BRISBANE AIRPORT CORPORATION

ANNUAL REPORT 2014

BAC HOLDINGS LIMITED ACN 108568038

DELIVERING

IT'S HAPPENING

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

Operating 24 hours a day, seven days a week, BNE is the third-largest airport in Australia by passenger numbers with more than 21.8 million passengers travelling through the airport in FY14.

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

Operating 24 hours a day, seven days a week, BNE has two major terminals servicing 28 airlines flying to 67 destinations. It is a suburb in its own right, the largest airport in Australia by land size (2,700 hectares), the second-busiest capital city airport in Australia by aircraft movements (219,904 FY14) and the third-largest airport in Australia by passenger numbers with more than 21.8 million passengers travelling through the airport in FY14.

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

Currently 420 businesses are located at BNE, servicing a diverse range of industries offering freight and aircraft handling, warehousing, transport and communications, manufacturing, research, property and infrastructure development, education and training, recreation, tourism, leisure and retail. Collectively these businesses employ around 21,000 people, a number expected to exceed 50,000 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 $3.5 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 rated as Australia's No. 1 airport for quality of service 10 years in a row in an ACCC survey, and 3rd in the 2014 Skytrax World Airport Awards for Best Airport in Australia/Pacific, Best Airport in the World (20-30 million passengers) and Best Airport Staff in Australia/Pacific categories.

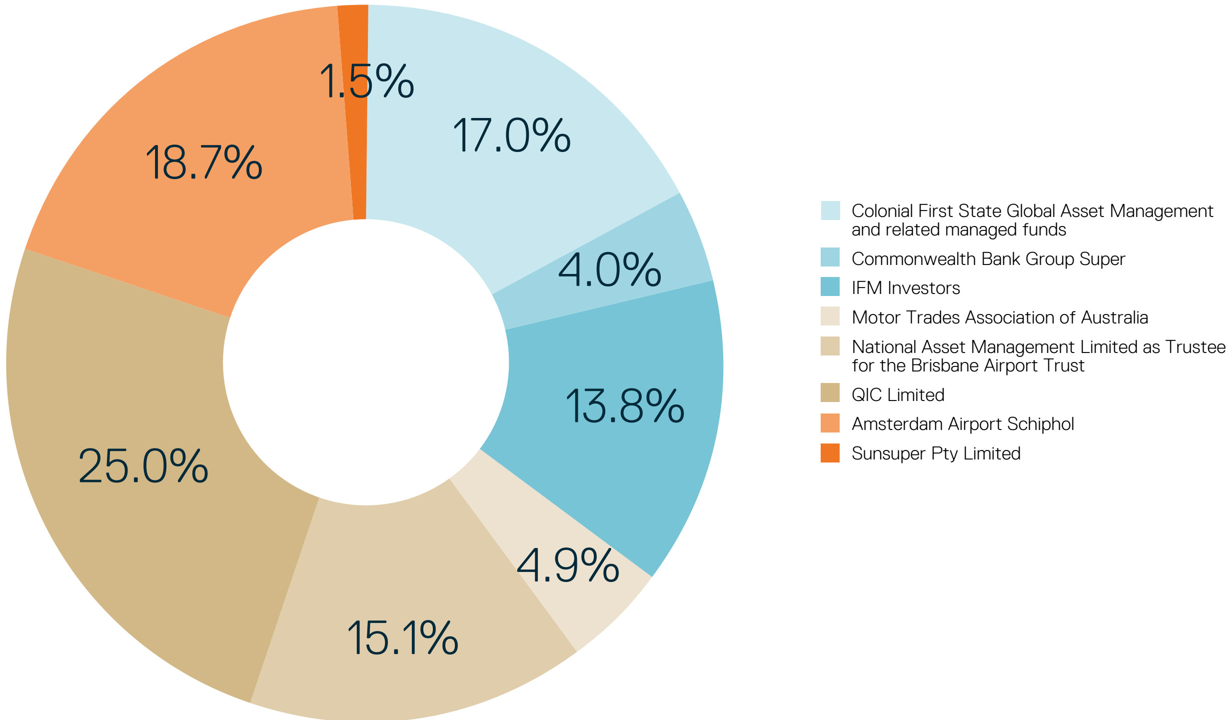
BAC's **purpose** is to grow shareholder value through the efficient and sustainable operation, management and development of Brisbane Airport.

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

Ownership structure



BRISBANE AIRPORT SNAPSHOT

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 $3.5 billion privately invested over the next decade to build critical infrastructure at the airport.

Airlines

28

International 24

Domestic 4

Destinations

67

International 27

Domestic 40

Air New Zealand	EVA Air	QantasLink
Air Niugini	Fiji Airways	Singapore Airlines
Air Vanuatu	Garuda Indonesia	Skytrans
Aircalin	Hawaiian Airlines	Solomon Airlines
Alliance Airlines	Jetstar	THAI International
Cathay Pacific	Korean Air	Tigerair Australia
China Airlines	Malaysia Airlines	Virgin Australia
China Southern Airlines	Nauru Airlines	Virgin Samoa
Emirates	Philippine Airlines	
Etihad Airways	Qantas	

	DESTINATIONS	FREQUENCY*
DIRECT DESTINATIONS FY14		
INTERNATIONAL		
Asia	9	96
New Zealand	5	94
Pacific	9	52
North America	2	15
Middle East	2	21
Total	27	278
DOMESTIC		
Total	40	1,580

*frequencies per week, one way

Passengers	2010/11	2011/12	2012/13	2013/14
International	4,287,681	4,483,094	4,523,406	4,791,162
Growth	3.6%	4.6%	0.9%	5.9%
Domestic	15,800,845	16,516,320	16,842,523	17,053,880
Growth	5.9%	4.5%	2.0%	1.3%
Transits	159,248	182,720	212,415	221,420
Growth	-15.3%	14.7%	16.2%	4.2%

Air Cargo (tonnes)	2010/11	2011/12	2012/13	2013/14
INTERNATIONAL				
Import	42,172	46,871	45,869	43,906
Growth	19.6%	11.1%	-2.1%	-4.3%
Export	39,506	42,285	45,441	50,763
Growth	-5.2%	7.0%	7.5%	11.7%
Total International	81,678	89,156	89,156	94,670
Growth	6.2%	9.2%	2.4%	3.7%

Landings	2010/11	2011/12	2012/13	2013/14
Aircraft Landings	95,201	102,148	109,785	113,181
Growth	7.2%	7.3%	7.5%	2.9%
Landed Tonnes	7,229,745	7,530,644	8,008,188	8,501,200
Growth	6.5%	4.2%	7.3%	6.2%

CHAIRMAN'S MESSAGE

Milestone years are common in businesses as dynamic as airports. But as I look back over the privatised history of Brisbane Airport, I can see none so significant as FY14.

As this report goes to press close to 9 million cubic metres of sand has been placed on the site of our New Parallel Runway with completion of this dredging phase of the project due to conclude in a matter of weeks. This project is the largest undertaken to date by BAC and will likely remain the largest for many decades to come.

This progress on such an important piece of infrastructure, achieved in record time, is a source of great pride to the Board and management. Needless to say it has also met with near universal support from government at all levels and a significant proportion of the community, all of whom recognise that building capacity at Brisbane Airport is good news.

It is pleasing too to report that financial and operational performance remained strong across all parts of our business. This performance converted to strong cash flow which, coupled with the funds raised through the execution of the capital management plan, provided the necessary funding for key projects like the New Parallel Runway. The business is well funded to capitalise on positive trends and to drive future growth.

As part of BAC's FY14 funding strategy, three key transactions were executed to address short, medium and long term funding considerations.

In order to improve BAC's debt maturity profile and broaden our relationship with domestic and international financiers, we brought two new financiers into our banking syndicate and restructured the current bank facility.

BAC also took advantage of strong market demand and priced a seven year A$ Medium Term Note ('A$MTN') for a total of $350 million. Bids received totalled more than $500 million indicating the book was approximately 3.3 times over-subscribed. Strong domestic interest supported this transaction as well as Asian investors, who represented 20 per cent of the issue. This deal saw the tightest pricing on a seven year BBB rated infrastructure deal and the largest A$MTN issue from the infrastructure sector in CY13.

Finally, with an eye to the long term, shortly after completing the A$MTN issue, BAC secured a A$100 million, 12 year floating USPP issue.

More broadly, BAC saw very strong performances across its commercial businesses, and a period of intense focus on improving the operational performance of our core responsibility, the airport. After a challenging FY13 which saw flights impacted by runway works, bad weather and an unprecedented spike in demand on the runway system, our focus was firmly on assuring stakeholders and customers that BAC would improve on-time performance.

I am pleased to report that not only was on-time performance greatly improved, thanks to the co-operative work of BAC management, AirServices Australia and airlines, but this improvement, and the effort that went into achieving it, has been widely recognised.

During the year, BAC received many well deserved accolades across any number of disciplines, but perhaps the most important was that having weathered a particularly challenging time, BNE retained its ranking in a survey by the ACCC as the top rated airport in Australia for quality of service. That we have held this title for 10 years running is a testimony to the dedication, professionalism and talent of the team. I congratulate them all.

Safety and environmental issues remain the highest priority for the Board and management and in FY14 the inaugural 'Chairman's Award for Safety' was announced. This annual award will recognise excellence in delivering safety in the airport environment.

BAC also continues to have excellent relationships with the Federal and State Government as well as the Brisbane City Council and there is considerable effort across the organisation working in collaboration with key agencies in preparation for the G20 Summit.

Finally, I would like to thank all BAC staff for their commitment and contribution to another very successful year.

Bill Grant
Chairman of the Board

CEO AND MANAGING DIRECTOR'S MESSAGE

In October this year I was proud to accept, on behalf of BAC, the Lord Mayor of Brisbane's Award for Corporate Citizenship. This one award reflects very clearly, I believe, the efforts and achievements of the shareholders, Board, management and staff of BAC over the 2014 financial year.

Had we not made the great strides we have made this year in terms of investment, development, service improvement and performance, this award would have gone elsewhere. Indeed, this time last year such an accolade was inconceivable. It is to the great credit of all that we end FY14 in a position of great optimism, satisfaction and commitment to even greater achievements in the years to come.

As I write this report there are around 150 projects underway on the airport. The Charles Darwin is nearing the end of its dredging program to prepare our runway site. A number of stages of our International Terminal redevelopment have been completed to much acclaim. The 2014 Master Plan has been submitted to the Commonwealth. Our on-time performance is back where it should be and new procedures to make it even better are almost ready for implementation. And, we remain a curfew free airport.

But perhaps most important and which underlays many of these very significant milestones, is that we have signed pricing agreements with our airline customers including a 10 year agreement on our new runway. There is no question that the aviation industry remains highly competitive. The recent reporting season has revealed just how competitive FY14 was. In this environment BAC's approach to our commercial negotiations with the airlines proved vital.

In seeking to better understand their broader needs we were able to find solutions and ensured a fair and reasonable return on assets for our shareholders. This approach has set the benchmark for airports around Australia.

Despite the challenges facing the airline industry we remained focussed on passenger growth opportunities. Attracting more and better low cost carrier services has been successful with Tigerair establishing a base at BNE and Jetstar International resuming services.

The diversity of BAC remains a key strength and we will continue to grow across all our commercial businesses with pricing and product initiatives and building brand loyalty.

Our retail business is undergoing many exciting changes which will deliver for the company over decades to come. Our property business has secured several development deals and parking continues to generate very significant revenue and we have a strong team in place to further drive return from these businesses in the future.

With our aim always to grow shareholder value, it is essential that we continue to build a better airport and create an experience that keeps all our customers, from airlines to passengers, to shoppers and tenants, coming back.

Over the next 10 years we plan on investing around $3.5 billion in this extraordinary asset. Building on the very good performance of FY14 I have every confidence that BAC will steer this investment in a manner which delivers for shareholders and all our stakeholders.

Julieanne Alroe
CEO and Managing Director

OUR FINANCIAL PERFORMANCE AT A GLANCE

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.

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 and out performing budgets by recording an EBITDA CAGR for a five-year period to FY14 of 9.0 per cent. Since privatisation in 1997, total passengers have grown from 10 million to nearly 22 million in FY14.

BACH has historically generated a stable and diversified revenue stream, with highlights in FY14 including:

- Aeronautical revenue of $211 million (excluding Government mandated security charges of $27 million), representing 37 per cent of revenue.
- Landside transport revenue, which includes car parking and car rentals, contributed $112 million, or 20 per cent to revenue.
- Retail revenue of $65 million representing 12 per cent of revenue.
- Investment property revenue totalling $66 million, with the majority being long-term leases to quality tenants, comprised 12 per cent of total revenue.
- Operating property revenue, which includes the terminals, contributed $42 million or 7 per cent of revenue.
- Other revenue of $41 million including recharged utilities and interest received represented 7 per cent of total revenue.
- Government mandated security charges of $27 million representing 5 per cent of revenue.

BACH has demonstrated strong operating performance as it focuses on maximising EBITDA and profitability. 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. 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. At 81 per cent, the majority of BACH shareholders are significant Australian institutional investors, including Queensland Investment Corporation, a state-owned entity. In addition, BACH benefits from the experience and support of its international shareholder Amsterdam Airport Schiphol. BACH shareholders are ultimately ordinary Australians with their savings invested in superannuation and other investment funds.

Aeronautical revenue
$211 MILLION*
37% of revenue

Landside transport revenue
$112 MILLION
20% of revenue

Retail revenue
$65 MILLION
12% of revenue

Investment property revenue
$66 MILLION
12% of revenue

Operating property revenue
$42 MILLION
7% of revenue

Other revenue
$41 MILLION
7% of revenue

Government mandated security charges
$27 MILLION
5% of revenue

* excluding Government mandated security charges of $27 million

THE YEAR IN REVIEW FY14

July 2013

- BAC achieves 1.9 per cent passenger growth in FY13.
- BNE's Airport Discovery Centre **A** reopens in its new location at Skygate.
- Woolworths at BNE's Skygate becomes the first supermarket in Queensland to trade 24/7.

August 2013

- Garuda Indonesia launches daily services between BNE-Denpasar.

September 2013

- BAC becomes major sponsor of Brisbane Roar W-League. **B**

October 2013

- Daily Emirates A380 services between Dubai-Brisbane-Auckland commence.
- BAC green lights the New Parallel Runway project, awarding the dredging contract to Jan De Nul. **C**
- BAC successfully raises AUD$350 million 7-year Australian medium term notes.
- BAC wins the 'Energex Award for Sustainability in Business' at 2013 Lord Mayor's Business Awards. **D**
- BAC hosts its second 'Art with Altitude' public art festival at Skygate.
- New fast track kiosk check-in facilities launched at BNE international.
- BAC awards JR/Duty Free a seven-year lease at BNE International.

November 2013

- BAC restructures its business units forming a Commercial Businesses Unit headed up by General Manager John Tormey and an Airline and Retail Management Unit headed up by General Manager Andrew Brodie.
- BNE achieves passenger growth of 1.8 per cent with more than 5.7 million people travelling through the airport in the first quarter of FY14.
- BNE completes $15 million runway overlay project. **E**

December 2013

- Jetstar launches BNE's first scheduled Boeing 787 services, announcing more direct flights to/from Bali.
- BNE achieves 1.4 per cent passenger growth in 2013 calendar year.

