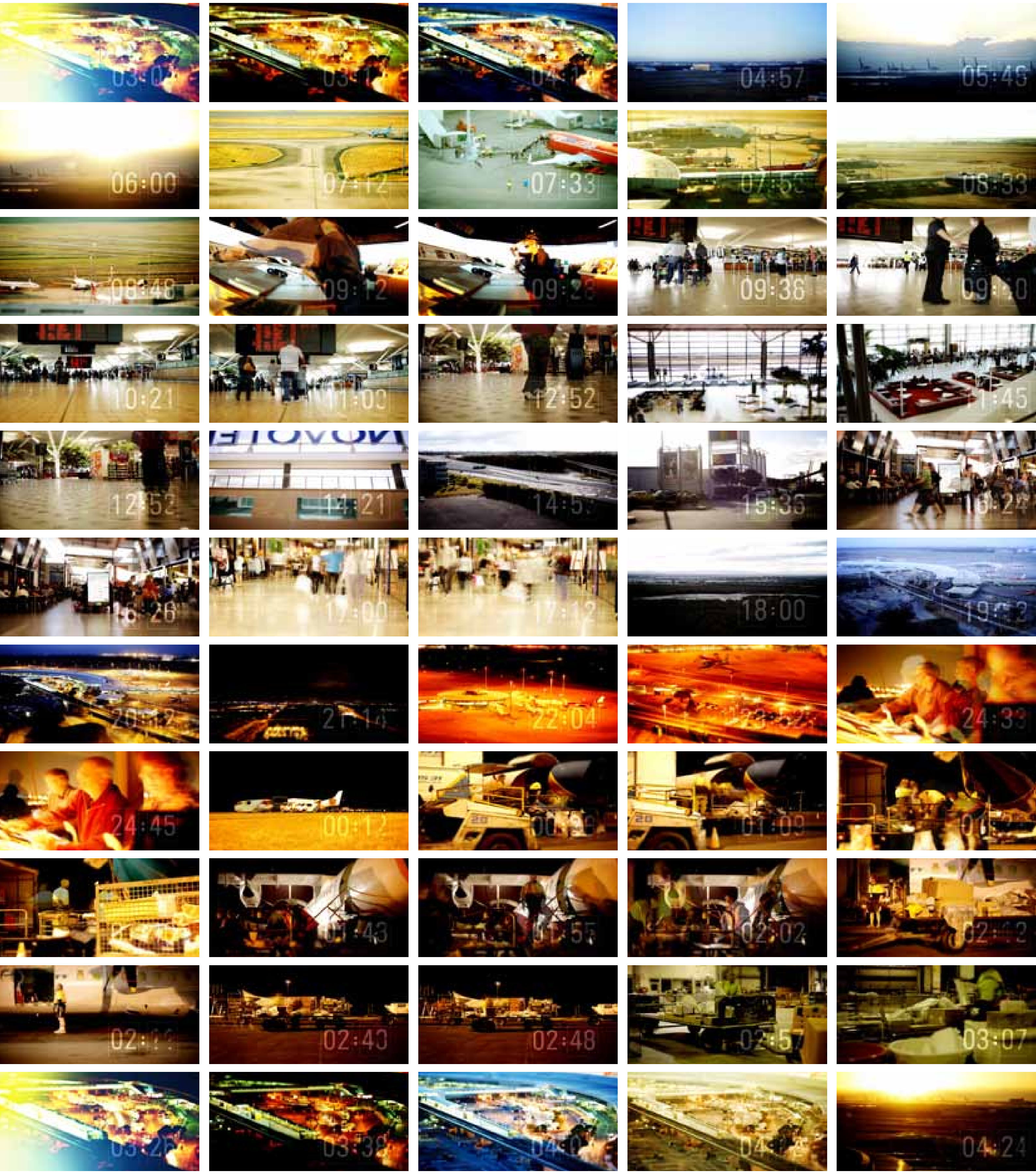
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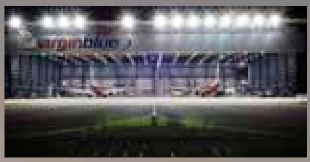
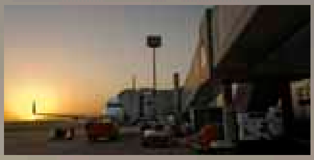
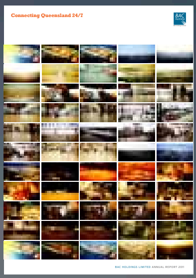
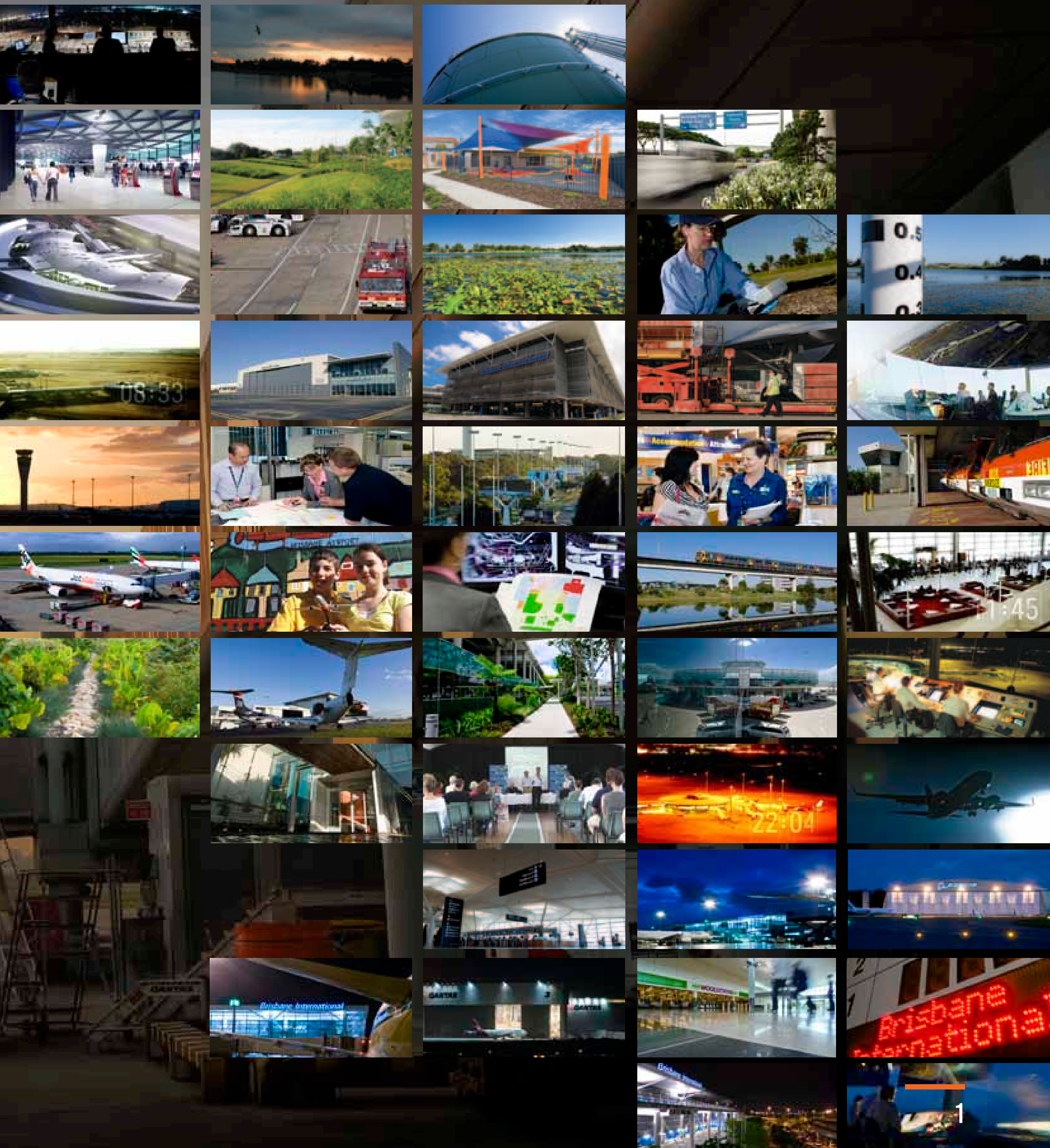




