGS		FARM COMMITTEE MEETINGS		HRR COMMITTEE MEETINGS		PROPERTY COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B
W Grant (Chairman of the Board)	8	9	3 [#]	-	4 [#]	-	1	2
J Alroe (CEO & Managing Director)	9	9	4 [#]	-	3 [#]	-	2	2
C Freeman	9	9	4	5	1 [#]	-	2	2
C McArthur (Director and also Alternate Director for J Ward)	9	9	4	5	4	4	2	2
J Morris (appointed 1 November 2014)	6	6	3 [#]	-	2	2	2	2
J Nijhuis (appointed 1 January 2015)	1	5	1 [#]	-	-	-	1	1
M Papatthanasou	8	9	4	5	-	-	2	2
T Parry	8	9	1 [#]	-	3	4	2	2
J Rossouw (resigned 1 November 2014)	3	3	1	1	2	2	-	-
P Verboom (resigned 1 January 2015)	1	4	-	-	-	-	-	1
J Ward	8	9	5	5	-	-	2	2
J Allpass (Alternate Director for P Verboom until 1 January 2015)	4*	4	2	2	-	-	1	1
J Allpass (Alternate Director for J Nijhuis from 1 January 2015)	5*	5	3	3	-	-	1	1
P Clausen (Alternate Director for C McArthur until 3 November 2014**)	-	-	-	-	-	-	-	-
R Israel (Alternate Director for M Papatthanasou and T Parry)	-	-	-	-	-	-	-	-
A Wu (Alternate Director for C McArthur from 3 November 2014)	-	-	1	1	-	-	-	-

A - Number of meetings attended.

B - The number of meetings held during the time the Director was a member of the relevant committee.

* In capacity of invitee for one meeting.

** Re-appointed as Alternate Director for C McArthur on 13 August 2015.

Attended the relevant committee meeting as an invitee.

Included in the number of Board meetings held and attended is one by way of Circulating Written Resolution of Directors pursuant to Rule 20.17 of the Constitution. This Rule states that such a resolution is 'for all purposes treated as having been passed at a duly convened meeting of the Board'.

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.

DIRECTORS' REPORT

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).

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, has performed certain other services in addition to their statutory duties.

The Board has 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 2015 Annual Report and forms part of the Directors' Report for year ended 30 June 2015.

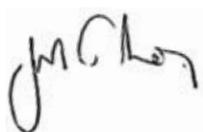
15. Rounding off

BACH is an entity of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in Sydney on 2 October 2015 in accordance with a resolution of the Directors:



Bill Grant
Director



Julieanne Alroe
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'; 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 – the Constitution and the BACH Shareholders' Agreement.

This statement, which was issued by the Board on 2 October 2015, outlines the main corporate governance practices that were in place during the 2015 financial year.

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 executive setting out the terms of their appointment. New Directors participate in a comprehensive induction programme 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

BACH's 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 (commenced 26 September 2014) (see below for further details).

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. All Directors participated in a workshop to review the findings of the report. In the 2015 financial year, the Board continued to implement a number of recommendations from the 2014 review.

(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 2015 financial year were:

- John Allpass, Chairman;
- Chris Freeman;
- Chris McArthur;
- Matina Papathanasiou;
- Jill Rossouw (from 1 July 2014 to 1 November 2014); 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.

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.

CORPORATE GOVERNANCE STATEMENT

(b) FARM Committee (continued)

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 Chairman.

(c) HRR Committee

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

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

Board and Board committees:

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

Management and staff:

- CEO & 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.

CORPORATE GOVERNANCE STATEMENT

(c) HRR Committee (continued)

The members of the Committee during the 2015 financial year were:

- Jill Rossouw, Chair (from 1 July 2014 to 1 November 2014);
- Chris McArthur; Chairman (from 1 November 2014)/Committee member (from 1 July 2014 to 1 November 2014);
- Janice Morris (from 27 March 2015); and
- Tom Parry.

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

On 26 September 2014, 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 are members of the Committee. The Board receives copies of all Property Committee meeting minutes. The Company Secretary is the Committee Secretary.

(e) 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 notification to Shareholders.

(f) 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 programmes. 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;

CORPORATE GOVERNANCE STATEMENT

(f) Risk management (continued)

Financial control framework (continued)

- investment appraisal – the BAC Group has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures and levels of authority;
- BAC has established the Confidential Reporting Policy to encourage Directors, management, other employees, contractors and suppliers who have witnessed, or know about, any misconduct to report it to the Corporate Risk and Compliance Manager. The policy sets out how BAC will respond to, and investigate reports of, misconduct, and outlines the protections available to those who lodge a report in good faith; and
- BAC also has a separate Fraud and Corruption Control Policy that sets out the procedures for the investigation of reports of fraudulent or corrupt conduct that are made under the Confidential Reporting Policy.

Each year, the CEO & 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 programmes 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 Australian Standard AS 3806-2006. 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 programme.

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 programme in place, which considers emerging risks and is integrated with risk management, compliance and the external statutory audit.

CORPORATE GOVERNANCE STATEMENT

(f) Risk management (continued)

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 budgets approved by the Board and revised forecasts for the year are prepared regularly.

(g) 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 adoption of two voluntary sustainability performance benchmarking programmes: EarthCheck and the Airports Council International (ACI) Airport Carbon Accreditation programme.

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 2014, BAC also prepared an Environmental Sustainability Action Plan ('ESAP') and is currently implementing the ESAP. The ESAP 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.

CORPORATE GOVERNANCE STATEMENT

(g) Environmental management (continued)

New Parallel Runway (continued)

Phase 1 (site clearing, drainage works, dredging and reclamation of the NPR footprint) was successfully completed in June 2015. BAC awarded the Phase 2 Engineering Design consultancy in January 2015 and design work is well underway. Phase 2 construction works for the airfield and associated works are expected to commence from December 2016, with the NPR expected to be operational by September 2020.