February 2014

- BAC unveils $2.4 million upgrade of cycling infrastructure across the airport. **F**
- The $45 million transformation of BNE's International Terminal commences. **G**
- BAC and Qantas reach agreement to support the development of critical infrastructure at BNE.

March 2014

- Tigerair launches its new base at BNE with three new routes between BNE – Darwin, Cairns and Adelaide and a boost in capacity between BNE – MEL and SYD announced. **H**
- BAC welcomes the Federal Government's decision to keep BNE curfew free.
- BNE ranks 3rd in the 2014 Skytrax World Airport Awards for airports servicing between 20-30 million passengers.
- The public comment period for BAC's Preliminary Draft Master Plan commences.
- Singapore Airlines celebrates 30 years of service to BNE.

April 2014

- Aviation Australia announces plans to develop and expand its training facilities at BNE as part of a new long-term lease with BAC.
- BNE ranked No.1 for customer service in ACCC survey for 10th year running.
- BNE achieves 1.7 per cent growth in third quarter passenger traffic.
- BNE opens Australia's first airside Assistance Animals facilities. **I**

May 2014

- BAC wins the 'Business Eco-efficiency Award' in the 2014 Premier's Sustainability Awards. **J**

June 2014

- BNE becomes the first airport in Australia to achieve a Bronze Benchmarked status in the Earthcheck program.
- BNE launches a comprehensive new China Strategy.
- BAC wins the 2014 Healthy Waterways 'Sustainable Water Management Award'.
- BAC achieves 2.2 per cent passenger growth in FY14.

BNE's Airport Discovery Centre.

BAC green lights new runway L-R: Bill Grant BAC Chairman, Julieanne Alroe BAC CEO and MD, The Hon. Warren Truss Deputy Prime Minister, Graham Quirk Lord Mayor of Brisbane.

Brisbane Roar W-League.

$2.4 million upgrade of cycling infrastructure across the airport.

$45 million transformation of BNE's International Terminal commences.

Lord Mayor's Business Awards. Lord Mayor with Paul Lutz from BAC's Environment team.

Tigerair launches its new base at BNE.

Peta Dunnett and Dr John Vance with Guide Dog Vogue officially open BNE's new 'Puppy Powder' room at the Domestic Terminal.

Main runway overlay successfully completed in November.

2014 Premier's Sustainability Award night with BAC's Melissa Landriscina, Cheryl Horrocks, Paul Lutz, Wayne Olsen, Andrew Masci, John Corfield and Robert Win.

INVESTING IN THE FUTURE

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

Since privatisation BAC has spent $1.5 billion on infrastructure and over the next decade we're investing a further $3.5 billion, improving and adding to our airport precinct. FY14 has been another busy year with over 50 construction and planning projects being delivered including:

2014 MASTER PLAN

Our recently released 2014 Preliminary Draft Master Plan will help guide future development providing an in-depth, 20-year look ahead for our business.

Information covered in the 2014 Preliminary Draft Plan includes:

- **Growth forecasts:** Passengers through BNE are expected to more than double to 48 million annually by 2034.
- **Regional economic benefits:** It is expected BNE will contribute $8.2 billion to the Queensland economy and provide around 51,500 full time jobs within the next two decades.
- **Airfield and terminal development:** Terminal expansions and transport needs feature in BNE's growth plans.
- **Commercial development:** The creation of five sub-precincts to maintain business clusters and generate a sense of identity and community.
- **Airspace protection:** Ongoing management of safe and efficient movement of aircraft to and from BNE adhering to relevant regulations, processes and guidelines.
- **Aircraft noise management:** Updated version of the Current and Future Flight Path and Noise information booklet has been prepared to complement the Master Plan.
- **Community and stakeholder engagement:** Ongoing commitment to supporting and engaging with the local community through a variety of avenues.
- **A comprehensive Ground Transport Plan:** Focusing on stimulating greater use of public transport.
- **An Airport Environment Strategy:** Detailing the management of the surrounding environment to ensure the impacts of growth are managed.

Following a 60-day public consultation period the Preliminary Draft Master Plan was submitted to the Australian Government for approval.

Once finalised, the Master Plan will ensure airport planning addresses industry demand and growth, while focusing on achieving a balance between economic development, sound environmental management and sustainability.

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.

Located two kilometres west of the existing main runway, the NPR will be 3.3 kilometres long, 60 metres wide and have more than 12 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, particularly at night.

The dredge and reclamation works for the NPR, which commenced in October 2013, are still underway. Jan De Nul, one of the world's largest and most experienced dredging companies, was contracted to undertake the works, dredging 13 million cubic metres of sand onto the NPR site to consolidate the soft soils and raise the ground level. The installation of more than 10,000 km of ground consolidation vertical drain treatment (wick drains) will expedite the settlement process.

Dredging is due for completion by mid-2015, at which time the site will be left to consolidate for up to three years before the excess sand surcharge is removed from site and the construction of pavements and airfield infrastructure can begin.

INTERNATIONAL TERMINAL REDEVELOPMENT

The $45 million redevelopment of the departures and arrivals areas at the International Terminal is well underway with the project focusing on establishing a unique sense of Brisbane and Queensland.

As part of the redevelopment, Queensland artists Sally Gabori and Sebastian Moody have been commissioned to provide spectacular artworks that will greet travellers with a warm 'welcome' to Brisbane and a memorable 'farewell' on their departure. Sally Gabori's work will not be missed by a single person arriving into Brisbane. Standing 2.5 metres high and spanning the entire 720 metre Arrivals Concourse, this incredible piece of work titled 'A sensory hug' will, with its vibrant colour and energy, awaken and stimulate the senses of weary travellers as they enter the 'front door' to Brisbane. Equally impressive is Sebastian Moody's artwork that will leave travellers with a lasting positive message and reminder of Brisbane and Queensland as they prepare to farewell our great city and state.

Completed in stages to ensure day-to-day operations continue as usual, the redesign will provide more space for additional seating, dwell and relaxation areas and specialty retail stores, as well as the construction of the new JR/Duty Free walk-through store which opened September 2014.

The latter stages will complete the central dwell seating areas with new retailers opening for business from April 2014 through to July 2015. The entire redevelopment is expected to be finalised mid-2015.

AERONAUTICAL SERVICES AND FACILITIES

- Significant apron expansions used for aircraft parking, refuelling and boarding at the Domestic Terminal, including the development of the additional apron at the southern end of the terminal.
- Planning and concept designs for the next stages of development for the Domestic Terminal Precinct and expansion of the International Terminal.
- Implementation of self-service baggage drop system in the Central Common User Area of the Domestic Terminal and a trial self-service kiosk check-in at the International Terminal.

NON-AERONAUTICAL SERVICES AND FACILITIES

- New remote public and staff car park facilities designed and under construction to provide a further alternative for public car parking and to meet staff car parking demand.
- Signalised intersection at Lomandra and Qantas Drives to assist with capacity and safety improvements for the wider road network.
- Cycle tracks and pedestrian access upgrades across the airport.
- Additional T-Link Bus stops for public and staff access to facilities.
- Rollout of additional utility infrastructure including HV power, water, sewer and communications.
- Stormwater drainage improvements for Lomandra Drive.

A. BNE's New Runway Project has been carefully managed to ensure the works are performed safely, securely and with no harm to the surrounding marine environment.

B. Apron expansion at the Domestic Terminal.

OUR PEOPLE

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.

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 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. More than $900,000 is spent on an annual basis on L&D activities, with all BAC employees attending at least one training and development activity each financial year and more than 75 per cent attending an external program.

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 being your personal best.

This year 95 per cent of employees took part in our biannual Employee Opinion Survey, with an overall staff engagement rating of 78 per cent achieved. This is well up on the 62 per cent engagement level recorded in 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

BAC recognises the need to support the employment of Indigenous Australians. Lifting education, workforce readiness and ultimately, participation, for Indigenous Australians is a key priority for the business. Over the next three years BAC is sponsoring an Indigenous Scholarship Program in partnership with QUT to increase our Indigenous workforce.

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. We realise 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 program is designed to give managers full flexibility in recognising the various achievements of staff.

High flyers reward and recognition scheme

The 'High Flyers' reward program 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.

WORK HEALTH AND SAFETY

Work health and safety (WHS) is a key priority driven by the highest levels of leadership at BAC. This was demonstrated in FY14 with the commencement of a new 'Chairman's Award for Safety' which was presented to its inaugural winner during Safe Work Australia Week (October 2013). 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 their own 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 its safety management system with SAI Global since October 2010.

Beginning in FY14, BAC undertook to streamline its WHS management system. This process is aimed at delivering a simplified product for end users (employees and contractors) without compromising safety outcomes. The process will be supported by new technological solutions, and the implementation of a new online training programme for internal users in its first phase. This project will conclude in FY15.

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.

This year, we launched our new Diversity and Inclusion Program which focuses on providing a satisfying, healthy and productive work environment for all employees by:

- Supporting staff staying at and returning to BAC.
- Attracting and recruiting a diverse workforce.
- Developing and empowering inclusive BAC employees.
- Raising awareness and reducing stereotypes.

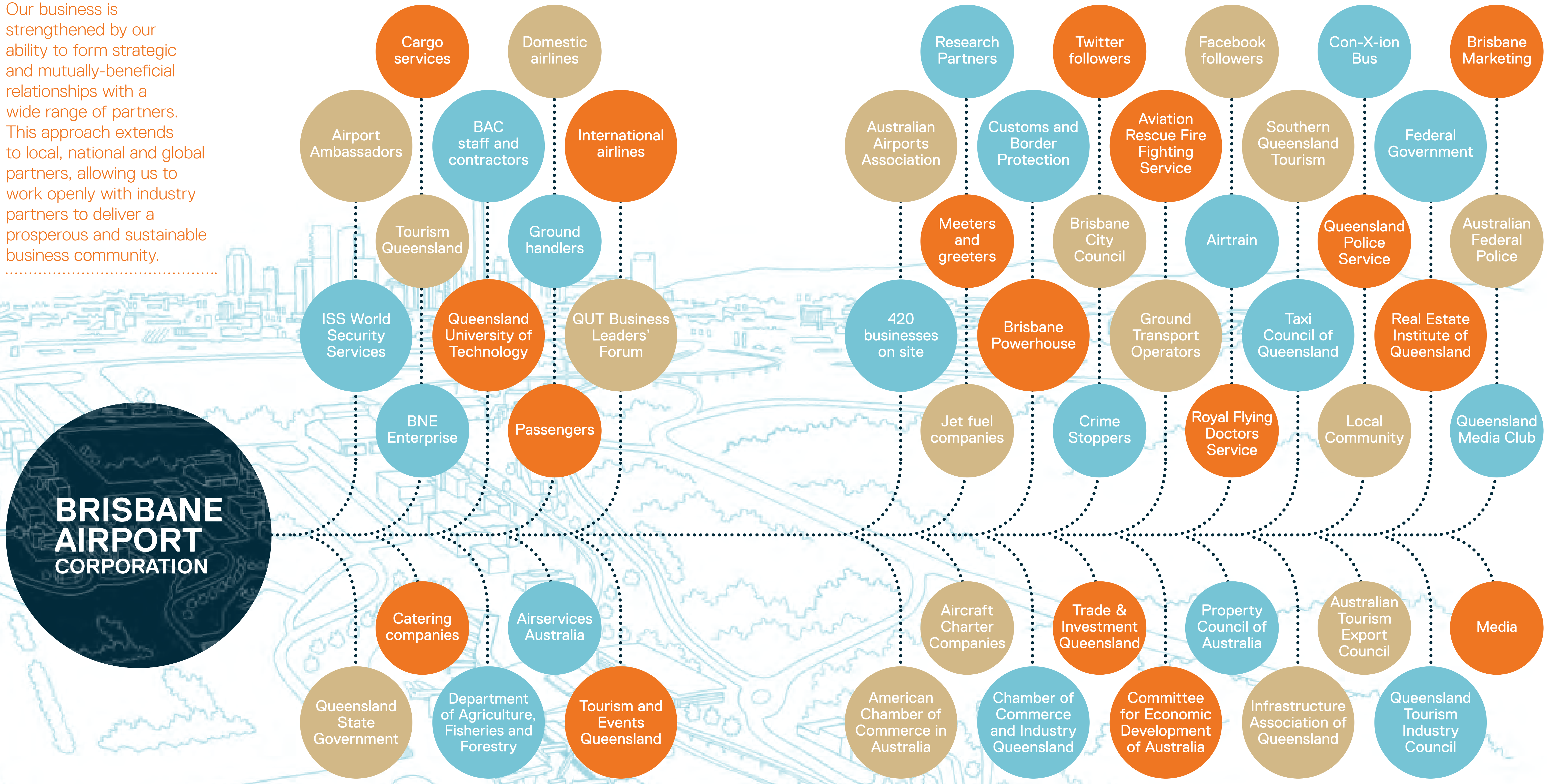
Through this integrated program we are fostering a culture of inclusion where all individuals feel respected, are treated fairly, are provided work-life balance, and have an opportunity to excel in their chosen careers.

A – C. BAC's team members are experts in their respective fields.

OUR PARTNERS

In all cases, our 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 business is strengthened by our ability to form strategic and mutually-beneficial relationships with a wide range of partners. This approach extends to local, national and global partners, allowing us to work openly with industry partners to deliver a prosperous and sustainable business community.



OUR COMMUNITY

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

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 21,000 people who come to work at the airport every day 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 more than $1.2 million in sponsorship and philanthropic donations each year to more than 100 local community initiatives and charities.

Our major charitable partnerships include The Royal Flying Doctor Service, 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.

COMMUNITY ENGAGEMENT

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

Initiatives of the Program include:

Community Exchanges

Community Exchanges are hosted four times a year in BNE's neighbouring suburbs allowing members of the community to meet with members of BAC's senior management as well as staff from Airservices Australia and airlines.

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**. In FY14 approximately two million people passed through the Village Markets Skygate and a further 11,500+ logged into 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 attendees from federal electorates around BNE. It also includes representatives of the Federal Government, State Government and Brisbane City Council, 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 five 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 25 groups and approximately 1,000 people attending a free BNE tour or presentation in FY14.

Coordinated planning

The Brisbane Airport Area Round Table (BAART) is a planning forum made up of Federal, State and local governments and BAC. Updates are provided on the progress of planning issues including aircraft noise, airspace management and surface transport.

Similarly, the 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.

BAC also regularly briefs elected representatives on matters including the 2014 Preliminary Master Plan and operational initiatives.

THE CONNECTED TRAVELLER

Social media now plays a critical role in how we communicate with our community and people from around the world. BNE has made significant progress in the social media arena since launching its Facebook page in 2011. In only three years we are a leader in strategic engagement with travellers and communities via an active presence on Facebook, Twitter, Pinterest, LinkedIn and Instagram.

The primary goal of our social community is to improve the travel experience for our passengers and encourage engagement between our passengers and BNE. Being active in and growing our presence in the digital space has enabled BNE to achieve a number of initiatives to improve the customer experience.