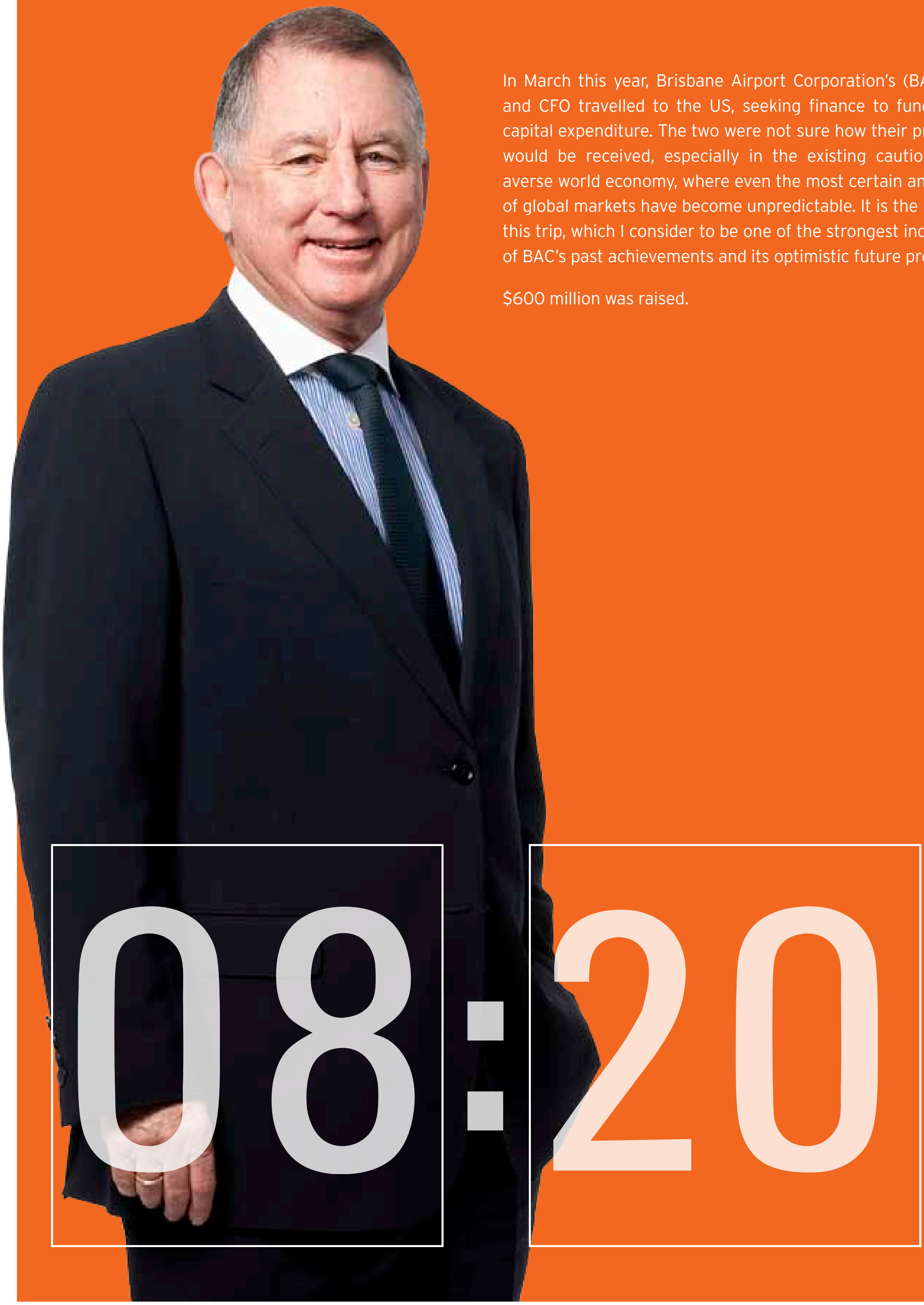
Connecting Queensland 24/7



FRONT COVER: *Brisbane Airport Corporation continues to connect its community with the world 24 hours a day, seven days a week.*



Chairman's Message



In March this year, Brisbane Airport Corporation's (BAC) CEO and CFO travelled to the US, seeking finance to fund future capital expenditure. The two were not sure how their proposals would be received, especially in the existing cautious, risk-averse world economy, where even the most certain and stable of global markets have become unpredictable. It is the result of this trip, which I consider to be one of the strongest indications of BAC's past achievements and its optimistic future prospects.

$600 million was raised.

$400 million was raised in the US Private Placement market: US$150 million in 10-year; US$150 million in 12-year; and AUD$100 million in 15-year fixed rate bonds. Coupons were 5.24% and 5.34% in US dollars in the 10 and 12-year issues and 8.25% in a 15-year Australian dollar issue.

In the Australian market, $200 million eight-year BBB/Baa2 bonds were issued at a fixed rate of 8.03%.

This money will be used to repay maturing bank facilities and fund capital expenditure and working capital.

What is most significant about the fund raising is the confidence shown by overseas lenders in BAC as a company, demonstrating a strong return on investment and the airport as a world-class piece of infrastructure, critical to the future growth of Queensland.

BAC made a profit of $154.6 million after tax, which is a reflection of the company's strength during difficult times. The airport saw 20 million passengers through the terminals – a record, despite world and local turmoil - continuing the strong and sustained role the airport is playing in generating jobs, investment and opportunity for Queensland.

To further deliver on its proud role as the Gateway to Queensland, BAC continues to roll out a multi-billion dollar infrastructure upgrade. Previous years have seen the opening of the International Terminal expansion and Moreton Drive, Brisbane Airport's second major access road. This year BAC opened the $43 million Domestic Terminal Common User Satellite expansion, which has seen an increase in passenger gate lounges from two to seven, two additional aircraft parking bays, new food and beverage facilities, airline offices and improved operational efficiencies.

The Common User Satellite Upgrade was the first part of a much larger upgrade to the Domestic Terminal precinct, which is still currently underway. With more than 15.5 million people travelling through this precinct each year, the Brisbane Domestic Terminal now facilitates the same number of passengers as Heathrow Airport's Terminal 3. This is a long way from the one million passengers travelling through the terminal back in 1988 when it was first built. The Domestic Terminal needs to be upgraded to ensure passengers have access, amenity and choice as they travel to, from and around the precinct. Once complete in early 2012, there will be a new 5,300 space, nine-storey car park, upgrades to the road network including a free public pick-up area, and an undercover, elevated walkway over the terminal road system. These upgrades will provide significant additional capacity to the road network and car parking facilities, reducing congestion in the precinct and improving the passenger experience overall.

Planning and design has also been underway this year as BAC completes its final preparatory stages before embarking on early works for the delivery of the New Parallel Runway. With 43 million passengers expected to be travelling through the airport by 2029, Brisbane Airport must upgrade its runway system as well as terminals, roads and other aeronautical facilities to meet this demand. Early works are planned to start in 2012 and the runway is expected to be operational in 2020, ensuring Brisbane Airport is capable of servicing the state as it grows and develops as a region.

BAC enjoys and takes its role seriously as a key partner in Queensland's path to growth and prosperity. Throughout the coming years we will continue to work with enthusiasm, thoughtful consideration and pride in order to deliver an airport that Queenslanders can also be proud of, and is recognised as world class.