(h) 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, Department of Justice and Attorney-General) 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 in order to retain accreditation. BAC successfully maintained its accreditation following two surveillance audits during the 2015 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 measurable objectives and targets, ensures that "due diligence" is exercised in the management of WHS risks.

(i) Diversity

Overview

The BAC Group is a values-based organisation whose vision includes creating a business environment that values partnerships and people. This vision is supported by a number of workplace strategies that promote diversity and inclusion in all elements of the work environment, including Bullying, Harassment and Unlawful Discrimination Policies which were reviewed in early 2014 and the Diversity Policy which was reviewed in early 2015. These policies:

- provide guidance for the development and implementation of programmes 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, in 2015 there were:

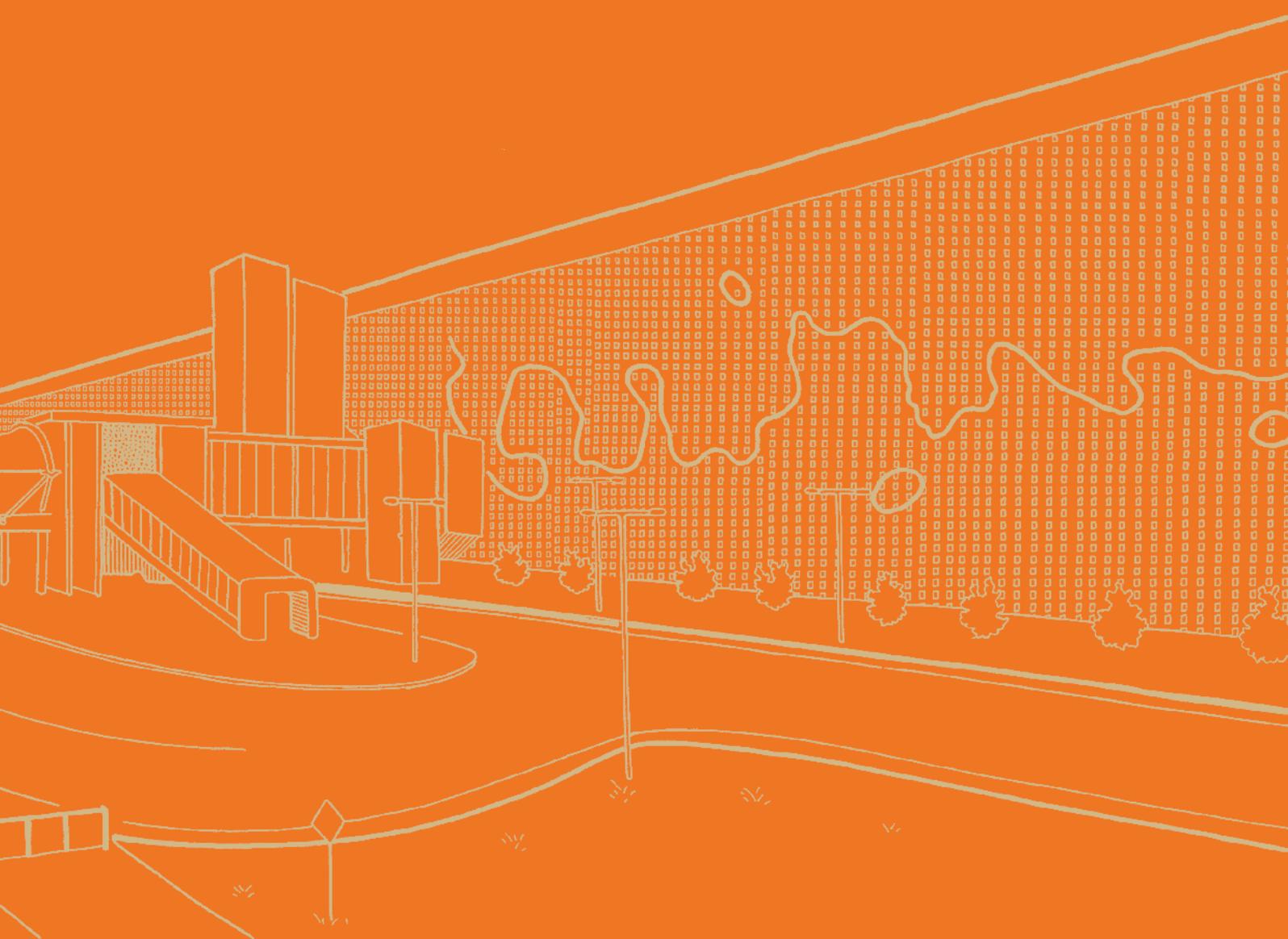
- three women Directors on the Board of nine Directors; and
- three women senior managers on the 10 member senior management team.

As part of its compliance programme, 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 2015



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$000	2014 \$000
Revenue from ordinary activities			
Aeronautical		243,576	211,139
Landside transport		119,048	111,963
Investment property		69,360	66,005
Retail		66,788	65,222
Operating property		42,635	41,861
Government mandated security		26,980	27,171
Interest		3,708	5,832
Other		38,903	35,485
		610,998	564,678
Operating expenses			
Maintenance and contract services		(36,730)	(31,784)
Staff		(34,351)	(33,237)
Utilities		(31,645)	(34,203)
Corporate and administration		(28,972)	(28,704)
Government mandated security		(26,980)	(27,171)
		(158,678)	(155,099)
Revenue from ordinary activities less operating expenses			
		452,320	409,579
Depreciation and amortisation		(100,359)	(81,706)
Finance costs		(131,660)	(145,424)
Operating results			
		220,301	182,449
Redeemable preference shares dividend		(46,921)	(51,517)
Change in fair value of investment property	3.6	34,067	30,351
Change in fair value of non-designated derivatives	4.3	19,070	(57,398)
Unrealised foreign exchange gain		1,905	10,333
Profit before income tax			
		228,422	114,218
Income tax expense	2.5	(68,601)	(34,829)
Profit for the year			
		159,821	79,389
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gains, net of tax		773	1,002
Hedge reserve	4.3	(46,400)	-
Other comprehensive income			
		(45,627)	1,002
Total comprehensive income			
		114,194	80,391