Key achievements:

- We now engage actively on more social platforms including Facebook, Twitter, LinkedIn, YouTube, Google+ and Pinterest.
- LinkedIn is an important industry platform and BNE has over 2,700 subscribers who receive our business and industry announcements. 39 per cent of followers are Senior Managers/Executive level. Our reach over the last six months has been to more than 348,923 members.
- Engagement via our Instagram platform has grown more than 100 per cent during FY14 to 1,143 subscribers, leading the way for Australian airports on the platform.
- YouTube is also an active platform for the business with our corporate videos focusing on showcasing infrastructure projects, the people of BAC and behind the scenes at BNE. The platform views have grown from no subscribers and 47 views to 120 subscribers and 17,141 video views.
- Facebook continues to have strong growth and engagement levels for BNE with more than 24,350 subscribers to the channel and a six-month reach of 11 million.
- Our Twitter community consists of strong national and local media subscribers as well as industry influencers (airlines and destinations). We have doubled our follower growth with more than 6,500 subscribers, more than 30,500 interactions and reach of significant events to over 200,000 accounts. All BAC announcements were shared with news outlets via Twitter with media replicating our key messages for the New Parallel Runway, the International Terminal redevelopment and other major project announcements.

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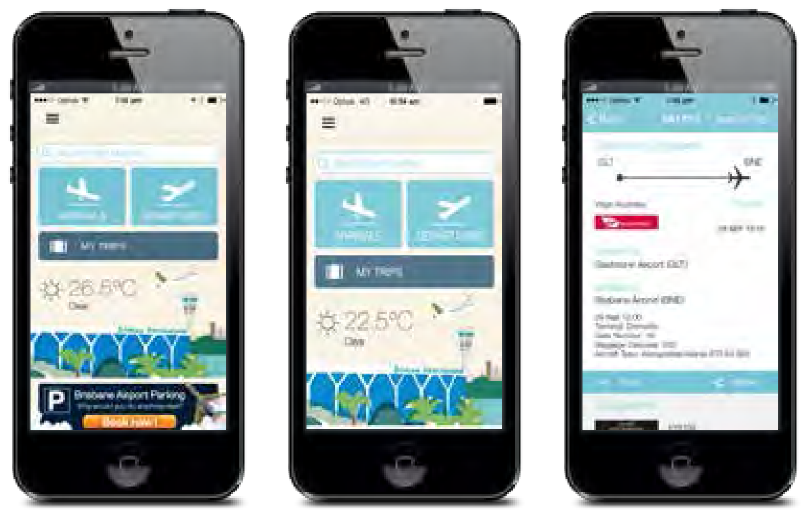

A. BNE's App features the most accurate flight arrivals and departure information, social media updates, maps, security information and terminal shopping, as well as allowing people to book airport parking on the fly. There is also a Chinese simplified version of the app covering select content.

OUR ENVIRONMENT

We are committed to treading lightly on the land and putting in place programs that help us manage and minimise the long-term impacts of climate change and adverse environmental impacts from aviation and property development activities.

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.

FY14 has been a huge year for BAC with our sustainability initiatives receiving three major awards including the Healthy Waterways 'Sustainable Water Management' Award, the Premier's Sustainability Awards 'Business Eco-Efficiency' Award, and the Lord Mayor's Business Awards 'Sustainability in Business' Award.

BNE is also the only airport in Australia to have received Bronze benchmarked status in the EarthCheck program and has registered to achieve a Green Star rating through the Green Building Council of Australia – Communities PILOT rating tool.

We are committed to treading lightly on the land and putting in place programs that help us manage and minimise the long-term impacts of climate change and adverse environmental impacts from aviation and property development activities.

To achieve this, BAC has a dedicated team of environmental specialists in place making sure that whatever we do, we do it with the environment in mind.

Other key achievements during FY14 include:

- Implementing BAC's Environmental Sustainability Action Plan.
- Completion of energy saving projects including Light-Emitting Diode (LED) upgrades, and the installation of solar arrays across the airport (141kW in total).
- Commencement of 'follow me' printing to track paper usage for each BAC department.
- Purchasing two Nissan Leaf fully electric cars for staff use around the airport.
- Installation of two Automated Stormwater Quality Samplers to monitor stormwater run-off from the Domestic and International Terminal areas.

Embedding eco-efficiency initiatives and values into the business provide significant cost savings and the guarantee of supply as the airport grows. By gaining a better understanding of how energy and water is consumed at the airport and implementing initiatives that help BAC be more resource efficient, we are able to effectively grow our business without dramatically increasing our natural resource consumption. This is particularly the case for energy and potable water consumption initiatives.

Table 1 outlines the achievement of environmental sustainability performance for FY14.

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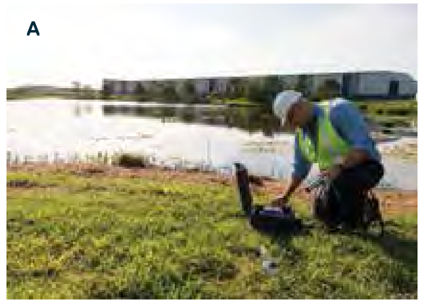

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A. BAC is committed to managing, operating and developing BNE in a sustainable manner while growing every aspect of the commercial business.

B. Two Nissan Leaf fully electric cars have been added to BAC's fleet.

C. The relocation of a White-bellied Sea Eagle nest from the New Parallel Runway footprint to the Boondall Wetlands was a major exercise.

TABLE 1

METRIC	YTD ACHIEVEMENT
Environmental Sustainability Performance Benchmarking	Bronze Benchmarking achieved Energy, greenhouse gas, water consumption at Best Practice level compared to other airports of similar size and climate
Energy consumed (GWh)	172
Amount of renewable energy generated by BAC (kWh)	231,000 kWh
Greenhouse Gas Emissions (t)	49,000
Potable water consumed on airport (ML)	739
Waste Recycled (t)	280
Ecosystem Health	Mangrove biomass stable Near threatened Lewin's Rail population stable Migratory shorebird abundance and species richness stable
Habitat Restoration	Conversion underway of 11 hectares of Casuarina plantation to Lewin's Rail habitat (grassland/wetlands) Relocation of the White-bellied Sea Eagle nest from the New Parallel Runway footprint to the Boondall Wetlands Mangrove rehabilitation works undertaken at degraded sites
Sustainable Development Performance	On schedule to achieve a Green Star rating from the Green Buildings Council Australia – Communities PILOT Project in FY15

METRIC	PLANNED INITIATIVE FOR FY15
Environmental Sustainability Performance Benchmarking	Achieve EarthCheck Silver certification
Energy and Emissions	Achieve Level 1 (Mapping) of the Airport Carbon Accreditation Program
Water Efficiency	Continue to reduce potable water consumption by undertaking leak detection
Waste and Recycling	Develop a Waste Strategy for the Domestic Terminal
Ecosystem Health	Continue ecosystem health monitoring in all Environmentally Significant Areas
Habitat Restoration	Monitor the progress of the relocated White-bellied Sea Eagle nest Monitor mangrove rehabilitation of degraded sites
Sustainable Development Performance	Achieve a Green Star rating for the Property Master Plan under the Green Star Communities PILOT project
Research and Innovation	Establish 'The Grounds', an alliance between the Dow Centre for Sustainable Engineering Innovation, The University of Queensland and BAC to undertake research projects to promote innovation in sustainable production, energy and water use

OUR OPERATIONS

Every day around 620 flights take off or touch down at BNE carrying more than 61,000 passengers to destinations as wide-ranging as Abu Dhabi, Alice Springs, Taipei and Thargomindah.

AVIATION PARTNERS AND NETWORK MAP

OUR OPERATIONS

AVIATION INDUSTRY OVERVIEW

Every day around 620 flights take off or touch down at BNE carrying more than 61,000 passengers to destinations as wide-ranging as Abu Dhabi, Alice Springs, Taipei and Thargomindah.

In FY14 international and domestic passenger numbers through BNE increased by more than 480,000 to exceed 21.8 million, representing a 2.2 per cent increase on FY13.

International review

The fastest rate of growth in international numbers for several years was seen with an additional 267,700 travellers translating to a 6 per cent increase on the previous year. This was nearly matched by seat capacity increasing by 6.6 per cent or an additional 431,500 seats.

A number of key events helped contribute to the strong growth in international passengers throughout the year including The Ashes Cricket Test and the Australian Tourism Exchange in Cairns.

Highlights for the year included the arrival of two new international carriers – Garuda Indonesia and Jetstar – both on the Denpasar route. Jetstar also announced the commencement of non-stop services to/from Hawaii from December 2013.

Emirates, Etihad Airways, Malaysia Airlines, Hawaiian Airlines and Qantas were some of the other carriers that increased flights or up-gauged aircraft on certain routes in the last 12 months.

The greatest international monthly passenger growth was recorded in April 2014 with more than 49,000 extra travellers. The busiest day at the International Terminal was on 5 January with more than 18,200 arrivals and departures.

Growth in international visitors to BNE was driven by visitors from Asia (+10 per cent) and specifically from China (+6.9 per cent), Singapore (+18.2 per cent) and India (+13.2 per cent).

Domestic review

Domestic passenger growth, while slower than in previous years, was still positive at 1.3 per cent on FY13, or more than 211,000 additional travellers. This was in contrast to an increase in available seat capacity of 4.4 per cent, equating to over 985,000 more seats on offer across the board.

Average weekly domestic flight frequency also increased by 1.4 per cent year-on-year.

Highlights for the year included Tigerair Australia establishing a permanent base at BNE (March 2014) and adding new Adelaide, Darwin and Cairns routes to its regular network.

All domestic carriers increased flights or upgraded aircraft to varying degrees in the last 12 months, and there were two additions to the BNE network in Cloncurry and Miles.

The greatest monthly domestic passenger growth was recorded in October 2013 with more than 1.54 million travellers; up 12,240 on the prior record set in October 2012. The busiest day at the Domestic Terminal was on 17 April with 62,883 arrivals and departures.

Growing airline capacity – the China Strategy

As part of a broader suite of business development plans, in FY14 BAC launched a comprehensive 'China Strategy' in a major push to increase air services into Asia.

With a focus on strengthening existing relationships with airlines and building new relationships with the broader business market and consumers, BAC's Asian push signals a new era in the development of BNE as the growth gateway to Australia.

Actions from the strategy that have already been initiated include the appointment of a Chinese Liaison Officer and Chinese Cultural and Customer Service Training for staff at the International Terminal.

A simplified Chinese version of the BNE App and a Chinese language version of the bne.com.au website have also been launched. Other planned initiatives include bilingual signage and messaging with a focus on interactive digital assets and applications, along with culturally appropriate food and beverage choices and specialty retail and tailored merchandise offers and discounts.

BAC senior executives will also regularly visit mainland China to attend key industry events and conferences to network and strengthen current, and build, business relationships. Chinese delegations will also be hosted in Brisbane.

The China Strategy will remain a key priority for BAC over the next five to 10 years.

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.

A. BNE's Chinese Liaison Officer Sam Huang, who speaks fluent Mandarin, assists passengers with check-in, security and customs processes, and way-finding.

B. BNE experienced a 6 per cent increase in international passengers in FY14.

C. 28 airlines provide flights to 67 international and domestic destinations across the globe each week.

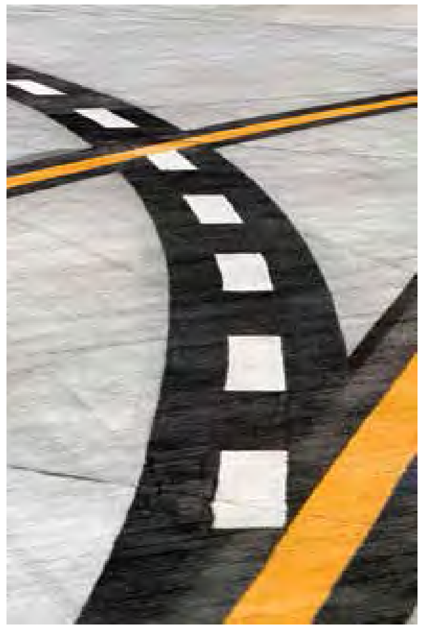
OUR OPERATIONS

A. BAC's fully equipped Incident Response Vehicle enables on-the-spot support for major incidences at the airport.

B. A full scale multi-agency field exercise at BNE involved over 150 people from dozens of agency and local rescue organisations.

Key projects and outcomes for security, airfield safety and emergency planning in FY14 include:

- Facilitation of the introduction and installation of new 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 a new Aerodrome Emergency Plan and Incident Management Framework which complements Police and Emergency Services Incident Frameworks and enhances inter-operability between agencies, while minimising the impact of emergency situations and ensuring business continuity.
- Hosting a full-scale multi-agency field exercise to test rescue capability on the tidal foreshore, involving 150 people from BAC, several State and Federal government agencies and volunteer services.
- Development and application of 'All Hazards' Security and Emergency Risk Assessment methodology which aims to ensure our planning and preparation is based on appropriate assessment models and risk based covering threats, risks and hazards across the security and emergency disciplines. Response/Recovery plans and arrangements are then purposefully developed with the outcome of a more safe and secure environment.
- Delivery/supervision of airside capital works program without delay or incident.
- Continuous improvement in BAC's safety management system including training and reporting requirements.
- Facilitation of Airside Driving requirements with a 33 per cent increase in airside applicants.



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.

PASSENGER SERVICES
A FRESH WELCOME

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.

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 provide 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.

One of BAC's greatest achievements this year is the launch of Australia's first dedicated Animals Assistance bathroom facilities within the sterile areas of the Domestic and International Terminals.

These facilities are unique, being the only facilities of this type provided at an Australian airport, and have been widely accepted by passengers with special needs. They represent a significant advancement in accessible design relative to similar facilities installed elsewhere in the world.

Other access initiatives completed this year include:

- Upgraded stairs and handrails to Domestic Terminal aerobridges.
- Installation of ramps to Domestic Terminal apron boarding stands.
- Upgraded paths to Domestic Terminal apron boarding stands.
- New customer service counters built to AS-1428.2.
- Upgraded accessible toilets and parent facilities at the International Terminal.
- Installation of hearing augmentation loops at the Domestic and International Terminals.
- Upgraded visual emergency alarms at the International Terminal.
- Upgraded lifts at the Domestic Terminal.
- Upgraded signage at the Domestic and International Terminals.
- Upgraded pedestrian crossings and paths at the Domestic Terminal.
- Upgraded taxi ranks.
- Upgraded bus stops.

Airport Ambassadors

Every day 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. As a testament to their incredible efforts, BNE's Airport Ambassador program was the Silver Winner recipient of the 2013 Queensland Tourism Awards for 'Outstanding contribution by a volunteer group'.

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.

From the launch of the entirely revamped BNE App which sends instant updates to mobile phones on selected flight status changes, to a simplified Chinese version and complementary mobile responsive website, we also keep our travellers connected with free Wi-Fi in both terminals.

Other digital infrastructure assisting the passenger journey includes our real-time dynamic LED screens at the International Terminal allowing loved ones to SMS goodbye messages (an Australian first) to departing passengers, and innovative self-check and baggage drop options at the Domestic and International Terminals which significantly reduce check-in times.

Cultural training and passenger liaison

The appointment of a Chinese Liaison Officer and Cultural and Customer Service Training are two initiatives designed to provide assistance to Chinese-speaking travellers and help airport staff to better engage with passengers from many different cultures.

The regular training we offer international retailers on various Asian markets assists in refreshing, up-skilling and addressing the continual evolution of key Asian markets like China, India and Korea.