Bill Grant

Chairman of the Board

Managing Director's Message

Brisbane Airport is the Gateway to Queensland. It is not an island operating on its own. It is part of a growing 'New World City' and a thriving state. Millions of passengers use the terminals each year - 24 hours a day, seven days a week - to connect with people and places across the world. More than 17,000 people work at the airport each day and thousands more jobs are indirectly linked to its operation and growth. Brisbane Airport is affected by what is happening in its city and state and vice versa. This has never been more evident than in the past year.

The first six months of FY11 proved strong. We saw positive, substantial and stable growth in passenger numbers across both domestic and international markets. Our good spirits were temporarily dampened however, when the New Year rolled around. The second half of FY11 saw floods, earthquakes, tsunamis and ash clouds, in addition to safety concerns for Tiger Airways. Europe and the United States economies continue to struggle out of financial crisis. Fortunately, Brisbane Airport remained open and fully operational through the duration of the floods, demonstrating the reliability and durability of our critical infrastructure. Through the mayhem, the strength and resilience of aviation has also shone through these challenges. As Queensland showed it could not be beaten, Brisbane Airport carried more than 20 million passengers in the last financial year alone. This is a record for the airport and the encouraging growth is welcome, with the international passenger market increasing by 3.6% on last year and the domestic market by 6%. I see this as a promising sign that Brisbane Airport, like Queensland, has shown it can withstand incredibly difficult challenges.

Much of this growth is the result of additional capacity and new services, which have been introduced by our airline partners at Brisbane Airport this year. In November we welcomed and celebrated China Southern's inaugural flight from Brisbane to Guangzhou direct. It has been so well received that China Southern is increasing its Guangzhou-Brisbane flights from three to four per week, as well as adding Beijing to the flight route later this year. FY11 also saw Strategic Airlines launch Brisbane-Phuket services and Aeropelican begin Brisbane-Narrabri services. The commitment of our airline partners to Brisbane and Queensland as a destination shows their confidence in the region's tourism and industrial economies.

To keep up with growing demand we must invest in infrastructure – roads, terminals, runways and other aeronautical facilities. We do this with care, recognising Brisbane Airport does not stand alone, but is a major part of the city of Brisbane and, as the Gateway to Queensland for our international and domestic visitors, it is also the welcoming statement for our state. For this reason, we are focused on working with our stakeholders from industry, government, the community and our business partners in order to improve Brisbane Airport in a way that is reflective of our region and is cognisant of our region's needs. We already do this through community information sessions, community working groups and integrated planning forums with government, however this year saw some additions made to our stakeholder engagement program.

With plans for our first Property Master Plan to be delivered in early 2012, we have seen an ideal opportunity to engage with business, industry and government on ways to create a plan for airport property that is a reflection of Queensland. The airport is a critical piece of infrastructure for our state and it is therefore essential we work with our partners in local, state and federal government, along with the best planning and design minds and local community, to ensure Brisbane Airport is the impressive calling card our region deserves. BAC recently held its first Brisbane Airport Atelier — a design charette — bringing together approximately 80 participants across these industries, which will put us in good stead to deliver on this objective.

In July we had the pleasure of hosting the Minister for Infrastructure and Transport, Anthony Albanese, who launched the Brisbane Airport Experience Centre. The Centre is open seven days a week and provides people with information on the airport's operations and developments. We think the most helpful part of the Centre is the interactive Noise and Flight Path Information Software. This software is the first of its kind in Australia and provides people with the opportunity to see whether Brisbane flight paths currently affect their suburb during certain times of the day, week and season and also shows expected flight paths in 2020, with and without the New Parallel Runway. All the content, including the Noise and Flight Path Information Software, was also launched online as the Online Brisbane Airport Experience Centre in March this year. The 7,000 people through the physical centre in the past year and 8,000 visitors to the online centre in its first six months of operation is testament that people find this information valuable.

It enables them to be informed about what is happening at their airport and empowers them to make educated decisions regarding their living situation, especially when people are considering buying new properties. At BAC we are committed to providing our community with this valuable information, and will continue to build on this concept in the future.

As we look to the future at BAC we are doing so with a clear vision in mind. This year we restructured the company in order to position ourselves better to achieve that vision: to be world-best and the preferred choice for passengers, airlines, business and the community. How do we intend to achieve this? Through collaborative relationships, innovation and service excellence.

BAC is committed to connecting Queensland and connecting with Queensland. Together we succeed and prosper.

Julieanne Alroe
CEO and Managing Director

2011 - A Year in Review

Increase in growth of

7.4%

domestic passengers

Breaks its monthly passenger record

1.79

million passengers

2011 was another busy year for Brisbane Airport. Significant developments and achievements during the reporting period include:

July 2010

- BAC opens Australia's first Airport Experience Centre, providing information on Brisbane Airport's operations and proposed developments.
- BAC Airside Operations Centre is awarded the Australian Aviation Ground Safety Council Annual Safety Award as a result of reducing Foreign Object Debris by 99% on the airport's taxiways and runways.
- BAC finishes FY10 with a record breaking 19.4 million passengers in one year.

August 2010

- *iseek* officially opens a data storage centre in Brisbane Airport's freight and logistics precinct, housing IT servers for government and businesses.
- Brisbane Airport breaks its monthly passenger record with 1.79 million passengers through the airport.
- Brisbane Airport's new taxi waiting area opens, providing a café, prayer room and amenities for drivers.

September 2010

- In partnership with Surf Life Saving Queensland, BAC launches the 'swim between the flags' campaign at the International Terminal to promote beach safety among international tourists.

November 2010

- China Southern launches direct services connecting Brisbane with Guangzhou.
- BAC introduces recycling systems to the public areas of the International Terminal.
- A record breaking 1.43 million passengers pass through the Domestic Terminal in one month.

December 2010

- Brisbane Airport records a 5.3% growth in international passengers and a 7.4% growth in domestic passengers.

January 2011

- Brisbane Airport remains operational throughout the Queensland floods.
- BAC donates $250,000 to the Premier's Disaster Relief Appeal to assist flood victims.
- BAC staff volunteer to convert one day of annual leave into cash, raising a further $30,000 for flood victims.
- BAC announces the completion of the first major restructure of the company since its privatisation in 1997.

February 2011

- Tiger Airways announces increased services between Brisbane-Sydney and Brisbane-Melbourne.
- Strategic Airlines launches Brisbane-Phuket services.
- Aeropelican launches Brisbane-Narrabri services.

Scan This!

Open a 'barcode scanner' application on your Smartphone. Point your phone's camera at the code and scan.

The code will bring you to extra BAC content, direct to your Smartphone!

In one year a record

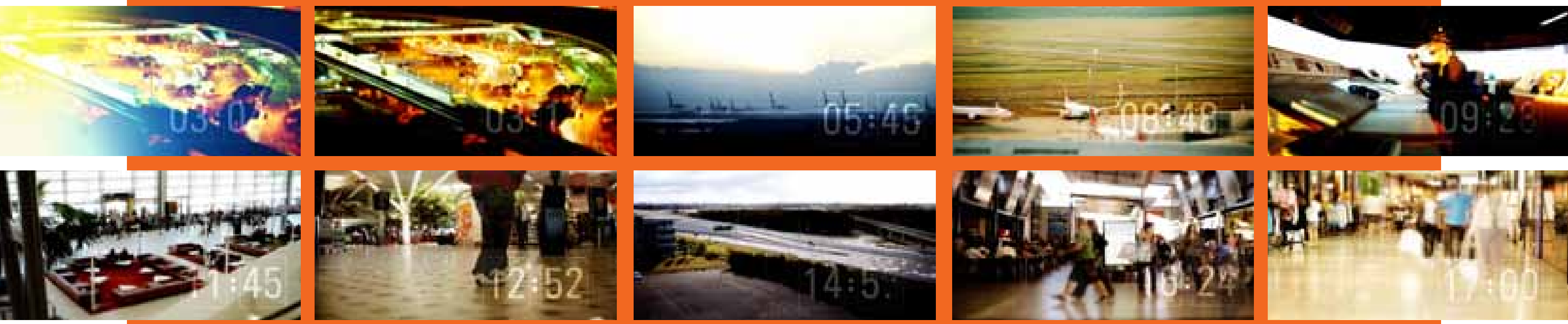
20

million passengers

BAC announces a sucessful

$600

million debt raising



March 2011

- BAC announces a successful AUD$600 million debt raising in the USA and Australian bond markets, which will be used to repay maturing bank facilities and fund capital expenditure and working capital.
- The Brisbane Airport Experience Centre goes online, providing easy access to interactive tools and information regarding flight paths and airport developments for the local community.
- Brisbane Airport achieves 1.1% passenger growth throughout February despite the tumultuous start to the year.