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

On 1 July 2014, the BAC Group applied hedge accounting, and redesignated the borrowings using a combination of cash flow and fair value hedges. Had the BAC Group not applied hedge accounting, the profit for the year would have been \$115.2 million (refer to note 4.1).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 \$000	2014 \$000
Current assets			
Cash	3.1	34,010	39,029
Trade receivables and other	3.2	82,660	94,582
Inventories		800	785
Current tax receivable		-	2,045
Total current assets		117,470	136,441
Non-current assets			
Trade receivables and other	3.2	51,280	62,553
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	2,771,069	2,444,753
Investment property	3.6	1,137,245	1,066,910
Derivative instruments	4.3	192,328	43,710
Total non-current assets		4,974,936	4,440,940
Total assets		5,092,406	4,577,381
Current liabilities			
Trade payables and other	3.8	133,733	167,925
Interest-bearing liabilities and borrowings	4.1	105,167	-
Derivative instruments	4.3	-	26,141
Current tax payable		20,925	-
Total current liabilities		259,825	194,066
Non-current liabilities			
Interest-bearing liabilities and borrowings	4.1	2,876,925	2,613,207
Deferred tax liabilities	2.6	450,788	440,149
Derivative instruments	4.3	274,229	192,847
Other liabilities	3.10	5,521	6,188
Total non-current liabilities		3,607,463	3,252,391
Total liabilities		3,867,288	3,446,457
Net assets		1,225,118	1,130,924
Equity			
Issued capital		78,388	78,388
Reserves		(48,078)	(2,451)
Retained earnings		1,194,808	1,054,987
Total equity		1,225,118	1,130,924

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 2015

	Note	2015 \$000	2014 \$000
Cash flows from operating activities			
Cash receipts from customers		619,208	519,079
Payments to suppliers and employees		(137,485)	(195,020)
Cash generated from operations		481,723	324,059
Interest paid		(161,459)	(152,277)
Interest received		3,712	5,890
Income taxes paid		(17,482)	(31,925)
Net cash from operating activities	3.1	306,494	145,747
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		196	148
Acquisitions of property, plant and equipment		(418,873)	(279,978)
Acquisitions of investment property		(43,817)	(34,413)
Net cash used in investing activities		(462,494)	(314,243)
Cash flows from financing activities			
Proceeds from interest-bearing liabilities and borrowings		520,440	604,945
Repayments of interest-bearing liabilities and borrowings		(293,000)	(370,000)
Redeemable preference shares dividend paid		(56,459)	(91,305)
Dividend paid to ordinary shareholders		(20,000)	(9,147)
Net cash from financing activities		150,981	134,493
Net decrease in cash held		(5,019)	(34,003)
Cash and cash equivalents at 1 July		39,029	73,032
Cash and cash equivalents at 30 June	3.1	34,010	39,029

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 2015

	Issued capital \$000	Defined benefit superannuation fund reserve \$000	Hedge reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2014	78,388	(2,451)	-	1,054,987	1,130,924
Total comprehensive income					
Profit for the year	-	-	-	159,821	159,821
Other comprehensive income					
Defined benefit superannuation fund actuarial gains	-	773	-	-	773
Hedge reserve	-	-	(46,400)	-	(46,400)
Total other comprehensive income	-	773	(46,400)	-	(45,627)
Total comprehensive income	-	773	(46,400)	159,821	114,194
Dividend paid to ordinary shareholders	-	-	-	(20,000)	(20,000)
Balance at 30 June 2015	78,388	(1,678)	(46,400)	1,194,808	1,225,118
	Issued capital \$000	Defined benefit superannuation fund reserve \$000	Hedge reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2013	78,388	(3,453)	-	984,745	1,059,680
Total comprehensive income					
Profit for the year	-	-	-	79,389	79,389
Other comprehensive income					
Defined benefit superannuation fund actuarial gains	-	1,002	-	-	1,002
Total other comprehensive income	-	1,002	-	-	1,002
Total comprehensive income	-	1,002	-	79,389	80,391
Dividend paid to ordinary shareholders	-	-	-	(9,147)	(9,147)
Balance at 30 June 2014	78,388	(2,451)	-	1,054,987	1,130,924

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

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 1: BASIS OF PREPARATION

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 dollar
BBSW	Bank bill swap reference
BBSY	Bank bill swap bid
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 dollar
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 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 2 October 2015.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 1: BASIS OF PREPARATION (CONTINUED)

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 – see note 2.5;
- depreciation – see note 3.4; and
- investment property – see 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 and depreciation 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 date of transaction. 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 profit or loss.

1.9 New and amended accounting standards

Accounting policy and disclosures

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

Accounting standards and interpretations recently 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 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the BAC Group are set out below. The BAC Group plans to adopt the standards when mandatory. The BAC Group is currently assessing the impact of these standards.

AASB 9 Financial Instruments

AASB 9 is a new standard which 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. AASB 15 establishes the principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard will be mandatory for the BAC Group's 30 June 2018 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 – see note 3.6;
- defined benefit obligation – see note 3.9; and
- derivative financial instruments – see 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).

SECTION 2: RESULTS

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 (see 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.

Performance share dividends, if payable, are recognised in profit or loss in the year in which they are paid, because that is the year that the liability arises. RPS dividends in profit or loss are a finance cost calculated using the effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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:

	2015 \$000	2014 \$000
Within one year	198,411	161,501
One year or later and no later than five years	576,938	512,144
Later than five years	651,557	576,417
	1,426,906	1,250,062

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.