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 21.8 million passengers who passed through our terminals in FY14, 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 newsletters which are tailored to specific groups on the airport, highlighting exciting announcements and important project updates. These newsletters also lend themselves to fact sheets which are made available at a multitude of locations across the airport and at bne.com.au.

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. Special parking offers and the best deals are always available online and via the BNE App. This year we launched a 'Concierge Service' in Domestic Park Valet along with a Porter Service to the terminal. Other parking products include Car Wash, Park Premium and Guaranteed Space.

There is 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.

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, restaurants, chemist, medical clinic, hotel, beauty services, child care centres, liquor store and a golf leisure centre.

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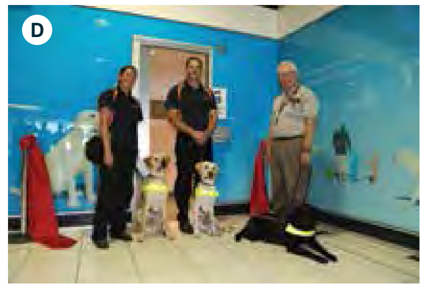


A. Disability access is a key focus for BAC.

B. BNE's busy Skygate precinct boasts Queensland's only 24/7 Woolworths.

C. Nicky Walker is one of more than 130 volunteer Airport Ambassadors greeting passengers with a smile at BNE.

D. Katie Kerr with 'Kadan' and Jason Stankoski with 'Icon' from Guide Dogs Queensland with Dr John Vance with 'Vogue' at the opening of BNE's dedicated 'Puppy Powder Rooms'

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

Matina Papathanasiou
BCom, LLB, MAICD
Director

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

Jill Rossouw
BCom, MPhil, GAICD
Director

Pieter Verboom
PhD
Director

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

John Allpass
FCA, FCPA, FAICD
Alternate Director for Pieter Verboom

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

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

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

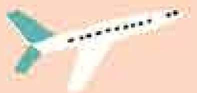
G
Rachel Crowley
Head of Corporate Relations

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 2014

FINANCIAL CONTENTS



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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 ('BACH No. 2') and Brisbane Airport Corporation Pty Limited ('BAC') (together the 'Group') for the year ended 30 June 2014.

1. Principal activities

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

2. Operating and financial review

	2014 $000	2013 $000
Revenue from ordinary activities	564,678	528,093
Operating expenses	(155,099)	(143,975)
Revenue from ordinary activities less operating expenses	409,579	384,118
Depreciation and amortisation expenses	(81,706)	(76,288)
Finance costs	(145,424)	(124,697)
	182,449	183,133
Redeemable preference shares dividend	(51,517)	(55,778)
Change in fair value of investment property	30,351	66,695
Change in fair value of non-designated derivatives	(57,398)	106,087
Unrealised foreign exchange gain/(loss)	10,333	(49,353)
Profit before income tax	114,218	250,784
Income tax expense	(34,829)	(74,927)
Profit for the year	79,389	175,857

The core underlying business grew strongly in the year ended 30 June 2014, which is reflected by the increase in total revenue from continuing operations of 7% from $528.1 million in the prior year to $564.7 million.

Revenue from aeronautical activities was $211.1 million, an increase of $10.2 million or 5%. This was due to continued growth in both domestic (1%) and international (6%) passengers on the prior year.

Revenue from parking and transport activities was $112.0 million, an increase of $9.0 million or 9% from the prior year. This was contributed to by passenger growth, increased car park capacity and improved car parking products.

Investment property revenue was $66.0 million, an increase of $4.9 million or 8% from the prior year. The increase was mainly due to rental income from new tenants in newly constructed investment buildings and favourable annual rent increases.

Total operating expenses for the year were $155.1 million, an increase of 8% from the prior year. Staff expenses for the year were $33.2 million, an increase of $2.2 million or 7%. This increase reflects the wage rises along with additional resourcing required due to the increased level of activity throughout the airport.

Revenue less operating expenses was $409.6 million for the year, an increase of 7% from the prior year. The Group's investment property portfolio recorded a valuation increment of $30.4 million in the current year compared to a revaluation increment of $66.7 million 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 for the year ended 30 June 2014 was $182.4 million, a decrease of $0.7 million from the prior year profit of $183.1 million.

Profit before tax of $114.2 million was $136.6 million down on the prior year profit of $250.8 million. The primary driver of this decrease was an unfavourable movement in non-designated derivatives (hedges).

3. Dividends

The redeemable preference shares dividend payable by BACH has been accrued in the financial statements. Ordinary share dividends were declared and paid during the current financial year of $9.1 million (2013: nil) by the Group.

4. State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group during the year ended 30 June 2014.

5. Events subsequent to reporting date

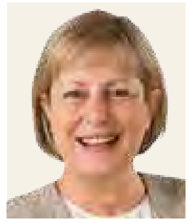
In the interval between the end of the financial year and the date of this Report, no item, transaction or event of a material or unusual nature has arisen that is likely, in the opinion of the Directors of BACH, to significantly affect the operations of the Group, the results of those operations or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

6. Likely developments

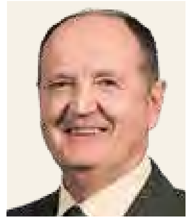
The Group will continue to pursue its objectives consistent with the Airport Master Plan and Business Plan.

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
William (Bill) Grant OAM, ALGA, FAICD Chairman and Non-Executive Director **Date appointed:** 28/01/2009 	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. 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), a Director of Brisbane Development Association and Chairman of the Townsville CBD Taskforce. Bill has significant experience in property development, venue management, local government 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.
Julieanne Alroe BEc, GAICD CEO & Managing Director **Date appointed:** 01/07/2009 	Julieanne was appointed to the position of CEO & Managing Director in July 2009. In addition to this role, Julieanne currently holds board positions with Australia TradeCoast, Tourism and Events Queensland, Urban Futures Brisbane and the Queensland Theatre Company. She is also the Chapter Chair of Creative Partnerships Australia and a Member of the Council of Governors of the American Chamber of Commerce QLD, is a Queensland State Advisory Council Member for the Committee for Economic Development of Australia ('CEDA') and is the inaugural President of the Queensland Futures Council. Most recently Julieanne has been appointed to be a Member of Infrastructure Australia and will join the board effective from 1 June 2015. 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. Previous board appointments include the position of Chairman of Airports Coordination Australia Limited, International Grammar School in Sydney and Airports Council International Safety and Technical Standing Committee and a director of Schiphol Australia Pty Limited. Julieanne has a Bachelor of Economics from The University of Queensland and is a Graduate of the Australian Institute of Company Directors.

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
David Gray **BSc, MAICD, FRAS, Hon DPhil** Non-Executive Director **Date appointed:** 23/04/2010 **Date resigned:** 1/03/2014 	David has held a number of senior positions in various technical organisations in South Africa and Australia. He recently retired from a 12 year role as Managing Director of Boeing Australia. David is currently Chairman of Queensland Cyber Infrastructure Foundation, a director of Collection House and an Adjunct Professor at QUT working with the schools of Business and Engineering. He was also Deputy Chairman of CASA (retired June 2014) and Chairman of Queensland Motorways and WaterSecure. David was Chairman of the Human Resources and Remuneration ('HRR') Committee.
Chris Freeman **AM, BCom, FAICD, FFin, FDIA** Non-Executive Director **Date appointed:** 1/03/2014 	Chris was born and educated in Queensland and has significant company directorship experience in Australia and abroad in the property and finance sectors. In May 2011, Chris was appointed a Director of Watpac Limited, a leading Australian public company operating in the construction and mining sectors and in March 2012 he was elected Chairman. 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 UAE and the UK. Previously, Chris was the CEO for Mirvac Queensland from 1998 to 2008 where he was instrumental in directing the growth of Mirvac 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. Chris's former roles include Executive Director, Sunland Group for two years and the Head of Business Banking at Queensland Industry Development Corporation for six years. In addition, he has held responsibility at an executive management level in the finance markets operating in the property, corporate and agri-business sectors. 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 programs at the University of Hawai'i, INSEAD in France and Mt Eliza Staff College. In June 2009, Chris was awarded a Member in the General Division of the Order of Australia (AM) for his contribution to the property development industry, the arts and other cultural affairs. Chris is a member of the Finance, Audit and Risk Management ('FARM') Committee.

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Chris McArthur **BE, MBA, FAICD** Non-Executive Director Alternate Director for John Ward **Date appointed as Director:** 25/11/2008 **Date appointed as Alternate for John Ward:** 07/12/2007 	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. 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 director of Adelaide Airport, a former director of Perth Airport and was inaugural Chairman of Airports Coordination Australia Limited. As a full director of Brisbane Airport, Chris is also an Alternate Director for John Ward. Chris is a member of the FARM and HRR Committees.
Matina Papathanasiou **BCom, LLB, MAICD** Non-Executive Director **Date appointed:** 15/05/2009 	Matina co-founded QIC Global Infrastructure in January 2006. She has a senior leadership role in the team and has had joint oversight on all of the team's investments. As well as having overall responsibility for portfolio construction for QIC's infrastructure clients, she plays a key role in client relationships and in managing QIC clients' investment in the airports sector. She is a member of the QIC team's Clients, Asset and Investments Committee and part of the Operating Committee. Matina has over 25 years funds management and investment banking experience including 12 years as an equity investor in the infrastructure sector. Prior to joining QIC, Matina was employed by AMP Capital Investors in their unlisted infrastructure team. In this capacity, she served as the Head of Strategy and as a member of their Credit Investment Committee. She also led a number of infrastructure transactions for AMP and was responsible for product development. Previously, Matina was in the infrastructure finance and advisory team of Bankers Trust and Macquarie Bank in their Project Advisory and Structured Finance groups focusing on infrastructure. She commenced her career as a tax advisor with Arthur Andersen. 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 New South Wales. She has been a director on a number of boards of infrastructure companies including a current director role at Westlink (M7 Tollroad) (alternate). She has also been a director of a number of other infrastructure companies including TransGrid, Epic Energy, Pacific Solar and India Infrastructure Holdings. Matina is a member of the FARM Committee.

7. Directors (continued)

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

Thomas Parry
AM, BEc (Hons), MEc, PhD
Non-Executive Director
Date appointed: 01/07/2012

Tom is Foundation Chairman of the Australian Energy Market Operator (AEMO) and Chairman of First State Super Financial Services. He is a director of ASX Compliance (the regulatory arm of the Australian Securities Exchange) and a Director of Powerco New Zealand. He also is an advisor to DUET Limited and QIC.

Previously, Tom was Chairman of Sydney Water Corporation, the largest water and wastewater company in Australia. He was Chairman of First State Super Trustee Corporation from 2000 to 2014. 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 also was 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.

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 Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong.

Tom is a member of the HRR Committee.

Jill Rossouw
BCom, MPhil, GAICD
Non-Executive Director
Date appointed: 26/11/2009

Jill is an Investment Director in IFM Investors' Infrastructure Group. Jill's responsibilities include managing IFM Investors' investments in the Australian airport 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 $20 billion in infrastructure assets.

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.

Jill's current directorships include Southern Cross Station, Defence Head Quarters, Perth Courts PPP, and Axiom Education. Previous board appointments include director of the Royal Victorian Eye and Ear Hospital (2005 to 2009); and Airport Development Group as Chairperson (2006 to 2007).

Jill was appointed Chair of the HRR Committee effective from 28 March 2014 and is a member of the FARM Committee.

Pieter Verboom PhD
Non-Executive Director
Date appointed: 25/07/2008

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 degree 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.

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 serves on the supervisory boards of VastNed Retail and Tennet. Pieter is also an Expert judge of the Dutch Enterprise Court. In October 2012, he joined the Board of RFS Holland Holding (an online retail, financial services company).

7. Directors (continued)

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

John Ward
BSc, FAIM, FAICD, FAMI, FCILT
Non-Executive Director
Date appointed: 24/11/1997

John is a professional company director and corporate advisor. He was interim Chairman of the Board from 30 January 2009 to 25 September 2009, and is a member of the FARM Committee, previously holding the position of Committee Chairman for 13 years.

John retired as the General Manager Commercial of News Limited in May 2001. Prior to joining the News Corporation in mid 1994, he was Managing Director and Chief Executive of Qantas Airways Limited. This culminated a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America.

John is an Honorary Life Governor of the Research Foundation of Information Technology, 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.

John Allpass
FCA, FCPA, FAICD
Alternate Director for
Pieter Verboom
Date appointed: 17/09/2009

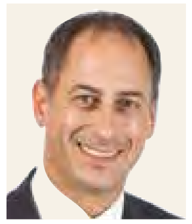
John is Alternate Director for Pieter Verboom and was appointed Chairman of the FARM Committee effective from 1 July 2011. He has for more than 20 years acted as an independent non-executive director of various companies.

He is currently chairman of Envestra Limited (since 2002) and a director since 1997. He is also a director of Schiphol Australia Pty Limited.

His other board appointments have included Bupa Australia Group (1999 to 2013), BrisConnections Management Company Limited (2008 to 2013), MBF Australia Limited (1999 to 2008), Macquarie Bank Limited (1994 to 2007), Queensland Investment Corporation (1991 to 2008), Macquarie Life Limited as Chairman (1994 to 2003) and Chairman of Hamilton Island Limited (1994 to 1996).

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 of many companies.

Perry Clausen
BCom, CA (Canada), MTax
Alternate Director for
Chris McArthur
Date appointed: 25/11/2008

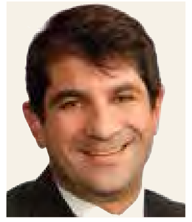


Perry is Alternate Director for Chris McArthur. Perry is Global Head of Infrastructure Investment at Colonial First State Global Asset Management ('CFSGAM') having commenced with CFSGAM in March 2007.

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 the 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.

Perry has over 25 years of infrastructure and financial experience including nine years at 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.

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Ross Israel **BCom, LLB, FFin** Alternate Director for Matina Papathanasiou and Tom Parry **Date appointed as Alternate for Matina Papathanasiou:** 15/05/2009 **Date appointed as Alternate for Tom Parry:** 01/07/2012 	Ross is Alternate Director for Matina Papathanasiou and Tom Parry. Ross co-founded QIC Global Infrastructure ('GI') in January 2006 and heads up the team. Ross provides overall leadership to the QIC GI team, oversight of asset management, and is a member of the QIC GI Investment Committee. Ross has over 23 years of experience in the field of corporate finance and funds management with specialist skills in infrastructure, capital raisings and mergers and acquisitions. Prior to QIC, Ross was with AMP Capital from 2000 to 2005. He co-led the AMP team responsible for the creation of the Diversified Utility and Energy Trusts ('DUET'), after which he was seconded into the management joint venture between AMP Capital and Macquarie Bank established prior to DUET's listing on the ASX in August 2004. He was DUET's Chief Operating Officer ('COO') until his departure to QIC. Prior to joining AMP Capital, Ross worked for ABN AMRO and BZW in their Australian infrastructure corporate advisory and London mergers and acquisition teams and Ernst & Young in their Sydney corporate tax division. Ross is currently a Director of CampusParc and an Alternate Director of Port of Brisbane and PowerCo.