April 2011

- Brisbane Airport's upgraded and expanded Common User Satellite at the Domestic Terminal is officially opened by Acting Prime Minister and Treasurer, The Honourable Wayne Swan MP.

May 2011

- BAC hosts the first Airport Atelier design charette intended to generate ideas and concepts for a new Property Master Plan.
- BAC launches a national design competition for Brisbane Airport's first Property Master Plan.
- BAC CEO and Managing Director, Julieanne Alroe, becomes a school principal for the day at Hendra State School in support of the State Government Education Week celebrations.

June 2011

- BAC announces ARM/Arkhefield, Grimshaw/AECOM/PWC/Tract and Shane Thompson Architects/Wilkinson Eyre/Lat27 as the short listed finalists for Brisbane Airport's Property Master Plan.
- Brisbane Airport celebrates a record 20 million passengers to fly through the airport in one year.

Environmental, Social and Governance Reporting

Environment Sustainability

BAC has adopted a global perspective on sustainability which reaches beyond a risk and compliance perspective. BAC is committed to the responsible development of Brisbane Airport that meets the needs of present generations and is viewed with pride by future generations.

Four pillars of sustainability underpin the 2009 Airport Environment Strategy and 2009 Master Plan which include economic, environmental, operational and social sustainability. BAC's vision for Brisbane Airport draws upon those pillars.

Our Vision

Our overall aim is to grow shareholder value by creating a prosperous and socially and environmentally responsible airport business community by:

- achieving strong financial returns for our shareholders and generating regional wealth and employment;
- ensuring the correct balance of built and biodiversity values and the minimisation of adverse environmental impacts;
- ensuring safety and security, capacity for growth, business continuity and service excellence; and
- creating a business environment that values partnerships, people, quality of life and community engagement.

In 2011 *Global Reporting Initiative* (GRI) outlined a framework for sustainable practices which can be applied in airport operations. GRI provides organisations with a wide range of suggested measures for sustainability reporting. During the year, BAC adopted an approach to its sustainability practices drawing on the GRI suggestions, which are appropriate to Brisbane Airport's particular needs. Using GRI Framework, Brisbane Airport's environmental programs consider a number of elements, from natural resource demands to biodiversity initiatives.

Environment Program

The environment program's key focal areas include energy and water efficiency, waste management and biodiversity. Key targets and achievements for the FY11 include:

FY11 Target		Initiatives	Achievement
Energy and Emissions			
Amount of electricity consumed	160 Giga watt hours total usage	Completed high level research of energy efficiency. Scoped additional energy auditing for the International and Domestic Terminals. Commencing implementation of Domestic Terminal Lighting Efficiency Program.	161 Giga watt hours
Amount of renewable energy consumed	Installation of solar panels at BAC Head Office	Project scoping commenced.	Development stage for installation in FY12
Waste Management			
Waste recycled	200 tonnes pa	Installed recycling bins in public spaces including the International Terminal and Airport Village.	231 tonnes
Water Management			
Potable water consumed	500ML total usage target	Continued to receive recycled water supply from Queensland Urban Utilities (Gibson Is site). Improved water metering and data reliability.	497ML

FY11 Target		Initiatives	Achievement
Biodiversity			
Ecosystem Health Monitoring of environmentally significant areas	Four sites monitored including: • Jubilee Creek • Jackson Creek • Pinkenba mangrove area • Lewin's Rail habitat	Developed an action plan for ecological health monitoring (aligned to Queensland Guidelines) and commenced implementation.	All sites monitored for a range of ecological health indicators.
Wildlife Hazard Management Strategy implementation	Implementation of trials and investigation projects Submission of the Biodiversity Management Strategy to the Department of Sustainability, Environment, Water, Population and Communities	Completed investigations of habitat risks in the vicinity of Brisbane Airport. Submitted Biodiversity Management Strategy to the Department of Sustainability, Environment, Water, Population and Communities.	Trials and studies completed This strategy was developed to guide actions to fulfill the New Parallel Runway conditions on approval

Planned Initiatives FY12

In support of our achievements in Environment Program to date, we have identified additional projects to build on the successes achieved to date. Key projects identified for implementation in 2011/12 include:

Energy and Emissions	• Completion of Carbon Neutrality Strategy • Installation of solar panels on Brisbane Airport Corporation's Headquarter Building
Water consumption	• Completion of Phase 1 of the Water Strategy (improvements to metering and reporting) • Revise the Recycled Water Management Plan
Waste management	• Finalise Waste Strategy • Ongoing reporting to Packaging Stewardship Forum on recyclable material collected
Biodiversity	• Continue monitoring of environmentally significant areas • Commence scoping a research study for grassland management

Social

Brisbane Airport Community Engagement Program (BACEP)

The establishment of the BACEP in FY11 has provided BAC with a solid framework to inform, educate and engage with key stakeholders on the airport's future developments and operational activities.

Key components of the BACEP include: Brisbane Airport Community Forums; Brisbane Airport Community Aviation Consultative Group; Brisbane Airport Area Round Table and the Brisbane Airport Technical Noise Working Group.

New elements introduced to the program this year include the opening of the Brisbane Airport Experience Centre at Airport Village as well as online – http://bne.com.au/experience-centre. The online facility enables the public to be informed about what is happening at their airport and empowers them to make educated decisions regarding their living situation, especially when people are considering buying new properties.

Sponsorships

BAC sponsors a wide range of community groups and services. With an emphasis on engagement with regional and local organisations, BAC's approach is driven by its commitment to fostering positive community relationships across sport, business, arts, culture, environment and community.

This year BAC contributed more than $800,000 to community, charity and social initiatives via sponsorship arrangements with more than 100 partners.

BAC also donated $250,000 to the Premier's Disaster Relief Appeal, whilst BAC staff raised a further $30,000 for flood victims.

Occupational Health and Safety (OH&S)

During the year BAC began an intensive program to review and improve its OH&S system with a view to achieve compliance with the Australian Safety Standard AS 4801:2001. The review was completed this financial year and BAC achieved its certification in October 2010. This is a significant achievement and positions BAC well for the new federal OH&S legislative regime expected to commence in FY12.

The current OH&S compliance framework requires a cooperative approach from all airport tenants, agencies and contractors to ensure safety standards are adhered to outside of BAC's own business activities. This cooperative approach is currently working effectively and will be improved in the next financial year through a full review of BAC's existing OH&S reporting mechanisms to ensure that due diligence is exercised in the management of OH&S risks.

Disability Access

BAC is working to implement best practice solutions in airport building and development to ensure dignified, fair and equitable access is available for all passengers and visitors to the International and Domestic Terminals.

While BAC is required under *Part H2 of the Disability (Access to Premises – Buildings) Standards 2010 (Cth) (The Premises Standards)* to ensure fair, dignified and equitable access is provided for people with disabilities, it is eager to work beyond these standards in order to deliver best practice. For this reason, BAC has embraced the Australian Human Rights Commission's assertion that the *Premises Standards* are minimum requirements that meet the basic requirements of the *Access Code*, and that designing beyond requirements of the *Premises Standards and the Access Code* encourages best practice.

This year BAC has developed a Disability Management Plan to identify actions required during the building and design of new terminals and infrastructure facilities to ensure accessibility requirements and timetables contained within the Premises Standards are not only adhered to, but exceeded. This Disability Management Plan will be used for all future developments, including the upgrades to the Domestic Terminal precinct, which are scheduled to open in 2012.