	2015 \$000	2014 \$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	64,895	67,373
	79,823	82,301
Future finance charges	(57,939)	(60,348)
	21,884	21,953

2.4 Auditor's remuneration

Amounts received or due and receivable by the auditor for:

Audit services

	2015 \$	2014 \$
Audit fees – 2015 financial year	210,000	-
Audit fees – 2014 financial year	35,000	179,000
Other regulatory/contract audit services	109,500	93,000
	354,500	272,000

Other services

Transactional related advisory	75,124	-
Other advisory	79,814	89,668
	154,938	89,668

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 2: RESULTS (CONTINUED)

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. BACH owns 100% of the shares in BACH No. 2. BACH No. 2 owns 100% of the shares in 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.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 2: RESULTS (CONTINUED)

2.5 Taxation (continued)

Taxation recognised in profit or loss and other comprehensive income

	2015 \$000	2014 \$000
Current tax expense		
Current year expense	(39,198)	(8,752)
Over/(under) provided in prior years	791	(1,579)
	(38,407)	(10,331)
Deferred tax expense		
Origination and reversal of temporary differences:		
Derivatives	(47,900)	17,219
Other	17,706	(33,934)
RPS dividend	-	(7,783)
	(30,194)	(24,498)
Total income tax expense recognised in profit or loss	(68,601)	(34,829)
Defined benefit superannuation fund actuarial gains	331	429
Hedge reserve	(19,886)	-
Total income tax expense recognised in other comprehensive income	(19,555)	429

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

	2015 \$000	2014 \$000
Profit for the year	159,821	79,389
Income tax expense	68,601	34,829
Profit before income tax	228,422	114,218
Income tax using the corporate tax rate of 30%	(68,527)	(34,265)
(Increase)/decrease in income tax due to:		
Other non-deductible expenses	(74)	(95)
Research and development concession	-	1,025
Over provided in prior years	-	(1,494)
Income tax expense on pre-tax accounting profit	(68,601)	(34,829)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Property, plant and equipment	-	-	(516,983)	(489,211)	(516,983)	(489,211)
Finance lease receivable	-	-	(1,042)	(747)	(1,042)	(747)
Derivatives	24,570	52,583	-	-	24,570	52,583
Lease incentive asset	-	-	(3,517)	(2,144)	(3,517)	(2,144)
Inventories	-	-	(240)	(235)	(240)	(235)
Prepayments	-	-	(12,379)	(15,686)	(12,379)	(15,686)
Employee benefits	1,389	1,597	-	-	1,389	1,597
Other provisions	1,340	1,752	-	-	1,340	1,752
Interest-bearing liabilities and borrowings	51,695	10,089	-	-	51,695	10,089
Borrowing costs	93	-	-	(723)	93	(723)
Accruals	4,286	2,576	-	-	4,286	2,576
Tax assets/(liabilities)	83,373	68,597	(534,161)	(508,746)	(450,788)	(440,149)

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

	Balance at 1 July 2014 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Balance at 30 June 2015 \$000
Property, plant and equipment	(489,211)	(27,772)	-	(516,983)
Finance lease receivable	(747)	(295)	-	(1,042)
Derivatives	52,583	(47,900)	19,886	24,570
Lease incentive asset	(2,144)	(1,373)	-	(3,517)
Inventories	(235)	(5)	-	(240)
Prepayments	(15,686)	3,307	-	(12,379)
Employee benefits	1,597	123	(331)	1,389
Other provisions	1,752	(412)	-	1,340
Interest-bearing liabilities and borrowings	10,089	41,606	-	51,695
Borrowing costs	(723)	816	-	93
Accruals	2,576	1,710	-	4,286
Tax (liabilities)/assets	(440,149)	(30,194)	19,555	(450,788)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 2: RESULTS (CONTINUED)

2.6 Deferred tax assets and liabilities (continued)

	Balance at 1 July 2013 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Balance at 30 June 2014 \$000
Property, plant and equipment	(477,061)	(12,150)	-	(489,211)
Finance lease receivable	1,414	(2,161)	-	(747)
Derivatives	35,364	17,219	-	52,583
Lease incentive asset	(1,616)	(528)	-	(2,144)
Inventories	(221)	(14)	-	(235)
Prepayments	-	(15,686)	-	(15,686)
Employee benefits	2,572	(1,404)	429	1,597
Other provisions	697	1,055	-	1,752
Interest-bearing liabilities and borrowings	13,189	(3,100)	-	10,089
Borrowing costs	(777)	54	-	(723)
Accruals	2,576	-	-	2,576
RPS	7,783	(7,783)	-	-
Tax (liabilities)/assets	(416,080)	(24,498)	429	(440,149)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.1 Cash and cash equivalents

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

	2015 \$000	2014 \$000
Cash in bank	34,002	38,957
Cash on hand	8	72
Cash and cash equivalents	34,010	39,029

	2015 \$000	2014 \$000
The reconciliation of cash flows from operating activities is as follows:		
Profit for the year	159,821	79,389
Adjustments for:		
Depreciation and amortisation	100,359	81,706
Capitalised interest	(33,317)	(11,436)
Change in fair value of investment property	3.6 (34,067)	(30,351)
Change in fair value of non-designated derivatives	(19,070)	57,398
Unrealised foreign exchange gain	(1,905)	(10,333)
Amortisation of borrowing costs	2,887	2,767
Loss/(gain) on sale of property, plant and equipment	204	(6)
RPS dividend	46,921	51,517
Income tax expense	2.5 68,601	34,829
Profit before changes in working capital and provisions	290,434	255,480
Change in trade receivables and other	23,194	(80,308)
Change in inventories	(15)	(47)
Change in trade payables and other	10,363	2,547
Income taxes paid	(17,482)	(31,925)
Net cash from operating activities	306,494	145,747

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.2 Trade receivables and other

Accounting policy

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

Trade receivables and other are as follows:

	2015 \$000	2014 \$000
Current		
Trade receivables and accrued income	52,516	57,227
Sundry receivables	15,778	23,292
Prepayments	14,289	13,994
Finance lease receivable	77	69
	82,660	94,582
Non-current		
Finance lease receivable	21,807	21,884
Prepayments	29,473	40,669
	51,280	62,553

3.3 Intangible assets

Goodwill

Accounting policy

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

The cost and carrying amount of goodwill is as follows:

	2015 \$000	2014 \$000
Goodwill	823,014	823,014

3.4 Property, plant and equipment

Accounting policies

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and amortisation. Items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004 (the date of transition to Australian equivalents of IFRSs) are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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 minimum lease payments. Subsequent to initial recognition, leased land is amortised over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.4 Property, plant and equipment (continued)

Accounting policies (continued)

Capital work in progress

Capital work in progress is measured at cost and includes all expenditure directly attributable to specific projects not yet commissioned and includes contractor charges, materials, 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 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 programme. 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.

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
Roads and car parks	
Roads and car park infrastructure	2.5
Security, signage, lighting and other	5.0 – 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	15.0 – 33.3
Minor assets less than \$1,000	100
Plant and equipment	
Mains services and fences and gates	2.5 – 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 – 33.0
Minor assets less than \$1,000	100
Lease 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

FOR THE YEAR ENDED 30 JUNE 2015

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 2014	793,292	468,920	753,006	503,907	97,660	374,985	2,991,770
Additions/transfers	37,088	21,218	67,362	64,455	-	236,952	427,075
Disposals	-	(159)	(1,205)	(1,281)	-	-	(2,645)
At 30 June 2015	830,380	489,979	819,163	567,081	97,660	611,937	3,416,200

Cost or deemed cost							
At 1 July 2013	774,399	465,719	685,798	462,217	97,007	166,087	2,651,227
Additions/transfers	18,893	3,201	67,208	42,194	653	208,898	341,047
Disposals	-	-	-	(504)	-	-	(504)
At 30 June 2014	793,292	468,920	753,006	503,907	97,660	374,985	2,991,770

Accumulated depreciation and amortisation							
At 1 July 2014	87,300	62,002	199,801	186,464	11,450	-	547,017
Depreciation and amortisation	11,463	12,386	38,752	36,706	1,052	-	100,359
Disposals	-	(52)	(1,127)	(1,066)	-	-	(2,245)
At 30 June 2015	98,763	74,336	237,426	222,104	12,502	-	645,131

Accumulated depreciation and amortisation							
At 1 July 2013	76,513	49,803	170,947	158,004	10,406	-	465,673
Depreciation and amortisation	10,787	12,199	28,854	28,822	1,044	-	81,706
Disposals	-	-	-	(362)	-	-	(362)
At 30 June 2014	87,300	62,002	199,801	186,464	11,450	-	547,017

Carrying amounts							
At 30 June 2015	731,617	415,643	581,737	344,977	85,158	611,937	2,771,069
At 30 June 2014	705,992	406,918	553,205	317,443	86,210	374,985	2,444,753

A total of \$33.3 million (2014: \$11.4 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 6.9% to 7.2% (2014: 7.1% to 7.3%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2015 \$000	2014 \$000
Contracted for but not provided for and payable:		
Within one year	136,392	307,119
One year or later and no later than five years	26,029	96,791
	162,421	403,910

3.6 Investment property

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 2015 valuation was based on independent assessments made by CBRE, an accredited independent valuer (2014: Taylor Byrne).

In undertaking their valuation, CBRE adopted the capitalisation approach as the primary method and a discounted cash flow ('DCF') analysis as a secondary supporting method for income producing properties and the direct comparison approach for the commercial real estate land bank.

- The capitalisation approach converts future amounts (cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- The DCF analysis comprises the annual income stream discounted at each year of cash flow on a midpoint basis. The annual income stream adopted has regard for a wide range of assumptions including a target or pre-selected internal rate of return (derived from analysis of investment sales), rental growth, occupancy, sale price of the property at the end of the investment horizon, potential capital expenditure, costs associated with the initial purchase of the property, and also its disposal at the end of the investment period.
- The direct comparison approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities or a group of assets and liabilities, such as a business.

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.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.6 Investment property (continued)

The movement in investment property is as follows:

	2015 \$000	2014 \$000
Balance at 1 July	1,066,910	1,002,800
Acquisitions	36,268	34,413
Transfer to property, plant and equipment	-	(654)
Fair value adjustments	34,067	30,351
Balance at 30 June	1,137,245	1,066,910

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 is as follows:

Input	2015 \$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	1,137,245
	1,137,245

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 6.5% and 9.5%.

Discount rate: the rate used to discount the net cash flows generated from rental and investment activities during the period of analysis. The rates used in the valuation range between 8.5% and 10.75%.

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

FOR THE YEAR ENDED 30 JUNE 2015

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 (see note 3.6) and deferred tax assets (see 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 goodwill impairment 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% (2014: 2.5%) and a pre-tax discount rate of 10.8% (2014: 12.5%) 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	2015 \$000	2014 \$000
Trade payables and accruals		70,426	97,541
RPS dividend		47,049	56,459
Employee benefits	3.9	6,849	6,148
Unearned revenue		6,570	5,166
Retentions and deposits held on behalf of third parties		2,839	2,611
		133,733	167,925

3.9 Employee 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 to 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 and losses arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.9 Employee benefits (continued)

Accounting policies (continued)

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 to the terms of the BAC Group's obligations. Any actuarial gains or losses are recognised immediately in profit or loss.

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 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.