8. Company Secretary

Name and qualifications	Experience
Sarah Thornton **BA, DipEd, LLB (Hons), GradDipACG, AGIA, GAICD** General Counsel and Company Secretary 	Sarah is General Counsel and Company Secretary for each company of the Group. Sarah commenced with the 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. Sarah spent eight years in sales and marketing roles finishing up as Sales and Marketing Manager - Australasia, Asia, Europe and Middle East, for Denning Branch International Robotics to pursue a legal career. Upon completing a Bachelor of Laws (Hons, First Class) at QUT, Sarah commenced as a Solicitor with Clayton Utz before moving on to become Virgin Australia's (formerly Virgin Blue) first in-house counsel in 2002. During a six year period at the airline, Sarah broadened her experience as Alternate Director on the board of Polynesian Blue Airlines (a joint venture with the Samoan Government) and as project manager for the feasibility study into long haul operations. In 2008, Sarah became Regional General Counsel for global mining equipment manufacturer, Joy Global, Inc. (with responsibility for South East Asia and Australasia) and Company Secretary for the Australian based subsidiaries of the Joy Global group.

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		APARC MEETINGS	
	A	B	A	B	A	B	A	B
W Grant (Chairman of the Board)	10	10	5	5	4	4	1	1
J Alroe (CEO & Managing Director)	10	10	5	5	3	4	1	1
D Gray (resigned 1 March 2014)	5	7	1	3	2	2	0	1
C Freeman (appointed 1 March 2014)	3	3	2	2	0	2	0	0
C McArthur (Director and also Alternate Director for J Ward)	10	10	5	5	4	4	1	1
M Papathanasiou	10	10	5	5	1	4	1	1
T Parry	10	10	0	5	2	4	1	1
J Rossouw	10	10	4	5	4	4	1	1
P Verboom	1	10	1	5	0	4	0	1
J Ward	10	10	5	5	2	4	0	1
J Allpass (Alternate Director for P Verboom)	10*	10	5	5	2	4	0	1
P Clausen (Alternate Director for C McArthur)	0	0	0	0	0	0	0	0
R Israel (Alternate Director for T Parry and M Papathanasiou)	0	0	0	0	0	0	0	0

A - Number of meetings attended.

B - The number of meetings held during the time the Director (or committee member as relevant) held office during the year, or was invited to attend if no right to attend existed.

* In capacity of invitee for one meeting.

Included in the number of Board meetings held and attended are two 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'.

During the 2014 financial year, no NPR Project Committee meetings were held. This is because this committee was temporarily suspended to allow all NPR matters to be considered at the Board level. The NPR Project Committee was discontinued on 28 March 2014.

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 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 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 (Environment Protection) Regulations 1997 (Cth). This legislation specifically addresses issues of soil, air, water, natural resources and offensive 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 are a significant number of Commonwealth and Queensland regulatory environmental requirements in relation to the NPR, including numerous conditions relating to environmental management of the NPR construction works. BAC has met all of these requirements.

In addition, there have been no significant breaches of any environmental regulations to which BAC is subject.

13. Non-audit services

During the year, KPMG, BACH'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 written advice provided by resolution of 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 BACH 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 BACH, acting as an advocate for BACH 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 2014 Annual Report and forms part of the Directors' report for year ended 30 June 2014.

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 Brisbane on 26 September 2014 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 and common law principles. The Directors of BACH are committed to embracing good corporate governance policies, practices and procedures. Fundamentally, BACH 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 with 2010 Amendments' (2nd 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 BACH's corporate arrangements. Therefore, the Board has considered each model and adopted a number of key common aspects consistent with BACH's particular circumstances and overarching governance documents - the Constitution and the BACH Shareholders' Agreement.

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

(a) Board of Directors

Role of the Board

The Board is responsible for the overall corporate governance of BACH including participation in charting its strategic direction, objective setting, policy guidelines, goals for management and monitoring 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 BACH's direction, the Board delegates responsibility for the company's management 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.

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 BACH in office at the date of this statement are set out in the Directors' report.

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.

(a) Board of Directors (continued)

Key meeting protocols (continued)

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;
- New Parallel Runway ('NPR') Project Committee (discontinued on 28 March 2014); and
- Aeronautical Pricing and Regulatory Committee ('APARC') (discontinued on 28 March 2014) (see below for further details).

The Board has also established a risk management framework for the Group including a system of internal control, and a business risk management process. Further details of the 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 Company and the depth and broad range of skills amongst Directors. All Directors participated in a workshop to review the findings of the report and the Board is currently implementing a number of recommendations from the 2014 review.

(b) FARM Committee

As mentioned above, to assist in the execution of its responsibilities, the Board has 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 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.

For the period from 1 July 2013 to 28 March 2014, the members of the Committee were:

- John Allpass, Chairman;
- Chris McArthur;
- Matina Papathanasiou;
- Jill Rossouw; and
- John Ward.

For the period from 28 March 2014 to 30 June 2014, the members of the Committee were:

- John Allpass, Chairman;
- Chris Freeman;
- Chris McArthur;
- Matina Papathanasiou;
- Jill Rossouw; 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 BACH Company Secretary is Secretary for the Committee.

(b) FARM Committee (continued)

The overall objective of the Committee is to assist the Board to discharge its risk management, compliance and financial oversight responsibilities. These include exercising due care, diligence and skill in relation to BACH's:

- reporting of financial information to users of financial reports;
- financial management;
- maintenance and review of its internal control system;
- monitoring and control of business and other risk;
- application and review of BACH's risk management and financial policies and practices; and
- compliance with material legal obligations.

The Board has a Policy on External Audit 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 BACH and its external auditor comply with the requirements of the Corporations Act 2001 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 BACH 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 has 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.

(c) HRR Committee (continued)

Management and staff:

- 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
- provide advice on any other human resource or remuneration matters referred to the Committee by the Board.

For the period from 1 July 2013 to 28 March 2014, the members of the Committee were:

- David Gray, Chairman;
- Chris McArthur;
- Matina Papathanasiou; and
- Jill Rossouw.

For the period from 28 March 2014 to 30 June 2014, the members of the Committee were:

- Jill Rossouw, Chair;
- Chris McArthur; 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) NPR Project Committee

The NPR Project Committee was established by the BAC Board on 29 January 2010 to enable it to monitor and report to the Board on matters related to the NPR. The Committee was comprised of all Directors (or their alternates). During the 2014 financial year, meetings of the Committee were temporarily suspended to allow all NPR matters to be considered at Board level. The NPR Project Committee was formally discontinued on 28 March 2014.

(e) APARC

The BAC Board established the APARC on 30 November 2012. Upon concluding the aeronautical agreements with airlines, the APARC was formally discontinued on 28 March 2014.

During its operation, the composition, role and responsibilities of the APARC were governed by a Charter.

The APARC's role was to assist the Board in fulfilling its role and responsibilities in oversight and decision making regarding any regulatory outcome that BAC may consider, pursue or respond to under Part IIIA of the Consumer and Competition Act 2010 (Cth).

For the period from 1 July 2013 to 28 March 2014, the members of the APARC were:

- Tom Parry, Chairman;
- Julieanne Alroe;
- Chris McArthur;
- Matina Papathanasiou; and
- Jill Rossouw.

Directors who were not members were also invited to attend meetings. The Board received access to all APARC agendas and papers, copies of all APARC meeting minutes and oral briefings from the Committee Chairman.

(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 described under five headings:

- 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 reports to equity and debt holders on a quarterly basis;
- quality and integrity of personnel - the company's standards in respect of values and expectations of employee actions are clearly defined. Formal appraisals are conducted at least annually for all employees;
- operating unit controls - the company adopts financial controls and procedures including information system controls;
- functional speciality reporting - the company prepares Board information papers as required on various issues which arise in the course of operations in addition to Board requested information; and
- investment appraisal - the company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures and levels of authority.

Each year, the CEO & Managing Director and Chief Financial Officer provide a Management Representation Letter to the 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.

Business risk management

The 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 Company has formal Board Policies on Risk Management and Legal Compliance, with the objective of these programs being to provide management with the guidelines and framework consistent with the respective Australian Standard AS/NZS ISO 31000:2009 Risk Management - principles and guidelines' and compliance framework through Australian Standard AS 3806-2006. The Company continues to facilitate and encourage a culture of appropriate risk management and compliance amongst its staff.

Further, sound risk management practice underpins the company's planning and decision making. As such, the company 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 Company has adopted a multi-faceted approach which reflects the current nature of its business activities. This comprises generalised and specific risk management initiatives including:

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

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

(f) Risk management (continued)

Internal audit

The internal auditor is Deloitte Touche Tohmatsu. 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 BAC's risk framework and the completeness and accuracy of risk reporting by management.

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

Financial reporting

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

- in their view, the 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 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 re-issue process. A minor variation to the current Brisbane AES was approved by the Minister on 14 February 2012 and continues to set the strategic direction for environmental management until the end of 2014. 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, continuance of a comprehensive ecosystem health monitoring program, continuation of the Water Quality Monitoring Program, implementing a program to remediate high environmental risk contaminated sites in existence prior to privatisation in 1997 and continue the environmental awareness program with tenants including annual inspections of all higher environmental risk tenant operations.

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 (e.g. the NPR Project was required to undertake an Environmental Impact Statement). 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.

(g) Environmental management (continued)

New Parallel Runway

The 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 continue and exceed peak hour capacity of the airport's current runway system in the busy periods of the day. The NPR is expected to become operational by 2020.

Preparatory work including site clearing, construction of drainage works, establishment of construction access roads and modification of the cross runway taxiway system was completed in February 2014. The dredging and reclamation contract was awarded in October 2013. This contract consists of reclaiming the 360 hectare site for the NPR with the majority of the construction work involving dredging and placing approximately 13 million cubic metres of sand to form the platform on which the NPR will be constructed. This sand volume is also needed to surcharge the poor quality in-situ soils, and settlement of the site will take up to three years. Following ground settlement, construction of the runway and associated taxiways is expected to commence around 2017, with the runway scheduled to open by 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 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 Fair and Safe Work Queensland, 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 reviewed against this standard every six months in order to retain accreditation. BAC successfully obtained re-accreditation during the 2014 financial year.

The compliance framework is now underpinned by a co-operative approach by all relevant parties to managing WHS risks arising out of BAC's business activities. This, combined with ongoing reviews of BAC's WHS performance, ensures that "due diligence" is exercised in the management of WHS risks.

(i) Diversity

Overview

The 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 in all elements of the work environment, including Diversity and Bullying, Harassment and Unlawful Discrimination Policies which were reviewed in early 2014. These policies:

- provide guidance for the development and implementation of programs and initiatives aimed at promoting diversity across all levels including staff, management and the Board;
- require the establishment of clear measurements and reporting to management, the Board and the BAC HRR Committee;
- encourage the adoption of diversity strategies and incorporate flexible approaches to the individual needs of the workforce; and
- prohibit any form of unlawful discrimination, sexual harassment or bullying.

Diversity compliance

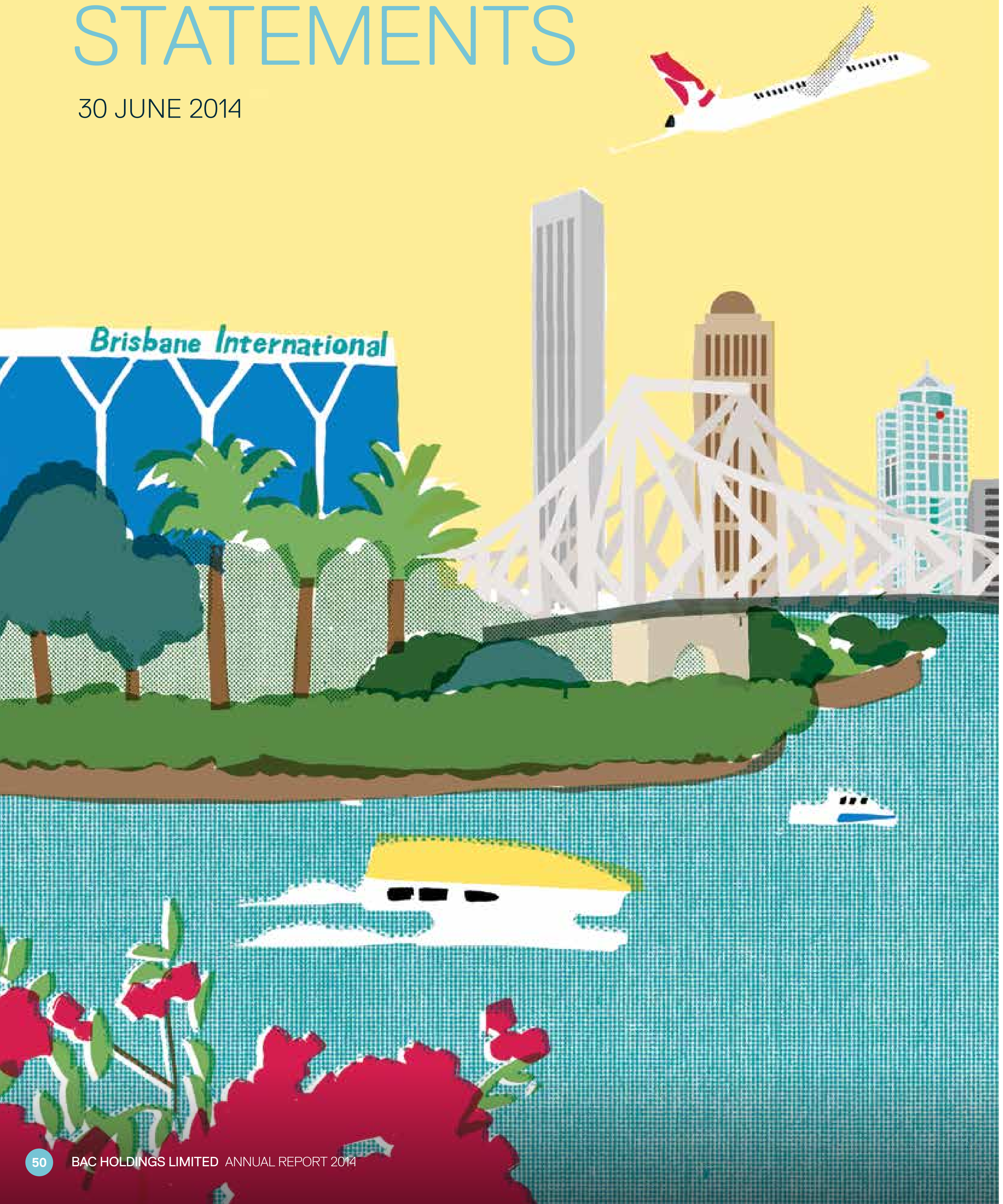
Compliance in this area is in accordance with a number of pieces of legislation (including the Anti-Discrimination Act 1991 (Qld) and the Workplace Gender Equality Act 2012 (Cth)).

As part of its compliance program, the company also reports annually to the Workplace Gender Equality Agency on the results of its workplace programs.