Diversity

Policy and Program

Across the world it is increasingly recognised that a diverse workforce brings a distinct competitive advantage and has a direct impact on improved company performance and shareholder value.

To this end, BAC has established a Workplace Diversity Policy that delivers a number of diversity outcomes for the corporation. This policy applies to employees, managers and the BAC Board of Directors as well as other BAC workers, including contractors, work experience students and volunteers.

The implementation of the Workplace Diversity program commenced during 2011 with the identification of several key diversity commitments. The further inclusion of measurable objectives and targets will allow the program to be objectively reviewed by the Board and Senior Management on an annual basis to determine its ongoing effectiveness and relevance.

BAC's Workplace Diversity program is not only focused on ensuring the Corporation is compliant with relevant legislation including the *Anti-Discrimination Act 1991 (Qld),* but is concentrated on realising the broader benefits of a diverse workforce identified above.

Reporting

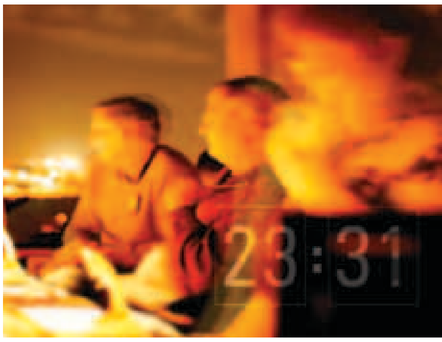
As part of its compliance program, BAC also reports annually to the Equal Opportunity for Women in the Workplace Agency on the results of its workplace programs that eliminate barriers for women. The Corporation's report for the period ending 31 March 2011 was assessed by the Agency as compliant against the requirements of the *Equal Opportunity for Women in the Workplace Act 1999 (Cth)*.

There was an overall increase in the representation of women within the BAC workforce, particularly at the Senior Manager/ Board and Middle Manager levels, with five of the eight positions recently advertised at these levels being filled by women.

Sustainable transport

BAC continues to develop and maintain sustainable transport services that facilitate easy access to the airport, safe and secure parking and convenient connections with the airport environment.

The Brisbane Airport Tripper program celebrated its second birthday in April 2011. This program is a joint initiative of BAC and the Department of Transport and Main Roads, which encourages sustainable transport and has attracted over 350 members. To date, the members have saved over 1,058,784 kilometres, 349,399 kilograms of green-house gas emissions and 115,289.9 litres of petrol.



BAC Holdings Limited and its Controlled Entities Financial Statements


11:20

Directors' Report

for the year ended 30 June 2011

The Directors present their report along with the Consolidated Financial Report of BAC Holdings Limited (BACH), ("the Company") and it's controlled entities, (Brisbane Airport Corporation Pty Limited (BAC) and BAC Holdings No. 2 Pty Limited (BACH No. 2), (the consolidated entity) for the year ended 30 June 2011 together with the auditor's report.

1. Principal activities

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

2. Financial review

In thousands of AUD	Notes	2011	2010
Profit and Loss			
Revenue		457,126	424,445
Profit from ordinary activities before finance costs, depreciation, amortisation, revaluation gains, ineffective hedges and non-designated derivatives, unrealised foreign exchange gains/(losses),redeemable preference share dividends and income tax expense		327,691	303,687
Profit from ordinary activities before, revaluation gains, ineffective hedges and non-designated derivative, unrealised foreign exchange gains/(losses), redeemable preference share dividends and income tax expense		147,701	142,481
Change in fair value of investment property	8	67,556	18,325
Profit from ordinary activities before ineffective hedges and non-designated derivatives, unrealised foreign exchange gains/(losses), redeemable preference share dividends and income tax expense		215,257	160,806
Ineffective hedges and non-designated derivatives (i)	17	44,324	-
Unrealised foreign exchange gain/(loss) (ii)		19,966	-
Profit from ordinary activities before redeemable preference share dividends and income tax expense		279,547	160,806
Redeemable preference share dividends		61,057	47,893
Profit /(loss) before income tax		218,490	112,913
Income tax expense	4	63,913	31,214
Net profit/(loss)		**154,577**	**81,699**

(i) On 1 July 2010, the Company discontinued hedge accounting by de-designating the borrowings from hedge relationships for accounting purposes. As a result, changes in the value of hedges are shown in the Statement of Comprehensive Income, rather than the Statement of Change in Equity. Refer to note 17 (e)

(ii) During the 2011 financial year, the Company raised USD denominated debt. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at reporting date.

Directors' Report

for the year ended 30 June 2011

3. Dividends

Redeemable preference share dividends have been accrued in the financial statements.

4. State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

5. Events subsequent to balance date

(a) Subsequent to balance date, the aggregate fair value of the Company's derivative instruments has fallen by $90,084,961 as at 28 September 2011 due to uncertainty in global markets. No adjustment has been made to the asset fair value of $42,548,175 recognised in the financial statements.

(b) The Consolidated entity expects to complete a debt refinancing shortly after the date of signing of this report, which results in bilateral bank facilities of AUD$550,000,000 (with maturities between 2012 and 2014) being replaced with AUD$500,000,000 of bilateral bank facilities maturing in September 2015.

6. Likely developments

(a) The Company will continue to pursue its objectives consistent with the Airport Master Plan and Business Plan.

(b) This includes a proposed new $1.3 billion runway, forecast to start in 2012 and be completed in 2020. A decision to start is subject to board approval and airline pricing discussions.

(c) The final report of the Productivity Commission Inquiry into the "Economic Regulation of Airline Services" is expected to be released by the Federal Government in early 2012.

(d) In preparing its next Master Plan, BAC has been asked to undertake a review of runway operations and the impact of aircraft noise on the community.

7. Derivative and other financial instruments

The Consolidated entity's activities expose it to changes in interest rates and credit, liquidity and cash flow risks from its operations. The Board has established policies and procedures in each of these areas to manage these exposures. Management reports to the Board on the monitoring of and compliance with the policies in place.

The Consolidated entity's has a strict policy for customers trading on credit terms. Financing facilities and operating cash flows are managed to ensure that the Company is not exposed to any adverse liquidity risks. Adequate stand by facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

Directors' Report

for the year ended 30 June 2011

8. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and qualifications	Age	Experience, special responsibilities and other directorships
Mr William (Bill) Grant ALGA, FAICD Chairman Non-Executive Director 	65	Bill was appointed Chairman of the Board of Directors on 25 September 2009. Bill currently holds a number of other board and advisory board positions, including the Queensland Performing Arts Centre Trust (QPAC), New Hope Corporation Limited, Northern Energy Corporation and the Brisbane Development Association. 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 and Williams Hall Chadwick. Bill was alternate director for Dr Pieter Verboom from mid-August 2008 to mid-September 2009.
Ms Julieanne Alroe BEc, MAICD Chief Executive Officer & Managing Director 	56	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 Limited, the International Grammar School in Sydney, Queensland Theatre Company and Queensland Tourism. Prior to her appointment to BAC, Julieanne developed extensive experience within the aviation industry after holding a number of roles at Sydney Airport Corporation. These roles included executive management positions in the commercial, operations, corporate affairs, and planning and infrastructure departments. Previous board appointments include the position of chairman of Airports Coordination Australia Ltd and Airports Council International Safety and Technical Standing Committee and director of Schiphol Australia Pty Ltd.
Mr David Gray BSc, AICD, FRAS, Hon DPhil Non-Executive Director 	63	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, Deputy Chairman of CASA, a Director of Collection House and an Adjunct Professor at QUT working with the schools of Business and Engineering. He was also a Chairman of Queensland Motorways and Watersecure. David is also a Member of BAC's Human Resources & Remuneration Committee.