Liabilities for employee benefits can be analysed as follows:

	Note	2015 \$000	2014 \$000
Current			
Wages and salaries accrued		1,252	1,037
Liability for annual leave		2,387	2,252
Liability for long service leave		3,210	2,859
	3.8	6,849	6,148
Non-current			
Present value of unfunded obligation		8,930	9,337
Fair value of plan assets		(11,562)	(10,917)
Recognised asset for defined benefit obligation		(2,632)	(1,580)
Liability for long service leave		1,664	1,794
ELTIP		1,795	1,132
	3.10	827	1,346

3.10 Other liabilities

Other non-current liabilities can be analysed as follows:

	Note	2015 \$000	2014 \$000
Unearned revenue		4,694	4,842
Employee benefits	3.9	827	1,346
		5,521	6,188

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS

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.

On 1 July 2014, the BAC Group redesignated the borrowings using a combination of cash flow and fair value hedges. As a result, the interest-bearing liabilities and borrowings associated with the fair value hedges are no longer reflected at amortised cost but the carrying amounts are adjusted for a fair value component associated with the fair value hedges. The effect of this change has resulted in a fair value increase of \$2.5 million being reflected in the interest-bearing borrowings.

Had the BAC Group not applied hedge accounting during the financial period under review, the comparative profit for the year in profit or loss for the year ended 30 June 2015 would have been as follows:

	2015 \$000
Profit for the year using hedge accounting	159,821
Adjustment for revaluation loss	(63,754)
Tax effect on adjustment for revaluation loss	19,126
Profit for the year if hedge accounting was not applied	115,193

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.

	2015 \$000	2014 \$000
Current		
Secured bank loan	107,000	-
Secured bank loan transaction costs	(1,833)	-
	105,167	-
Non-current		
Secured bank loan	-	160,000
Secured bank loan transaction costs	-	(2,858)
Secured domestic bond issues	1,250,000	1,250,000
Secured domestic bond issue transaction costs	(4,491)	(5,681)
Secured USPP bond issues	1,165,195	743,765
Secured USPP bond issue transaction costs	(5,608)	(3,977)
RPS	471,829	471,958
	2,876,925	2,613,207
Total interest-bearing liabilities and borrowings	2,982,092	2,613,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 2015 \$000	Carrying amount 2015 \$000	Face value 2014 \$000	Carrying amount 2014 \$000
Bank loan – AUD					
BBSY + margin	2016	107,000	105,167	160,000	157,142
Domestic bonds – AUD					
Fixed 8.0%	2020	200,000	198,890	200,000	198,615
Fixed 6.0%	2021	350,000	347,958	350,000	347,773
		550,000	546,848	550,000	546,388
Wrapped bonds – AUD					
BBSW + margin	2017	400,000	399,660	400,000	399,320
BBSW + margin	2018	300,000	299,001	300,000	298,611
		700,000	698,661	700,000	697,931
USPP bonds – AUD					
BBSW + margin	2026	100,000	99,524	100,000	99,678
Fixed 6.8%	2023	30,000	29,898	30,000	29,885
Fixed 8.3%	2027	98,863	98,169	98,863	98,105
Fixed 5.6%	2030	152,550	151,525	-	-
		381,413	379,116	228,863	227,668
USPP bonds – USD					
Fixed 5.2%	2022	195,313	195,483	159,248	158,272
Fixed 3.9%	2023	61,198	61,206	49,898	49,717
Fixed 5.3%	2024	195,313	197,367	159,248	158,200
Fixed 3.6%	2025	32,552	31,755	-	-
Fixed 4.0%	2025	78,125	78,368	63,699	63,446
Fixed 3.7%	2027	84,635	82,216	-	-
Fixed 4.2%	2028	101,563	102,566	82,809	82,485
Fixed 3.9%	2030	32,552	31,510	-	-
		781,251	780,471	514,902	512,120
RPS – AUD					
Fixed 12.0%	2022	471,829	471,829	471,958	471,958
		2,991,493	2,982,092	2,625,723	2,613,207

RPS are subject to a stepped variable interest rate and accounted for using an effective interest rate of 9.4% (2014: 9.9%) per annum. The stepped variable interest rates are 12.0% (2014) and 10.0% (2015 to 2022) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.1 Interest-bearing liabilities and borrowings (continued)

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 and available profits in the company). 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 \$259.8 million exceed current assets of \$117.5 million. The BAC Group has bank facilities of \$500 million (2014: \$500 million) of which \$107 million has been drawn. \$200 million expires in December 2015 and \$300 million expires in December 2018. Unutilised bank facilities of \$393 million (2014: \$340 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 (2014: \$4.0 million) was undrawn as at 30 June 2015 (2014: undrawn).

4.2 Derivative financial instruments

Accounting policies

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

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.

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

Current versus non-current classification

Derivative financial instruments are classified as non-current or separated into current and non-current portions when the BAC Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date.

Hedge accounting

In the prior year, the BAC Group did not apply hedge accounting. All of the BAC Group's derivatives were in effective economic relationships based on contractual face value amounts and the cash flows over the life of the transactions. The gain or loss on remeasurement to fair value was recognised immediately in the statement of profit or loss and other comprehensive income.

As at 30 June 2014 an amount of \$4.5 million was reflected as the gain or loss on remeasurement of derivative financial instruments.

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 designated and documented the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity would assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.2 Derivative financial instruments (continued)

Accounting policies (continued)

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 associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

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

Overview

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

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

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

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

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

The FARM Committee oversees how management monitors compliance with the BAC Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the BAC Group. The FARM Committee is assisted in its oversight role by regular internal audits conducted by 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 no significant concentrations of credit risk from operating activities, and 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 and the market value of derivative transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(a) Credit risk (continued)

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 ensure higher limits are granted to higher rated counterparties. The BAC Group also seeks to mitigate its total credit exposure to counterparties by only dealing with creditworthy counterparties, 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 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.

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. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Cash and swaps

Cash, interest rate and cross currency swaps and bank loans are held with high credit quality financial institutions.