BAC HOLDINGS LTD

FINANCIAL STATEMENTS

30 JUNE 2014



CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Revenue from ordinary activities			
Aeronautical		211,139	200,939
Landside transport		111,963	102,938
Investment property		66,005	61,062
Retail		65,222	62,069
Operating property		41,861	39,529
Government mandated security		27,171	24,400
Interest		5,832	3,066
Other		35,485	34,090
		564,678	**528,093**
Operating expenses			
Utilities		(34,203)	(33,296)
Staff		(33,237)	(30,999)
Maintenance and contract services		(31,784)	(30,352)
Government mandated security		(27,171)	(24,400)
Corporate and administration		(16,709)	(14,292)
Other		(11,995)	(10,636)
		(155,099)	**(143,975)**
Revenue from ordinary activities less operating expenses		**409,579**	**384,118**
Depreciation and amortisation expense		(81,706)	(76,288)
Finance costs		(145,424)	(124,697)
Redeemable preference shares dividend		(51,517)	(55,778)
Change in fair value of investment property	3.6	30,351	66,695
Change in fair value of non-designated derivatives	4.3	(57,398)	106,087
Unrealised foreign exchange gain/(loss)		10,333	(49,353)
Profit before income tax		**114,218**	**250,784**
Income tax expense	2.5	(34,829)	(74,927)
Profit for the year		**79,389**	**175,857**
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gains, net of tax		1,002	1,099
Other comprehensive income		**1,002**	**1,099**
Total comprehensive income		**80,391**	**176,956**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 $000	2013 $000
Current assets			
Cash	3.1	39,029	73,032
Trade and other receivables	3.2	94,582	54,873
Inventories		785	738
Current tax receivable		2,045	-
Total current assets		136,441	128,643
Non-current assets			
Trade and other receivables	3.2	62,553	21,954
Intangible assets	3.3	823,014	823,014
Property, plant and equipment	3.4	2,444,753	2,185,554
Investment property	3.6	1,066,910	1,002,800
Derivative instruments	4.3	43,710	60,045
Total non-current assets		4,440,940	4,093,367
Total assets		4,577,381	4,222,010
Current liabilities			
Trade and other payables	3.8	154,000	136,408
Interest-bearing liabilities	4.1	-	349,630
Derivative instruments	4.3	26,141	-
Employee benefits	3.9	6,148	5,884
Current tax payable		-	18,693
Other liabilities	3.10	7,777	4,769
Total current liabilities		194,066	515,384
Non-current liabilities			
Interest-bearing liabilities	4.1	2,613,207	2,044,872
Deferred tax liabilities	2.6	440,149	416,080
Derivative instruments	4.3	192,847	177,924
Employee benefits	3.9	1,346	3,083
Other liabilities	3.10	4,842	4,987
Total non-current liabilities		3,252,391	2,646,946
Total liabilities		3,446,457	3,162,330
Net assets		1,130,924	1,059,680
Equity			
Issued capital		78,388	78,388
Reserve		(2,451)	(3,453)
Retained earnings		1,054,987	984,745
Total equity		1,130,924	1,059,680

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital $000	Defined benefit super fund 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	-	-	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

	Issued capital $000	Defined benefit super fund reserve $000	Retained earnings $000	Total $000
Balance at 1 July 2012	78,388	(4,552)	808,888	882,724
Total comprehensive income				
Profit	-	-	175,857	175,857
Other comprehensive income				
Defined benefit superannuation fund actuarial gains	-	1,099	-	1,099
Total other comprehensive income	-	1,099	-	1,099
Total comprehensive income	-	1,099	175,857	176,956
Balance at 30 June 2013	78,388	(3,453)	984,745	1,059,680

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Cash receipts from customers		519,079	515,261
Payments to suppliers and employees		(195,020)	(153,371)
Cash generated from operations		**324,059**	**361,890**
Interest paid		(140,841)	(119,435)
Interest received		5,890	3,150
Income taxes (paid)/refunded		(31,925)	129
Net cash from operating activities	3.1	**157,183**	**245,734**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		148	184
Acquisitions of property, plant and equipment		(291,414)	(140,511)
Acquisitions of investment property	3.6	(34,413)	(97,755)
Net cash used in investing activities		**(325,679)**	**(238,082)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		604,945	220,604
Repayments of interest-bearing liabilities		(370,000)	(200,000)
Redeemable preference shares dividend paid		(91,305)	(97,844)
Dividend paid		(9,147)	-
Net cash from/(used in) financing activities		**134,493**	**(77,240)**
Net decrease in cash held		**(34,003)**	**(69,588)**
Cash and cash equivalents at 1 July		73,032	142,620
Cash and cash equivalents at 30 June	3.1	**39,029**	**73,032**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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
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
DSCR	Debt service cover ratio
EBITDA	Earnings before interest, depreciation and amortisation
ELTIP	Executive Long Term Incentive Plan
FARM	Finance, Audit and Risk Management
GST	Goods and services tax
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
RPS	Redeemable Preference Shares
TOFA	Taxation of financial arrangements
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 BACH comprise BACH and its subsidiaries, BACH No. 2 and BAC. The 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 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. The financial report complies with the IFRSs as issued by the IASB.

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

The financial statements were approved by the Board of Directors on 26 September 2014.

SECTION 1: BASIS OF PREPARATION (CONTINUED)

1.4 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

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

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 Group have the ability to pay their debts in full as and when they become due and payable.

1.6 Use of estimates and judgements

The financial statements are subject to the use of estimates and judgements. The estimates and judgements that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- impairment of goodwill - see note 3.7; and
- taxation - see note 2.5.

1.7 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by BACH. Control exists when BACH is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date the fair value was determined. Foreign currency differences on translation are recognised in profit and loss.

1.9 New and amended accounting standards

Changes in accounting policy and disclosures

Except for the change below, the accounting policies applied are consistent with those of the previous financial year.

The Group has adopted the following new or amended standards with a date of initial application of 1 July 2013:

- AASB 13 Fair Value Measurement; and
- AASB 119 Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

SECTION 1: BASIS OF PREPARATION (CONTINUED)

1.9 New and amended accounting standards (continued)

Changes in accounting policy and disclosures (continued)

The nature and effects of the changes are explained below.

AASB 13 Fair Value Measurement

This standard establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no impact on the measurements of the Group's assets and liabilities.

Revised AASB 119 Employee Benefits

Revised AASB 119 is applicable for reporting periods ending on or after 1 January 2013. The amendment requires that all liabilities arising from any plans to be recognised in full in other comprehensive income. It also revises the method of calculating the return on plan assets and changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

As a result, the Group has changed its accounting policy with respect to the basis for determining the income or expenses related to defined benefit plans. Under the revised standard, the net interest recognised in the consolidated statement of profit or loss now comprises:

- interest cost on the defined benefit obligation at the start of the period; and
- interest income on plan assets during the period.

The difference between the actual return on plan assets for the year and the interest income on plan assets is recognised as part of the re-measurements within the consolidated statement of other comprehensive income. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

SECTION 1: BASIS OF PREPARATION (CONTINUED)

1.9 New and amended accounting standards (continued)

Changes in accounting policy and disclosures (continued)

The following table summarises the adjustments made on implementation of the revised AASB 119:

The effect on the consolidated statement of financial position:

	Deferred tax liabilities $000	Employee benefits (non-current) $000	Retained earnings $000
Balance at 30 June 2013	415,839	3,435	985,197
Impact of changes in accounting policy	241	(352)	(452)
Restated balance at 30 June 2013	**416,080**	**3,083**	**984,745**

The effect on the consolidated statement of profit and loss:

	2013 $000
Increase in staff expenses	646
Decrease in income tax expense	(194)
Decrease in profit	**452**

The effect on the consolidated statement of other comprehensive income:

	2013 $000
Decrease in defined superannuation funds actuarial losses	804
Increase in income tax expense on other comprehensive income	(241)
Decrease in other comprehensive income	**563**

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 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2013), AASB 9 Financial Instruments (2010) and AASB 9 Financial Instruments (2009) (together 'AASB 9')

AASB 9 is effective from 1 January 2017. It includes requirements to change the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 (2013) introduces new requirements for hedge accounting. The Group is currently assessing the impact of this standard.

IFRS 15 Revenue from Contracts with Customer

IFRS 15 was issued by the IASB in May 2014. IFRS 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 Group's 30 June 2018 financial statements. The Group is currently assessing the impact of this standard.

SECTION 1: BASIS OF PREPARATION (CONTINUED)

1.10 Determination of fair values

A number of the 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:

- Property, plant and equipment - see note 3.4;
- Investment property - see note 3.6; and
- Derivative financial instruments - see note 4.2.

Financial instruments

The following summarises the major methods and assumptions used in estimating fair values for measurement and disclosure purposes:

Fair value measurements hierarchy

In valuing financial instruments, the Group uses the following fair value measurements hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (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 significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

SECTION 2: RESULTS

2.1 Revenue

Accounting policies

Revenues are recognised at the fair value of the consideration received net of the GST payable to the ATO.

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.

Government mandated security revenue

Government mandated security revenue comprises recharges of expenditure incurred by the Group in respect of security services such as passenger and checked baggage screening.

The Group is required by the Australian Government to undertake certain security measures, the costs of which are recoverable in full from the airlines. Revenue and expenses are disclosed separately. Costs of government mandated security are included in government mandated security expenses in profit and loss.

Interest received from other parties

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

Landside transport revenue

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

Property revenue

Operating property revenue comprises rental revenue from the Group's owned terminals, buildings and other leased areas. Operating property rental revenue is accounted for on a straight-line basis over the lease terms.

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

SECTION 2: RESULTS (CONTINUED)

2.1 Revenue (continued)

Retail revenue

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

2.2 Finance costs

Accounting policies

Finance costs comprise interest payable on borrowings 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 and loss in the year in which they are paid, because that is the year that the liability arises. RPS dividends in profit and loss are a finance cost calculated using the effective interest basis.

2.3 Other commitments

Operating lease receivable commitments

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

	2014 $000	2013 $000
Within one year	161,501	188,925
One year or later and no later than five years	512,144	509,385
Later than five years	576,417	340,430
	1,250,062	1,038,740

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. The lease is due to expire in 2047.

	2014 $000	2013 $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	67,373	69,873
	82,301	84,801
Finance charges	(60,348)	(62,775)
	21,953	22,026

SECTION 2: RESULTS (CONTINUED)

2.4 Auditor's remuneration

	2014 $000	2013 $000
The auditor of the Group is KPMG Australia.		
Amounts received or due and receivable by the auditor for:		
Audit services		
Audit fees - 2014 financial year	179,000	-
Audit fees - 2013 financial year	-	162,500
Other regulatory/contract audit services	93,000	89,000
	272,000	251,500
Other services		
Auditors of BACH	89,668	250,417

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 and loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the tax currently payable to the ATO within one year.

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 Australian 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).

The Group considers that the tax sharing and funding agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entities in the case of a default by BACH.

SECTION 2: RESULTS (CONTINUED)

2.5 Taxation (continued)

Accounting policies (continued)

Tax consolidation (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

TOFA

From 1 July 2010, the TOFA provisions apply on a mandatory basis to qualifying taxpayers in respect of certain financial arrangements. Broadly, the TOFA provisions apply to financial arrangements that are cash settled legal or equitable rights and/or obligations to receive or provide a financial benefit. A financial benefit is broadly defined to include anything of economic value, including services.

The tax-consolidated group elected to make a transitional election under the TOFA provisions and to apply TOFA to pre-commencement arrangements as at 30 June 2010.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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.

Taxation recognised in profit and loss

	2014 $000	2013 $000
Current tax expense		
Current year expense	(8,752)	(23,159)
(Under)/over provided in prior years	(1,579)	1,060
	(10,331)	(22,099)
Deferred tax (expense)/benefit		
Origination and reversal of temporary differences:		
Derivatives	17,219	(31,826)
Other	(33,934)	(10,686)
RPS dividend	(7,783)	(10,316)
	(24,498)	(52,828)
Total income tax expense recognised in profit	(34,829)	(74,927)

SECTION 2: RESULTS (CONTINUED)

2.5 Taxation (continued)

Accounting policies (continued)

Taxation recognised in profit and loss (continued)

Reconciliation between income tax expense and pre-tax accounting profit:

	2014 $000	2013 $000
Profit for the year	79,389	175,857
Total income tax expense	34,829	74,927
Profit before income tax	114,218	250,784
Income tax using the corporate tax rate of 30%	(34,265)	(75,235)
(Increase)/decrease in income tax due to:		
Third party entertainment	(65)	(20)
Other non-deductible expenses	(30)	-
Research and development concession	1,025	1,500
Under provided in prior years	(1,494)	(1,172)
Income tax expense on pre-tax accounting profit	(34,829)	(74,927)

2.6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Property, plant and equipment	-	-	(489,211)	(477,061)	(489,211)	(477,061)
Finance lease receivable	-	1,414	(747)	-	(747)	1,414
Derivatives	52,583	35,364	-	-	52,583	35,364
Lease incentive asset	-	-	(2,144)	(1,616)	(2,144)	(1,616)
Inventories	-	-	(235)	(221)	(235)	(221)
Prepayments	-	-	(15,686)	-	(15,686)	-
Employee benefits	1,597	2,572	-	-	1,597	2,572
Other provisions	1,752	697	-	-	1,752	697
Interest-bearing liabilities	10,089	13,189	-	-	10,089	13,189
Borrowing costs	-	-	(723)	(777)	(723)	(777)
Accruals	2,576	2,576	-	-	2,576	2,576
RPS	-	7,783	-	-	-	7,783
Tax assets/(liabilities)	68,597	63,595	(508,746)	(479,675)	(440,149)	(416,080)

SECTION 2: RESULTS (CONTINUED)

2.6 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

	Balance at 1 July 2013 $000	Recognised in profit and 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	13,189	(3,100)	-	10,089
Borrowing costs	(777)	54	-	(723)
Accruals	2,576	-	-	2,576
RPS	7,783	(7,783)	-	-
Tax assets/(liabilities)	(416,080)	(24,498)	429	(440,149)

Movement in temporary differences during the year:

	Balance at 1 July 2012 $000	Recognised in profit and loss $000	Recognised in other comprehensive income $000	Balance at 30 June 2013 $000
Property, plant and equipment	(450,431)	(26,630)	-	(477,061)
Finance lease receivable	-	1,414	-	1,414
Derivatives	67,190	(31,826)	-	35,364
Lease incentive asset	(1,554)	(62)	-	(1,616)
Inventories	(242)	21	-	(221)
Employee benefits	2,241	(140)	471	2,572
Other provisions	1,571	(874)	-	697
Interest-bearing liabilities	(1,626)	14,815	-	13,189
Borrowing costs	(950)	173	-	(777)
Accruals	1,979	597	-	2,576
RPS	18,099	(10,316)	-	7,783
Tax assets/(liabilities)	(363,723)	(52,828)	471	(416,080)

SECTION 3: OPERATING ASSETS AND LIABILITIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits:

	2014 $000	2013 $000
Cash in bank	38,957	72,096
Cash on hand	72	936
Cash and cash equivalents	39,029	73,032

Reconciliation of cash flows from operating activities:

	Note	2014 $000	2013 $000
Profit for the year		79,389	175,857
Adjustments for:			
Depreciation and amortisation		81,706	76,288
Change in fair value of investment property	3.6	(30,351)	(66,695)
Change in fair value of non-designated derivatives	4.3	57,398	(106,087)
Unrealised foreign exchange (gain)/loss		(10,333)	49,353
Amortisation of borrowing costs		2,767	2,610
(Gain)/loss on sale of property, plant and equipment		(6)	138
RPS dividend		51,517	55,778
Income tax expense	2.5	34,829	74,927
Profit before changes in working capital and provisions		266,916	262,169
Change in trade and other receivables		(80,308)	(9,230)
Change in inventories		(47)	70
Change in trade and other payables		2,547	(7,404)
Income taxes (paid)/refunded		(31,925)	129
Net cash from operating activities		157,183	245,734

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.2 Trade and other receivables

Accounting policies

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

Trade and other receivables can be analysed as follows:

	2014 $000	2013 $000
Current		
Trade receivables and accrued income	57,227	46,843
Sundry receivables	23,292	5,845
Prepayments	13,994	2,113
Finance lease receivable	69	72
	94,582	54,873
Non-current		
Finance lease receivable	21,884	21,954
Prepayments	40,669	-
	62,553	21,954

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:

	2014 $000	2013 $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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit and loss.