Directors' Report

for the year ended 30 June 2011

Name and qualifications	Age	Experience, special responsibilities and other directorships
Mr David Harrison FAICD Non-Executive Director 	60	David is an experienced company director, having served on a variety of private and public sector boards since 1987. David is Chairman of QMI Solutions Pty Ltd and Australia TradeCoast Limited, as well as being a Member of its Audit Committee. He is a Director of Blustarz Pty Limited and a Director of QIC Limited (QIC), as well as a member of QIC's Human Resources Committee. David was Chairman of the Port of Brisbane Corporation for five years and prior to that was the Deputy Chairman for six years, and was also Chair of its Human Resource Committee and Member of its Audit Committee. David has 30 years' experience in industrial relations including nine years as Queensland Secretary, Australian Manufacturing Workers' Union and ten years as Honorary President, Queensland Council of Unions. He was also a Director of Queensland Ports Association. David is also the Chairman of BAC's Human Resources & Remuneration Committee.
Mr Chris McArthur BE, MBA, GAICD Non Executive Director Alternate Director for Mr Ward 	47	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 and the UK utility company Inexus Group Limited. He is a former Director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd following Ministerial appointment. As a director of Brisbane Airport, he is also an alternate director for Mr John Ward. Chris is a Member of the Finance, Audit and Risk Management Committee and BAC's Human Resources & Remuneration Committee.
Ms Matina Papathanasiou BCom, LLB Non Executive Director 	49	Matina is the Deputy Global Head of QIC Global Infrastructure and has over ten years of investment management and 10 years of investment banking experience, principally in the infrastructure sector. Prior to joining QIC, one of Australia's largest wholesale fund managers, in January 2006, Matina was employed by AMP Capital Investors as Head of Strategy – Infrastructure, Bankers Trust and Macquarie Bank in their Infrastructure Investment or Project Advisory and Structured Finance Groups. At QIC Matina is a senior member of a team responsible for managing a global unlisted infrastructure portfolio of over $6 billion across 15 investments and 12 geographies. Matina is a director of Westlink (M7 Tollroad) and is on the Board and Investment Committee of the Infrastructure India Holdings Fund and an alternate director of Queensland Motorways Limited. She has been a director of a number of infrastructure companies including TransGrid, Pacific Solar and Epic Energy. Matina is also a Member of the Finance, Audit and Risk Management Committee and BAC New Parallel Runway Project Committee.

Directors' Report

for the year ended 30 June 2011

Name and qualifications	Age	Experience, special responsibilities and other directorships
Ms Jill Rossouw F Fin, B Com, M Phil Non-Executive Director 	42	Jill is an Investment Director in Industry Funds Management's Infrastructure Group. Jill's responsibilities include managing fund investments in the Australian airports and social infrastructure (PPP) sub-sectors. Jill has over 15 years' project finance advisory, corporate finance, and infrastructure and private equity investment experience. Before joining IFM, Jill was Associate Director at PricewaterhouseCoopers in its Project Finance group and previously has held positions at GE Capital Australia; and South African Breweries, Rand Merchant Bank and Eskom, in Johannesburg South Africa. Jill is currently a Director of SSSR Holdings Pty Ltd and its other group companies; IFM Defence Pty Ltd and its other group companies; Western Liberty Group Holdings Pty Ltd and its other group companies; IFM Aged Care (Pty Ltd) and its other group companies; Assetco Management Pty Limited; TEST Energy Pty Limited; NSW Rent Buy Pty Limited; and SCS Retail Pty Limited. Jill's previous appointments included Director of the Royal Victorian Eye and Ear Hospital (2005 to 2009); and Airport Development Group as Chairperson (2006 to 2007). Jill is also a Member of the Finance, Audit and Risk Management Committee and BAC's Human Resources & Remuneration Committee.
Dr Pieter Verboom PhD Non-Executive Director 	61	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. He joined Amsterdam Airport Schiphol in September 1997 as Executive Vice President and CFO and is a Member of the Board of Management. He serves on the supervisory boards of VastNed Retail and Super de Boer. Pieter is also a Director of Aéroports de Paris and a member of the advisory board of the NIBC Merchant Bank.
Mr John Ward BSc, FAIM, FAICD, FAMI, FCILT Non-Executive Director 	65	John is a professional company director and management consultant. He was interim Chairman of the Board of Directors from 30 January 2009 to 25 September 2009, and is a Member of the Finance, Audit and Risk Management Committee, previously holding the position of Committee Chairman for 13 years. He retired as the General Manager Commercial of News Limited in May 2001. Prior to joining News Corporation in mid 1994 he was Managing Director and Chief Executive of Qantas Airways Limited. This culminated a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America. John is an Honorary Life Governor of the Research Foundation of Information Technology, the Chairman of Wolseley Private Equity and the NSW Freight Advisory Council and a Director of Adelaide Airport Ltd, Ward Advisory Services and Ward Securities Pty Ltd.

Directors' Report

for the year ended 30 June 2011

Name and qualifications	Age	Experience, special responsibilities and other directorships
Mr John Allpass FCA, FCPA, FAICD Alternate Director 	70	John is alternate director for Mr Pieter Verboom and was appointed Chairman of the Finance, Audit and Risk Management Committee effective from 1 July 2011. He has for more than 15 years practised 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 on the Board of BUPA Australia Group (since 2008) and has been Board Member of MBF Australia Pty Ltd (now named BUPA Australia Pty Ltd) since 1999. He has been a Board Member of BrisConnections Management Company Limited since its formation in 2008 and is a Director of Schiphol Australia Pty Ltd. His other appointments have included the Board of 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.
Mr Perry Clausen BCom, CA, Mtax Alternate Director	48	Perry is alternate director for Mr Chris McArthur. Perry is Global Co-Head of Infrastructure Investment at Colonial First State Global Asset Management ('CFSGAM') having commenced with CFSGAM in March 2007. Perry has overall joint responsibility for the global unlisted infrastructure investment business, with a primary focus on direct investment in and management of major infrastructure projects including airports, toll roads, water distribution and pipelines. In his prior role he was Director of Infrastructure Investments for Super Investment Management Pty Ltd, 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 20 years of infrastructure and financial experience including nine years at the National Australia Bank where he was a Director in the Project and Structured Finance Group. He was for six years a Director and Investment Committee Member of National Australia Bank Superannuation Pty Ltd, the trustee of the $2 billion National Australia Bank Group Superannuation Fund.
Mr Ross Israel BCom LLB, F Fin Alternate Director	43	Ross is alternate director for Mr David Harrison and for Ms Matina Papathanasiou. He is responsible for the global infrastructure division of QIC Private Capital. Established in 2006, the primary focus of this division is investment in unlisted infrastructure assets or managed funds across four key sectors transport (airports, tollroads, ports, rail), utilities (gas, electric, water), social infrastructure and telecommunications. Ross has extensive experience in the infrastructure investment market as well as a corporate advisory and asset management background. Ross is a Director of Queensland Motorways Limited (and related entities), Port of Brisbane Pty Ltd (and related entities) and Group Martim TCB. Prior to joining QIC, Ross was DUET's Chief Operating Officer. DUET is an ASX listed utility fund jointly managed by AMP Capital and Macquarie Bank. He was a Director of the Multinet, United Energy Distribution and Dampier to Bunbury Pipeline Groups.

Company Secretary

Ms Sarah Thornton is (Group) Company Secretary and General Counsel for each company in the BAC Holdings Limited Group.