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	2015 \$000	2014 \$000
Cash and cash equivalents	3.1	34,010	39,029
Trade receivables and accrued income – current	3.2	52,516	57,227
Finance lease receivable – current	3.2	77	69
Finance lease receivable – non-current	3.2	21,807	21,884
Derivative instruments – non-current		192,328	43,710
		300,738	161,919

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

	Note	2015 \$000	2014 \$000
Aeronautical		32,139	35,347
Property		19,400	19,990
Other		977	1,890
	3.2	52,516	57,227

The most significant customer accounted for 25% of the trade receivables and accrued income carrying amount at 30 June 2015 (2014: 30%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(a) Credit risk (continued)

Impairment losses

The aging of the trade receivables and accrued income at reporting date was as follows:

	2015 Gross \$000	2015 Impairment \$000	2015 Net \$000
Not past due (0 – 30 days)	38,202	-	38,202
Past due (31 – 60 days)	11,033	-	11,033
Past due (61 – 90 days)	1,868	-	1,868
Past due (more than 90 days)	1,448	(35)	1,413
	52,551	(35)	52,516

	2014 Gross \$000	2014 Impairment \$000	2014 Net \$000
Not past due (0 – 30 days)	29,655	-	29,655
Past due (31 – 60 days)	12,644	-	12,644
Past due (61 – 90 days)	1,472	-	1,472
Past due (more than 90 days)	13,484	(28)	13,456
	57,255	(28)	57,227

(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 and optimises its return on investments to manage liquidity risk. Typically, the BAC Group ensures that it has sufficient cash and available debt facilities to meet expected operational expenses for a period of 12 to 18 months, including the servicing of financial obligations and the funding of the capital expenditure programme.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Funding (continued)

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

2015	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		108,610	-	-	-	-
Floating bonds		10,795	10,795	417,424	319,197	127,998
Fixed bonds		42,128	42,128	85,118	456,031	1,519,293
RPS		23,525	23,525	47,049	141,148	564,593
		185,058	76,448	549,591	916,376	2,211,884
Trade payables and accruals	3.8	70,426	-	-	-	-
RPS dividend	3.8	47,049	-	-	-	-
Derivatives		21,885	21,885	41,511	104,785	237,396
		139,360	21,885	41,511	104,785	237,396
2014	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		3,360	3,360	163,360	-	-
Floating bonds		13,043	13,043	426,085	328,580	132,046
Fixed bonds		36,195	36,195	72,391	217,171	1,384,881
RPS		23,525	23,525	47,049	141,148	611,642
		76,123	76,123	708,885	686,899	2,128,569
Trade payables and accruals	3.8	97,541	-	-	-	-
RPS dividend	3.8	56,459	-	-	-	-
Derivatives		27,567	27,567	46,496	139,487	289,627
		181,567	27,567	46,496	139,487	289,627

Interest payments (and receipts) on the floating interest rate instruments are paid quarterly, at the BBSW rate or the BBSY rate plus the applicable margin.

Interest payments on the fixed interest rate bonds are paid semi-annually.

Trade payables and accruals are payable in less than six months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 requirement under financing 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%; and
- years 4 – 5: 60% of actual debt levels on 1 July each year.

Profile

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

	2015 \$000	2014 \$000
Nominal fixed rate instruments		
Financial liabilities	(2,084,493)	(1,665,723)
Variable rate instruments		
Financial assets – cash and cash equivalents	34,010	39,029
Financial liabilities	(907,000)	(960,000)
Net financial liabilities	(872,990)	(920,971)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(c) Market risk (continued)

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 have a 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 2015 USD000	Face value 2015 AUD000	Face value 2014 USD000	Face value 2014 AUD000
Total foreign exchange exposures hedged	600,000	781,251	485,000	514,902

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 or 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% (2014: 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 2015 foreign exchange rate of AUD 1 to USD 0.77 (2014: AUD 1 to USD 0.94) has been used in the translation of USD denominated borrowings.

Analysis for fixed interest rate instruments

The BAC Group does not account for any fixed 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) for fixed rate instruments.

Analysis for variable interest rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit/(loss) and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 variable interest rate instruments (continued)

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		Increase/(decrease) in equity (before tax)	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Movement in interest rates				
100 basis point increase in interest rates:				
Interest expense on variable rate instruments	(8,730)	(9,210)	-	-
Fair value of interest rate swaps	43,148	132,675	87,479	-
Fair value of cross currency swaps	(49,274)	(40,829)	(7,185)	-
Net impact	(14,856)	82,636	80,294	-
100 basis point decrease in interest rates:				
Interest expense on variable rate instruments	8,730	9,210	-	-
Fair value of interest rate swaps	(33,350)	(148,744)	(112,125)	-
Fair value of cross currency swaps	51,568	44,905	10,347	-
Net impact	26,948	(94,629)	(101,778)	-

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 rates impacts depreciation and appreciation on financial instruments as follows:

	Profit/(loss) before tax		Increase/(decrease) in equity (before tax)	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Movement in USD rates				
10% depreciation	(4)	46,809	(14,848)	-
10% appreciation	-	(57,211)	14,852	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 2015 \$000	Fair value 2015 \$000	Carrying amount 2014 \$000	Fair value 2014 \$000
Assets carried at fair value					
Interest rate and cross currency swaps		192,328	192,328	43,710	43,710
Assets carried at amortised cost					
Cash and cash equivalents	3.1	34,010	34,010	39,029	39,029
Trade and other receivables – current	3.2	68,371	68,371	80,588	80,588
Trade and other receivables – non-current	3.2	21,807	21,807	21,884	21,884
		124,188	124,188	141,501	141,501
Liabilities carried at fair value					
Interest rate and cross currency swaps – current		-	-	26,141	26,141
Interest rate and cross currency swaps – non-current		274,229	274,229	192,847	192,847
		274,229	274,229	218,988	218,988
Liabilities carried at amortised cost					
Secured bank loan	4.1	105,167	105,167	157,142	157,142
Secured domestic bond issues	4.1	546,848	649,017	546,388	645,475
Secured wrapped bond issues	4.1	698,661	703,868	697,931	706,184
Secured USPP bond issues	4.1	1,159,587	1,406,997	739,788	912,400
RPS	4.1	471,829	471,829	471,958	471,958
RPS dividend	3.8	47,049	47,049	56,459	56,459
Trade payables and accruals	3.8	70,426	70,426	97,541	97,541
		3,099,567	3,454,353	2,767,207	3,047,159
Net liabilities		3,057,280	3,412,066	2,800,984	3,080,936