Leased land

Leased land represents prepaid rental payments on land leased by the Group from the Australian Government. Leased land is classified as a finance lease as substantially all the risks and rewards of ownership have been transferred to the 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 accounted for similarly to owned assets.

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.

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 is to future years and also apportions the cost over the period of the related benefit.

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

Subsequent expenditure

Subsequent expenditure may add to, replace part of, or service property, plant and equipment. Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation and amortisation

Depreciation and amortisation are charged to profit and 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	1-11
Roads and car parks	2.5-10
Buildings	2.5-33
Plant and equipment	1-33

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

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 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**
Cost or deemed cost							
At 1 July 2012	696,211	449,356	671,661	406,069	64,933	191,118	2,479,348
Additions/transfers	78,188	16,363	14,137	56,852	32,074	(25,031)	172,583
Disposals	-	-	-	(704)	-	-	(704)
At 30 June 2013	**774,399**	**465,719**	**685,798**	**462,217**	**97,007**	**166,087**	**2,651,227**
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**
Accumulated depreciation and amortisation							
At 1 July 2012	66,902	38,251	142,531	132,382	9,701	-	389,767
Depreciation and amortisation	9,611	11,552	28,416	26,004	705	-	76,288
Disposals	-	-	-	(382)	-	-	(382)
At 30 June 2013	**76,513**	**49,803**	**170,947**	**158,004**	**10,406**	**-**	**465,673**
Carrying amounts							
At 30 June 2014	**705,992**	**406,918**	**553,205**	**317,443**	**86,210**	**374,985**	**2,444,753**
At 30 June 2013	697,886	415,916	514,851	304,213	86,601	166,087	2,185,554

A total of $11.4 million (2013: $9.7 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 7.1 % to 7.3% (2013: 7.1% to 7.5%) per annum.

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.5 Capital commitments

Capital expenditure commitments can be analysed as follows:

	2014 $000	2013 $000
Contracted for but not provided for and payable:		
Within one year	307,119	99,219
One year or later and no later than five years	96,791	3,419
	403,910	**102,638**

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 and 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 was therefore more heavily supported by market evidence as opposed to other factors. The 2014 and 2013 valuations were based on independent assessments made by Taylor Byrne, an accredited independent valuer.

In undertaking their valuation, Taylor Byrne adopted the capitalisation approach for income producing properties and the direct comparison approach for the commercial real estate land bank.

- The capitalisation approach converts future amounts (cashflows 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 direct comparison approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

The summation method was adopted as a check method for the capitalisation approach. 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 and loss under change in fair value of investment property. Rental income from investment property is accounted for as described in note 2.1.

Property that has been constructed or developed for future use as investment property is measured at fair value. If the fair value of investment property under construction is not reliably determinable but is expected to be reliably determinable when construction is complete, investment property is measured at cost until either its fair value becomes reliably measurable or construction is complete (whichever is earlier).

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.6 Investment property (continued)

Accounting policies (continued)

The movement in investment property is as follows:

	2014 $000	2013 $000
Balance at 1 July	1,002,800	892,449
Acquisitions	34,413	75,730
Transfer to property, plant and equipment	(654)	(32,074)
Fair value adjustments	30,351	66,695
Balance at 30 June	**1,066,910**	**1,002,800**

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 their categorisation in the fair value hierarchy:

Input		2014 $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	1,066,910
		1,066,910

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.
Discount rate	The rate used to discount the net cash flows generated from rental and investment activities during the period of analysis.

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.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

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SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.7 Impairment

Accounting policies

The carrying amounts of the 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 and intangible assets that have an indefinite useful life, 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).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Calculation of recoverable amount

Recoverable amount is the greater of fair value less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

The 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 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% (2013: 2.5%) and a pre-tax discount rate of 12.5% (2013: 12.4%) 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 and other payables

Accounting policies

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

Trade and other payables can be analysed as follows:

	2014 $000	2013 $000
Trade payables and accruals	97,541	48,837
RPS dividend	56,459	87,571
	154,000	**136,408**

SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.9 Employee benefits

Accounting policies

Defined contribution superannuation funds

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

Defined benefit superannuation funds

A defined benefit superannuation fund is a post-employment benefit plan other than a defined contribution superannuation fund. The Group's obligation in respect of defined benefit superannuation funds is calculated separately for the fund 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 Commonwealth Government bonds that have maturity dates approximating to the terms of the 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.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the fund or reductions in future contributions to the fund. Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior years, resulting in the current year from the introduction of, or changes to, post-employment benefits or other long term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Long term service benefits

The 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 Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Group's obligations. Any actuarial gains or losses are recognised immediately in profit and loss.

In determining the liability, consideration has been given to the 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 Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

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SECTION 3: OPERATING ASSETS AND LIABILITIES (CONTINUED)

3.9 Employee benefits (continued)

Accounting policies (continued)

ELTIP

The cost of cash settled transactions are measured initially at fair value using a binomial model. 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.

Employee benefits can be analysed as follows:

	2014 $000	2013 $000
Current liability		
Wages and salaries accrued	1,037	866
Liability for annual leave	2,252	2,004
Liability for long service leave	2,859	3,014
	6,148	5,884
Non-current liability		
Present value of unfunded obligation	9,337	10,033
Fair value of plan assets	(10,917)	(10,305)
Recognised asset for defined benefit obligations	(1,580)	(272)
Liability for long service leave	1,794	1,559
ELTIP	1,132	1,796
	1,346	3,083

3.10 Other liabilities

Unearned revenue can be analysed as follows:

	2014 $000	2013 $000
Current		
Unearned revenue	5,166	2,538
Retentions, deposits and other amounts held on behalf of third parties	2,611	2,231
	7,777	4,769
Non-current		
Unearned revenue	4,842	4,987

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 and loss over the period of the borrowings on an effective interest basis.

Borrowing costs include interest and amortisation of deferred borrowing costs. 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. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

RPS are included within interest-bearing liabilities and borrowings.

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

	2014 $000	2013 $000
Current		
Secured domestic bond issue	-	350,000
Secured domestic bond issue transaction costs	-	(370)
	-	349,630
Non-current		
Secured bank loan	160,000	20,000
Secured bank loan transaction costs	(2,858)	(1,314)
Secured domestic bond issues	1,250,000	900,000
Secured domestic bond issue transaction costs	(5,681)	(4,242)
Secured USPP bond issues	743,765	654,096
Secured USPP bond issue transaction costs	(3,977)	(4,301)
RPS	471,958	480,633
	2,613,207	2,044,872
Total interest-bearing liabilities and borrowings	2,613,207	2,394,502

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 2014 $000	Carrying amount 2014 $000	Face value 2013 $000	Carrying amount 2013 $000
Bank loan - AUD					
BBSY + margin	2016	160,000	157,142	20,000	18,686
Domestic bonds - AUD					
Fixed 8.0%	2020	200,000	198,615	200,000	198,342
Fixed 6.0%	2021	350,000	347,773	-	-
		550,000	546,388	200,000	198,342
Wrapped bonds - AUD					
BBSW + margin	2014	-	-	350,000	349,630
BBSW + margin	2017	400,000	399,320	400,000	398,969
BBSW + margin	2018	300,000	298,611	300,000	298,447
		700,000	697,931	1,050,000	1,047,046
USPP bonds - AUD					
BBSW + margin	2026	100,000	99,678	-	-
Fixed 6.8%	2023	30,000	29,885	30,000	30,000
Fixed 8.3%	2027	98,863	98,105	98,863	97,999
		228,863	227,668	128,863	127,999
USPP bonds - USD					
Fixed 5.2%	2022	159,248	158,272	162,443	161,262
Fixed 3.9%	2023	49,898	49,717	50,900	50,549
Fixed 5.3%	2024	159,248	158,200	162,443	161,215
Fixed 4.0%	2025	63,699	63,446	64,977	64,677
Fixed 4.2%	2028	82,809	82,485	84,470	84,093
		514,902	512,120	525,233	521,796
RPS - AUD					
Fixed 12.0%	2022	471,958	471,958	480,633	480,633
		2,625,723	**2,613,207**	**2,404,729**	**2,394,502**

RPS are subject to a stepped variable interest rate and accounted for using an effective interest rate of 9.9% (2013: 10.2%) per annum. The stepped variable interest rates are 12.0% (2014) and 10.0% (2015 to 2022) per annum.

Finance facilities

Current liabilities of $194.1 million exceed current assets of $136.4 million. The Group has bank facilities of $500 million (2013: $500 million) of which $160 million has been drawn. $200 million expire in December 2015 and $300 million expire in December 2018. Unutilised bank facilities of $340 million (2013: $480 million) are sufficient to cover the net current asset deficiency and ongoing operations.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.1 Interest-bearing liabilities and borrowings (continued)

Security for financing arrangements

Bank loan and domestic and international bond issues

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 Group's other assets and undertakings.

Bank overdraft

The bank overdraft facility of $4.0 million (2013: $4.6 million) was undrawn as at 30 June 2014 (2013: undrawn). Interest on the bank overdraft is charged at the prevailing market rate.

4.2 Derivative financial instruments

Accounting policies

The 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 and loss as they are incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value and changes therein are recognised in profit and loss.

The fair value of interest rate and cross currency swaps is the estimated amount that the 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. In accordance with its treasury policy, the Group's hedging contracts are to be maintained with banks with credit ratings of not less than either A+ (Standard & Poor's) or A1 (Moody's), unless approved by the Board.

Current versus non-current classification

Derivative financial instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows). When the 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, the derivative is classified as non-current.

Economic hedging

Derivatives are entered into to hedge borrowings that are not designated in hedge relationships for accounting purposes.

All of BACH's derivatives economically hedge underlying exposures based on the contractual face value amounts and the cash flows over the life of the transaction.

The gain or loss on re-measurement to fair value is recognised immediately in profit and loss.

4.3 Financial risk management

Overview

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

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

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

Overview (continued)

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

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the FARM Committee, which is responsible for developing and monitoring risk management policies. The FARM Committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the 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 Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The FARM Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the 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 Group 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Trade and other receivables

The 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 Group for over 10 years and losses have been incurred infrequently. In monitoring customer credit risk, customers are classified according to their credit characteristics. The trade and other receivables relate mainly to aeronautical and property customers. Customers that are graded as "high risk" generally relate to smaller, less established airline operators which are monitored closely by management through the monthly aeronautical aged debtor reports and where possible, cash security deposits have been put in place to minimise risks on future sales. Further, all receivables are closely monitored upon falling overdue and various actions including subsequent legal recovery by appointed debt collectors may occur as the receivable begins to age.

An allowance for impairment has been established that represents the 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.

Other

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

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk

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

	Note	2014 $000	2013 $000
Cash and cash equivalents	3.1	39,029	73,032
Trade receivables and accrued income - current	3.2	57,227	46,843
Finance lease receivable - current	3.2	69	72
Finance lease receivable - non-current	3.2	21,884	21,954
Derivative instruments - non-current		43,710	60,045
		161,919	201,946

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

	2014 $000	2013 $000
Aeronautical customers	35,347	28,105
Property customers	19,990	17,511
Other customers	1,890	1,227
	57,227	46,843

The most significant customer accounted for 30% of the trade receivables and accrued income carrying amount at 30 June 2014 (2013: 22%).

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:

	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

	2013 Gross $000	2013 Impairment $000	2013 Net $000
Not past due (0-30 days)	24,995	-	24,995
Past due (31-60 days)	11,243	-	11,243
Past due (61-90 days)	1,759	-	1,759
Past due (more than 90 days)	10,294	(1,448)	8,846
	48,291	(1,448)	46,843

The movement in the allowance for impairment in respect of trade receivables and accrued income during the year was as follows:

	2014 $000	2013 $000
Balance at 1 July	(1,448)	(1,491)
Bad debt write-off	1,420	43
Balance at 30 June	(28)	(1,448)

(b) Liquidity risk

Liquidity risk is the risk that the 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 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 Group's reputation.

The Group actively monitors cash flow requirements and optimises its return on investments to manage liquidity risk. Typically, the 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 program.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Funding

The 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 Group ensures that no more than 20% of total debt matures within a 12 month period, and no more than 50% in any 36 month period.

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

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	-	-
Bond issues - AUD						
Floating rate 2017		5,910	5,910	411,820	-	-
Floating rate 2018		4,658	4,658	9,315	313,730	-
Fixed rate 2020		8,000	8,000	16,000	48,000	200,438
Fixed rate 2021		10,500	10,500	21,000	63,000	377,616
Fixed rate 2023		1,013	1,013	2,025	6,075	36,380
Floating rate 2026		2,475	2,475	4,950	14,850	132,046
Fixed rate 2027		4,078	4,078	8,156	24,469	165,975
		36,634	36,634	473,266	470,124	912,455
Bond issues - USD						
Fixed rate 2022		4,172	4,172	8,345	25,034	176,303
Fixed rate 2023		1,104	1,104	2,209	6,626	56,857
Fixed rate 2024		4,252	4,252	8,504	25,511	182,391
Fixed rate 2025		1,291	1,291	2,582	7,746	77,005
Fixed rate 2028		1,785	1,785	3,570	10,710	111,916
		12,604	12,604	25,210	75,627	604,472
RPS		23,525	23,525	47,049	141,148	611,642
		76,123	**76,123**	**708,885**	**686,899**	**2,128,569**
Trade and other payables	3.8	154,000	-	-	-	-
Derivatives		27,567	27,567	46,496	139,487	289,627

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Funding (continued)

2013	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		420	420	840	2,520	-
Bond issues - AUD						
Floating rate 2014		359,310	-	-	-	-
Floating rate 2017		10,640	10,640	21,280	400,000	-
Floating rate 2018		4,830	4,830	9,660	314,239	-
Fixed rate 2020		8,000	8,000	16,000	48,000	216,438
Fixed rate 2023		1,013	1,013	2,025	6,075	38,405
Fixed rate 2027		4,397	4,397	8,794	26,381	177,350
		388,190	28,880	57,759	794,695	432,193
Bond issues - USD						
Fixed rate 2022		4,237	4,237	8,474	25,423	187,520
Fixed rate 2023		1,122	1,122	2,243	6,729	59,984
Fixed rate 2024		4,318	4,318	8,636	25,908	205,284
Fixed rate 2025		1,311	1,311	2,622	7,867	80,826
Fixed rate 2028		1,813	1,813	3,625	10,876	117,283
		12,801	12,801	25,600	76,803	650,897
RPS		28,230	28,230	47,049	141,148	658,692
		429,641	**70,331**	**131,248**	**1,015,166**	**1,741,782**
Trade and other payables	3.8	136,408	-	-	-	-
Derivatives		26,808	26,808	53,617	160,850	482,551

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

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

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

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the 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 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 Group is exposed are discussed below.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(c) Market risk (continued)

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 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.