Directors' Report

for the year ended 30 June 2011

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 of the Company during the financial year were:

Director	Board Meetings		Finance, Audit & Risk Management (FARM) Committee Meetings		BAC Human Resources & Remuneration Committee Meetings		BAC New Parallel Runway Project Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr W Grant (Chairman)	12	12	4	4	4	4	2	2
Ms J Alroe (CEO & Managing Director)	12	12	3	4	3	4	2	2
Mr D Gray	10	12	0	0	4	4	2	2
Mr D Harrison	12	12	0	0	4	4	2	2
Mr C McArthur (Director and also Alternate Director for Mr J Ward)	12	12	4	4	4	4	2	2
Ms M Papathanasiou	11	12	4	4	0	0	2	2
Ms J Rossouw	12	12	3	4	4	4	2	2
Dr P Verboom	2	12	0	0	0	0	0	2
Mr J Ward	12	12	4	4	0	0	2	2
Mr J Allpass (Alternate Director for Mr P Verboom)	11	11	4	4	0	0	2	2
Mr P Clausen (Alternate Director for Mr C McArthur)	0	0	0	0	0	0	0	0
Mr R Israel (Alternate Director for Mr D Harrison & Ms M Papathanasiou)	1	1	0	0	0	0	0	0

A - Number of meetings attended.

B - The number of meetings held during the time the Director (or FARM Committee Member or Human Resources & Remuneration Committee Member or New Parallel Runway Project Committee Member as the case may be) held office during the year, or was invited to attend if no right to attend existed.

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

Directors' Report

for the year ended 30 June 2011

10. Indemnification

BAC Holdings Limited on behalf of itself and its subsidiaries (including the Company) has entered into Deeds of Indemnity, Insurance, and Access (the 'Deeds') with each Director, Alternate Director, and Executive Manager ('Officers') of the Company.

The Company has agreed to indemnify and maintain insurance in favour of each Officer with respect to certain liabilities which the Officer may incur acting as a director or other officer of the Company in accordance with the terms of the Deeds.

11. Insurance

During the year the Company 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 Company.

Details of the nature of the liabilities covered and the amount of the premium paid in respect of the Directors' and Officers' Liability and Legal Expenses Insurance Contracts have not been included as such disclosure is prohibited under the terms of the contract. However, the premium paid has been allocated on a pro-rata basis to each director and included in their remuneration calculation.

12. Non-audit services

During the year KPMG, the Company'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 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company 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 do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 3.

Directors' Report

for the year ended 30 June 2011

13. Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 82 of the 2011 Financial Report and forms part of the Directors' report for financial year ended 30 June 2011.

14. Rounding off

The Company is of a kind referred to in ASIC 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 accordance with a resolution of the Directors:

Bill Grant

30 September 2011

Director

Julieanne Alroe

30 September 2011

Director

Corporate Governance Statement

for the year ended 30 June 2011

The Company is an unlisted public company limited by shares, primarily subject to the corporate governance requirements of the BAC Holdings Limited (BACH) Shareholders' Agreement, the Brisbane Airport Corporation Pty Limited Constitution, the *Corporations Act 2001* and common law principles. The Directors of the Company are committed to embracing good corporate governance policies, practices and procedures. Fundamentally, the Company 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' (2nd Edition) ("ASX CGC Principles and Recommendations"); 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 proprietary company the Company has no obligation to comply with or report against ASX guidelines or listing rules. Nor are many of the ASX (or other previously mentioned entities) principles necessarily applicable or appropriate to the Company's corporate arrangements. Therefore, the Board has considered each model and adopted a number of key common aspects consistent with the Company'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 the Company including participation in charting its strategic direction, objective setting, policy guidelines, goals for management and monitoring the achievement of these matters. It develops the Strategic Plan and approves the Business Plan and Operating and Capital Budgets each financial year. The Board also reviews matters of a major or unusual nature which are not in the ordinary course of business.

Having set the Company's direction, the Board delegates responsibility for the management of the Company 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 BACH Shareholders' Agreement, the Board has a complementary Board Charter and Board Code of Conduct.

Size and composition of the board

The Company's Constitution, BACH Shareholders' Agreement and Board Charter determine the number and composition of the Board, including that there must be not less than three nor 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 three Alternate Directors are appointed.

The names of the Directors and Alternate Directors of the Company in office at the date of this Statement are set out in the Directors' Report.

Corporate Governance Statement

for the year ended 30 June 2011

a) Board of directors (continued)

Major 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 attend the meetings at the discretion of the Board.

The Board endeavours to hold monthly 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 monthly Board meeting schedule. In addition, the Board also utilises Circulating Written Resolutions of Directors pursuant to the Constitution if required.

To assist in the execution of its responsibilities, the Board has established a number of Board committees, being the Finance, Audit & Risk Management (FARM) Committee, Human Resources & Remuneration Committee, and New Parallel Runway Project Committee (see details below). The Board has also established a risk management framework for the Company including a system of internal control, and a business risk management process. Further details of the Company's Risk Management System are provided later in this report.

Board performance assessment

During the 2010 financial year, the Board undertook a performance assessment that was facilitated by an external independent specialist organization. During this financial year, the Board continued to implement the agreed recommendations arising from that assessment and resolved to conduct performance and effectiveness reviews of the Board and each of its sub Committees every two years, with the next to occur in the 2012 financial year.

b) Finance, Audit & Risk Management (FARM) Committee

As mentioned above, to assist in the execution of its responsibilities, the Board has established a Finance, Audit & Risk Management (FARM) Committee. As suggested by its name, 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 establishment and maintenance of a framework of internal control and risk management for the management of the Company. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies, or for inclusion in the financial report.

The members of the Committee at any time during and since the year are:

- Mr John Allpass, Chairman from 1 July 2011;
- Mr Chris McArthur;
- Ms Matina Papathanasiou;
- Ms Jill Rossouw; and
- Mr John Ward, Chairman to 30 June 2011.

Corporate Governance Statement

for the year ended 30 June 2011

b) Finance, Audit & Risk Management (FARM) Committee (continued)

The external auditors, internal auditors, the CEO & Managing Director and the Chief Financial Officer are invited to the meetings at the discretion of the Committee. Directors who are not members are also welcome to attend meetings by prior arrangement with the Chairman. The Company Secretary is Secretary for the Committee. The Board receives copies of all FARM Committee meeting minutes and oral briefings from the Committee Chairman.

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

- reporting of financial information to users of financial reports;
- financial management;
- maintenance and review of the Company's internal control system;
- monitoring and controlling of business and other risk;
- application and review of the Company'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 external auditor;
- external auditor independence;
- provision of non-audit related services;
- responsibility of the external auditor; and
- audit delivery and reporting.

Both the Company and its external auditors 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 the Company with annual independence declarations;
- the FARM Committee's Charter specifically makes reference to its role in establishing and monitoring external auditor independence;
- the Finance Department Quarterly Compliance Report includes a specific declaration regarding external auditor independence; and
- rotation of the audit lead engagement partner every five years.

Corporate Governance Statement

for the year ended 30 June 2011

(c) Human Resources & Remuneration Committee

The Board of BAC has established a Human Resources & Remuneration 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, the following:

- with regard to the 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.
- 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;
- Occupational Health and Safety planning and compliance, consistent with the Finance, Audit and Risk Management 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
- advise on any other Human Resource or Remuneration matters referred to the Committee by the Board.

The members of the Committee at any time during or since the year are:

- Mr David Gray;
- Mr Chris McArthur;
- Ms Jill Rossouw ; and
- Mr David Harrison, Chairman.

The Head of People & Culture, Mr Gwilym Davies, is Secretary for the Committee. The full Board receives copies of all Human Resources & Remuneration Committee meeting minutes and oral briefings from the Committee Chairman.

Corporate Governance Statement

for the year ended 30 June 2011

d) New Parallel Runway Project Committee

The Board has established a New Parallel Runway (NPR) Project 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 monitor and report to the Board on the following matters:

- matters of a financial nature, including cost; cost recovery; pricing; return and funding;
- risk management and insurance;
- performance of the NPR Project Control Group (PCG) in fulfilling its role and function;
- legal issues, including contractual; disputes; and legal compliance;
- procurement, including tendering;
- probity matters and audit;
- stakeholder engagement;
- environmental matters;
- major design issues;
- construction matters, including workplace health and safety; and
- other relevant NPR Project matters as determined by the Chairman from time to time.