Fair value of financial instruments

As at 30 June 2015, 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 gain of \$93.4 million (2014: net loss of \$57.4 million) measured based on Level 2 valuation techniques as defined in the fair value hierarchy shown in note 1.10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(e) Non-designated derivatives in profit or loss

The changes in the fair value of any derivative instrument in a cash flow hedge are as follows:

	2015 \$000	2014 \$000
Change in fair value of non-designated derivatives		
Interest rate derivatives loss	(58,869)	(35,383)
Foreign currency derivatives gain/(loss)	152,245	(22,015)
Change in fair value of non-designated derivatives before hedge accounting	93,376	(57,398)
Hedge reserve, net of tax	46,400	-
Tax effect on hedge reserve	19,886	-
Foreign exchange loss incorporated in hedge effectiveness	(140,592)	-
	19,070	(57,398)

(f) 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.

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.

	2015 \$000	2014 \$000
Authorised 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.

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. 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 Group reaching financial targets and having sufficient Free Cash (as defined by the BACH Shareholders' Agreement).

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 the income statement as they become ineffective. Prior to the application of hedge accounting, all derivatives were recognised at fair value in profit or loss, as detailed in Section 4.1 of the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.4 Equity and reserves (continued)

(f) Capital management (continued)

Dividends

An ordinary shares dividend was declared and paid by BACH during the current financial year of \$20.0 million (\$7.27 per share) (2014: \$9.1 million; \$3.19 per share) by BACH.

Dividend franking account:

The taxable value of franking credits for subsequent financial years

2015 \$000	2014 \$000
137,452	111,067

SECTION 5: OTHER

5.1 Related parties

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

Executives

Michael Bradburn	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
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 4 ('Plan 4') was 1 July 2011, with an initial base value of \$4.07 per unit. Total units issued under Plan 4 were 1,026,573. Since the grant date, 298,743 units were cancelled upon termination of participant employment. The value of entitlements under Plan 4 payable at 30 June 2015 was \$1,282,582 (2014: \$563,156).

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. The value of entitlements under Plan 6 payable at 30 June 2015 was \$85,507.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 5: OTHER (CONTINUED)

5.1 Related parties (continued)

Key Management Personnel compensation

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

	2015 \$	2014 \$
Short term employee benefits	5,458,706	5,482,430
Post-employment benefits	309,324	346,554
Other long term benefits	84,123	604,255
Termination benefits	-	265,707
	5,852,153	6,698,946

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 technical services including:

- 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 \$596,055 (2014: \$571,253). As at 30 June 2015, the amount payable was \$15,140 (2014: \$149,320).

Intellectual Property Agreement

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

The total fee for the year was \$3,576,908 (2014: \$3,285,758). As at 30 June 2015, the amount payable was \$3,576,908 (2014: \$3,587,880).

Board fees and travel expenses

Board fees and travel expenses paid to the Directors for the year amounted to \$1,004,748 (2014: \$1,027,144).

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 \$120,813 for the year (2014: \$125,324);
- QIC Private Capital Pty Ltd, a company related to M Papathanasiou, received \$106,386 for the year (2014: \$123,067); and
- IFM Investors (Nominees) Limited, a company related to J Rossouw and J Morris, received \$41,233 and \$61,662 respectively for the year (2014: \$126,546 related to J Rossouw).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SECTION 5: OTHER (CONTINUED)

5.2 Parent entity disclosures

	2015 \$000	2014 \$000
Results of BACH		
Profit for the year	31,156	16,484
Total comprehensive income	31,156	16,484
Financial position of BACH		
Current assets	43,648	57,730
Non-current assets	932,688	921,883
Total assets	976,336	979,613
Current liabilities	36,446	50,750
Non-current liabilities	471,829	471,958
Total liabilities	508,275	522,708
Net assets	468,061	456,905
Equity		
Issued capital	470,494	470,494
Accumulated losses	(2,433)	(13,589)
Total equity	468,061	456,905

5.3 Events subsequent to reporting date

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.

DIRECTORS' DECLARATION

In the opinion of the Directors of BAC Holdings Limited:

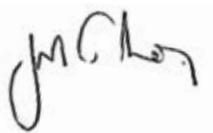
- (a) the financial statements and notes set out on pages 57 to 91 are in accordance with the Corporations Act 2001 (Cth), including:
 - (i) giving a true and fair view of the BAC Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - (ii) 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 consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in Sydney on 2 October 2015 in accordance with a resolution of the Directors:



Bill Grant
Director



Julianne Alroe
Director

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the members of BAC Holdings Limited

We have audited the accompanying financial report of BAC Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and 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 ended on that date, notes 1.1 to 5.3 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1.3, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENT AUDITOR'S REPORT



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.3.

KPMG

A handwritten signature in blue ink, appearing to read 'Mitchell Petrie', written over a faint KPMG logo.

Mitchell Petrie
Partner

Brisbane
2 October 2015

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 for the financial year ended 30 June 2015, there have been:

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

KPMG

A handwritten signature in blue ink, appearing to read 'Mitchell Petrie', written over a light blue rectangular background.

Mitchell Petrie
Partner

Brisbane
2 October 2015

ADDITIONAL INFORMATION

BAC Holdings Limited, ACN 108568038 incorporated and domiciled in Australia, is an unlisted public company limited by shares.

Registered office:

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