Group policy

The 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 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 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:

	2014 $000	2013 $000
Nominal fixed rate instruments		
Financial liabilities	(1,665,723)	(1,334,729)
Variable rate instruments		
Financial assets - cash and cash equivalents	39,029	73,032
Financial liabilities	(960,000)	(1,070,000)
Net financial liabilities	(920,971)	(996,968)

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.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

Group policy

The 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.

At the reporting date, the Group had the following foreign exchange exposures which had been economically hedged back to AUD for the duration of the issue. Fixed interest rate secured international bonds denominated in USD:

Year of maturity	Face value 2014 USD000	Face value 2014 AUD000	Face value 2013 USD000	Face value 2013 AUD000
2022	150,000	159,248	150,000	162,443
2023	47,000	49,898	47,000	50,900
2024	150,000	159,248	150,000	162,443
2025	60,000	63,699	60,000	64,977
2028	78,000	82,809	78,000	84,470
Total foreign exchange exposures	485,000	514,902	485,000	525,233

Sensitivity on interest rate and foreign exchange risk

The table below summarises 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% (2013: 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 2014 foreign exchange rate of AUD 1 to USD 0.94 (2013: AUD 1 to USD 0.92) has been used in the translation of USD denominated borrowings.

Analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and 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 and loss for fixed rate instruments.

Analysis for variable 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. This analysis is performed on the same basis for 2013.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

An increase/(decrease) in interest rates (holding all other variables constant), impacts interest expense on variable rate instruments, fair value of interest rate swaps and currency swaps as shown below:

	Profit/(loss) before tax		Equity (before tax)	
Movement in interest rates	2014 $000	2013 $000	2014 $000	2013 $000
100 basis point increase in interest rates:				
Interest expense on variable rate instruments	(9,210)	(9,970)	-	-
Fair value of interest rate swaps	132,675	153,725	-	-
Fair value of cross currency swaps	(40,829)	(45,237)	-	-
Net impact	**82,636**	**98,518**	**-**	**-**
100 basis point decrease in interest rates:				
Interest expense on variable rate instruments	9,210	9,970	-	-
Fair value of interest rate swaps	(148,744)	(175,193)	-	-
Fair value of cross currency swaps	44,905	50,261	-	-
Net impact	**(94,629)**	**(114,962)**	**-**	**-**
10% movement in USD rates				
Depreciation	46,809	47,748	-	-
Appreciation	(57,211)	(58,359)	-	-

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.

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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 2014 $000	Fair value 2014 $000	Carrying amount 2013 $000	Fair value 2013 $000
Assets carried at fair value					
Interest rate and cross currency swaps		43,710	43,710	60,045	60,045
Assets carried at amortised cost					
Cash and cash equivalents	3.1	39,029	39,029	73,032	73,032
Trade and other receivables - current		80,588	80,588	52,760	52,760
Trade and other receivables - non-current		21,884	21,884	21,954	21,954
		141,501	**141,501**	**147,746**	**147,746**
Liabilities carried at fair value					
Interest rate and cross currency swaps - current		26,141	26,141	-	-
Interest rate and cross currency swaps - non-current		192,847	192,847	177,924	177,924
		218,988	**218,988**	**177,924**	**177,924**
Liabilities carried at amortised cost					
Secured bank loan	4.1	157,142	157,142	18,686	18,686
Secured domestic bond issues	4.1	546,388	645,475	198,342	245,950
Secured wrapped bond issues	4.1	697,931	706,184	1,047,046	1,058,991
Secured USPP bond issues	4.1	739,788	912,400	649,795	793,621
RPS	4.1	471,958	471,958	480,633	480,633
Trade and other payables	3.8	154,000	154,000	136,408	136,408
		2,767,207	**3,047,159**	**2,530,910**	**2,734,289**
Net liabilities		**2,800,984**	**3,080,936**	**2,501,043**	**2,704,422**

Fair value of financial instruments

The basis for determining fair values is disclosed at note 1.10. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

The fair value at 30 June 2014 of derivative instruments that are held for liquidity management, which are the Group's only financial instruments carried at fair value, was a net loss of $57.4 million (2013: net gain of $106.1 million) measured based on Level 2 valuation techniques as defined in the fair value hierarchy shown in note 1.10.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.3 Financial risk management (continued)

(e) Non-designated derivatives in profit and loss

The amounts shown below reflect changes in the fair value of any derivative instrument in a cash flow hedge:

	2014 $000	2013 $000
Change in fair value of non-designated derivatives		
Interest rate derivatives (loss)/gain	(35,383)	92,584
Foreign currency derivatives (loss)/gain	(22,015)	13,503
	(57,398)	106,087

(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.

The Board seeks to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

Gearing

The DSCR is calculated as EBITDA less tax paid, divided by external finance costs. EBITDA excludes any unrealised revaluation gains. All external non-shareholder debt is held by BAC and covenants include that the DSCR must be a minimum of 1.1 times and gearing below 70%. The DSCR must be above 1.5 times to raise new senior debt and to make distributions to the parent entity, BACH. The DSCR target is between 2.0 times and 2.5 times over the business/capital expenditure cycle. The average DSCR for the 12 months ended 30 June 2014 was 2.4 times (2013: 2.6 times).

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

4.4 Issued capital

Accounting policies

Dividends

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

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

The establishment of BACH in 2004 was accounted for as a reverse acquisition. The combined retained earnings of BAC, BACH No. 2 and BACH equal the consolidated retained earnings.

Reconciliation of movements in capital:

	2014 000	2013 000
Authorised shares		
On issue at 1 July	681,887	681,887
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.

SECTION 4: CAPITAL STRUCTURE AND FINANCING COSTS (CONTINUED)

4.4 Issued capital (continued)

Accounting policies (continued)

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).

Dividends

An ordinary shares dividend was declared and paid during the current financial year of $9.1 million ($0.01 per share) (2013: nil) by the Group.

Dividend franking account:

	2014 $000	2013 $000
The taxable value of franking credits for subsequent financial years	111,067	104,655

SECTION 5: OTHER

5.1 Related parties

Key Management Personnel of the Group at any time during the reporting year were the following:

Directors

William (Bill) Grant (Chairman)
Julieanne Alroe (CEO & Managing Director)
Chris Freeman - appointed 1 March 2014
David Gray - resigned 1 March 2014
Chris McArthur
Matina Papathanasiou
Thomas Parry
Jill Rossouw
Pieter Verboom
John Ward

Alternate Directors

John Allpass
Perry Clausen
Ross Israel
Chris McArthur

SECTION 5: OTHER

5.1 Related parties (continued)

Executives

Michael Bradburn	Chief Financial Officer
Andrew Brodie	General Manager - Airline and Retail Management
Jenna Buckner	General Manager - Parking and Transport Services, until 6 October 2013
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
Cam Macphee	General Manager Aviation Business Development, until 26 July 2013
Renaye Peters	General Manager - Property, until 1 November 2013
Krishan Tangri	General Manager - Assets
Sarah Thornton	General Counsel and Company Secretary
John Tormey	General Manager - Commercial Businesses, from 3 February 2014

Transactions with Key Management Personnel

In addition to the salaries of Key Management Personnel, the 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 BACH's ELTIP.

The ELTIP is a bonus incentive plan which 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 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. During the 2014 financial year, 77,380 units were cancelled upon termination of participant employment. The value of entitlements under Plan 4 at 30 June 2014 was $563,156 (2013: 215,007).

The grant date of units for the ELTIP 5 ('Plan 5') was 1 July 2013 with an initial base value of $1.00 per unit. Total units issued under Plan 5 were 2,238,858. The value of entitlements under Plan 5 at 30 June 2014 was $nil.

Key Management Personnel compensation

The Key Management Personnel compensation was as follows:

	2014 $	2013 $
Short term employee benefits	5,482,430	5,575,598
Post-employment benefits	346,554	534,739
Other long term benefits	604,255	61,278
Termination benefits	265,707	-
	6,698,946	**6,171,615**

SECTION 5: OTHER

5.1 Related parties (continued)

Key Management Personnel compensation (continued)

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 entities on an arm's length basis.

The aggregate amounts recognised during the year relating to other related entities (excluding shareholder payments that relate directly to shareholdings) were as follows:

Related entity	% share in BACH as at 30 June 2014	Directors and Alternate Directors	Transactions	2014 Value of transactions $	2013 Value of transactions $
Schiphol Australia Pty Limited and its related entities	18.72%		Technical services, IP agreement and miscellaneous expenses	3,857,011	3,757,000
		P Verboom	Board fees and travel	14,674	700
		W Grant	Board fees and travel	173,338	173,000
Colonial First State Investments Limited and CFS Asset Management Australia	16.98%	C McArthur*	Board fees and travel	132,537	134,500
		P Clausen	Board fees and travel	-	600
Queensland Investment Corporation	25.00%	M Papathanasiou*	Board fees and travel	128,641	138,000
J.P. Morgan Nominees Australia Limited as Nominee of the Custodian of the Trustee of IFM Infrastructure Funds	13.84%	J Rossouw*	Board fees and travel	135,828	134,500
Gateway Investments Corporation Pty Ltd	-	T Parry	Board fees and travel	117,304	134,000
-	-	J Allpass	Board fees and travel	112,532	113,000
-	-	C Freeman	Board fees and travel	33,369	-
-	-	D Gray	Board fees and travel	66,365	100,000
-	-	J Ward	Board fees and travel	112,559	112,000

* Board fees are paid to the Director's employer.

SECTION 5: OTHER

5.1 Related parties (continued)

Amounts receivable from and payable to related parties at reporting date arising from these transactions were:

	2014 $	2013 $
Trade payables and accruals	3,737,200	3,221,220

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 $571,253 (2013: $535,878).

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 $3,285,758 (2013: $3,221,220).

Related entities

BACH has a related party relationship with its controlled entities. BACH has a loan receivable from BACH No. 2 for $286,494,200 (2013: $286,494,200) which in turn is owed the same amount under the same terms and conditions from BAC (2013: $286,494,200).

The interest rate under the loan is 15% per annum and interest accrues daily and is received annually in arrears. However, interest only accrues and BACH No. 2 is only obligated to pay interest upon the principal outstanding for an interest period to the extent that it has received payments from BAC under the BAC-BACH No. 2 Shareholder Loan Agreement. In turn, BAC is only obligated to pay interest upon the principal outstanding for an interest period to the extent that there is Free Cash (as defined in the loan agreement) available to it as at the last day of that interest period, and in BACH No. 2's reasonable opinion, the payment of that amount of interest would not be likely to threaten the viability of BACH No. 2.

In relation to the Free Cash requirement, for each interest period the controlled entity is required to procure that the auditor certify the amount of free cash available to the controlled entity.

SECTION 5: OTHER

5.2 Parent entity disclosures

	2014 $000	2013 $000
Results of BACH		
Profit for the year	16,484	29,294
Total comprehensive income	16,484	29,294
Financial position of BACH		
Current assets	57,730	103,993
Non-current assets	921,883	940,472
Total assets	979,613	1,044,465
Current liabilities	50,750	114,264
Non-current liabilities	471,958	480,633
Total liabilities	522,708	594,897
Net assets	456,905	449,568
Total equity		
Issued capital	470,494	470,494
Accumulated losses	(13,589)	(20,926)
Total equity	456,905	449,568

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 Group.

DIRECTORS' DECLARATION

In the opinion of the Directors of BAC Holdings Limited:

(a) the financial statements and notes set out on pages 50 to 91 are 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 2014 and of its performance for the financial year ended on that date; and

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the Company 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 Brisbane on 26 September 2014 in accordance with a resolution of the Directors:

Bill Grant
Director

Julieanne 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 2014, and consolidated statement of profit and 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

KPMG

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 2014 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

KPMG

Mitchell Petrie
Partner

Brisbane
26 September 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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 2014, 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

KPMG

Mitchell Petrie
Partner

Brisbane
26 September 2014

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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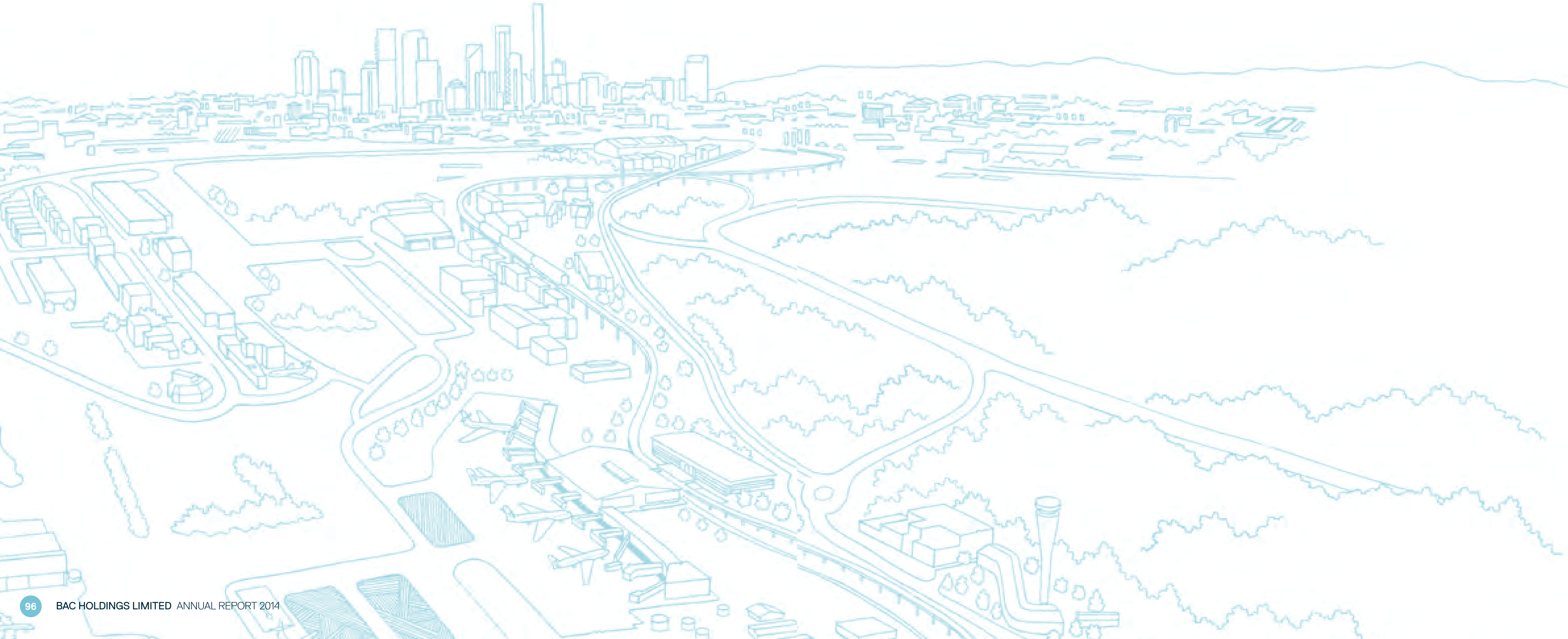

BRISBANE AIRPORT CORPORATION