The Committee is comprised of all BAC directors. Alternate Members are the respective alternate directors of BAC directors. The Chairman of the Board is the Chairman of the Committee. The Secretary of the Committee is the Company Secretary. The CEO & Managing Director and the Chief Financial Officer are invited to the meetings at the discretion of the Committee.

e) Risk management

Compliance and internal 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. The Company 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 CFO provide a Management Representation Letter to the Company'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 and financial compliance.

Corporate Governance Statement

for the year ended 30 June 2011

e) Risk management (continued)

Business risk management

The Company has established a sound 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 adverse impact on the business. To this end, the Company has formal Board Policies on Risk Management and on Legal Compliance and conducted a full review of these policies during the year resulting in further improvements to quarterly compliance reporting to the Board. The objective of the risk management and compliance programmes is the management of significant business risks consistent with the guidelines and framework Australian Standard AS/NZ ISO 31000: 2009 and compliance framework through the Australian Compliance Standard AS3806:2006. 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 Chief Executive Officer/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 and strategic risk identification, evaluation and treatment
- Department operational risk identification, evaluation and treatment
- Major project risk identification, evaluation and treatment
- Significant contract risk assessments
- Regulatory Compliance
- Liability audits
- Insurance policy audits
- Occupational health and safety management system 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 report)
- Environmental risk program

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

Internal audit

The appointed internal auditor of the Company is Deloitte Touche Tohmatsu. The internal auditors conduct a series of risk-based and routine reviews based on an annual plan agreed with management and the FARM Committee with the objective of providing assurance to the Board on the adequacy of the Company's risk framework and the completeness and accuracy of risk reporting by management.

The Company has a three year Internal Audit program in place, which harmonises with risk management, compliance and the external statutory audit.

Financial reporting

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

- In their view, the Company'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 Company's 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.

Corporate Governance Statement

for the year ended 30 June 2011

e) Risk management (continued)

Environmental regulation

(i) Overview

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 and associated Airports (Environment Protection) Regulations, 1997. 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 & Transport (DIT) is responsible for administering the Airports (Environment Protection) Regulations, 1997.

The Commonwealth introduced new legislation pertaining to emissions reporting in the form of the National Greenhouse and Energy Reporting (NGER) Act 2008. The NGER Act has established a national framework for reporting greenhouse gas emissions, abatement activities, energy consumption and production. BAC will regularly review emission levels associated with processes to which BAC has operational control and compare those results to reporting thresholds outlined in NGER Act.

(ii) The Airport Environment Strategy

The Airports Act 1996 outlines the requirement for BAC to have an approved Airport Environment Strategy (AES) in place which, at five yearly intervals, must undergo a review and re-issue process. The current Brisbane Airport Environment Strategy (AES) approved by the Minister on 19 August 2009 sets the strategic direction for environmental management until 2014. The range of the environmental legislation which applies to Brisbane Airport is identified throughout the document.

(iii) Environmental Performance

The 2009 AES outlines a range of action items to demonstrate compliance with the Airports (Environment Protection) Regulations 1997. The most significant included the ongoing management of its Environment Management System (EMS) consistent with ISO 14001, continuance of a comprehensive surface and groundwater quality monitoring programme, implementing a programme to remediate high environmental risk contaminated sites in existence prior to privatisation in 1997 and continue the environmental awareness programme with tenants including annual inspections of all higher environmental risk tenant operations.

(iv) 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 DIT. BAC maintains registers and records pursuant to the Airports Act and Regulations.

(v) 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 DIT Minister. The MDP process includes an automatic referral from the DIT Minister to the Environment Minister under section 160 of the Environment Protection and Biodiversity Conservation Act (EPBC Act) for determination of the environmental assessment process and to provide advice on environmental matters back to the DIT 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 New Parallel Runway 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.

Corporate Governance Statement

for the year ended 30 June 2011

e) Risk management (continued)

Environmental regulation (continued)

(vi) New parallel runway

BAC is currently finalising the detailed design for the first construction phase of the New Parallel Runway (NPR) at Brisbane Airport. 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 exceed the capacity of the current runway system around late 2018, and the NPR is expected to become operational by 2020.

The first construction phase consists of preparing the 360 ha site for the NPR with the majority of the construction work involving dredging and placing around 13 million m^3 of sand to form the platform on which the NPR will be constructed. This sand volume is also needed to surcharge the poor quality insitu soils, and settlement of the site will take up to four years. Other works in the first phase will include construction of a new drainage system and relocation of service utilities.

BAC and its consultant team are preparing the first two tender packages for the dredging and civil works. The current project programme would see tenders called in the first quarter of 2012, with construction planned to commence, subject to board approval, in the third quarter of 2012.

Occupational health and safety (OH&S)

(i) Overview

The operations are subject to State legislation. OH&S compliance is currently primarily governed by the Workplace Health and Safety Act 1995 and the associated Workplace Health and Safety Regulation 2008. This legislation provides a range of obligations for ensuring the health and safety of persons who may be affected by the undertakings of BAC. Further guidance on how to manage health and safety risks is provided through additional legislation such as the Electrical Safety Act 2002 (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.

(ii) Occupational health & safety compliance

Certification of BAC's occupational health and safety management system (OHSMS) to AS 4801:2001 occurred in October 2010, and the system is currently being reviewed against the requirements of the new Work Health and Safety Act 2011 to ensure ongoing legislative compliance from 1 January 2012.

The compliance framework will be underpinned by further development and implementation of a cooperative approach by all relevant parties to managing OH&S risks arising out of BAC's business activities. This will combine with a full review of BAC's existing OH&S reporting mechanisms to ensure that "due diligence" is exercised in the management of OH&S risks.

Corporate Governance Statement

for the year ended 30 June 2011

e) Risk management (continued)

Diversity

(i) Overview

BAC 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 a Diversity Policy established in 2011 which:

- provides guidance for the development and implementation of programs and initiatives aimed at promoting diversity across all levels of BAC including staff, management and the Board;
- requires the establishment of clear measurements and reporting to management, the Board and the BAC HR and Remuneration Committee;
- encourages the adoption of diversity strategies and incorporates flexible approaches to the individual needs of the workforce; and
- prohibits any form of unlawful discrimination or harassment.

(iii) Diversity Compliance

Compliance in this area is in accordance with a number of pieces of legislation, (including the Anti-Discrimination Act 1991 (Qld), Equal Opportunity for Women in the Workplace Act 1999 (Commonwealth)) and Recommendations 3.2 - 3.4 of the ASX CGC Principles and Recommendations.

As part of the Corporation's compliance program, BAC also reports annually to the Equal Opportunity for Women in the Workplace Agency on the results of its workplace programs that eliminate barriers for women. The Corporation's report for the period ending 31 March 2011 was assessed by the Agency as compliant against the requirements of the Equal Opportunity for Women in the Workplace Act 1999 (Cth).

Statement of Comprehensive Income

for the year ended 30 June 2011

In thousands of AUD	Note	2011	2010
Aeronautical revenue		174,775	155,506
Government mandated security revenue		21,008	24,010
Retail revenue		58,263	54,550
Landside transport revenue		84,611	81,184
Operating property revenue		37,738	36,561
Investment property revenue		48,494	45,946
Other revenue ordinary activities		27,699	24,357
Interest received from other parties		4,538	2,331
		457,126	**424,445**
Staff costs		28,317	26,717
Government mandated security costs		21,008	20,730
Utilities		27,982	23,357
Maintenance and contract services		30,077	29,315
Corporate and administration expenses		13,284	13,609
Other expenses		8,767	7,030
		129,435	**120,758**
Profit from ordinary activities before depreciation and amortisation, finance costs, revaluation gains, ineffective hedges and non-designated derivatives, unrealised foreign exchange gains/(losses), redeemable preference share dividends and income tax expense		**327,691**	**303,687**
Depreciation and amortisation		59,931	55,033
Profit from ordinary activities before finance costs, revaluation gains, ineffective hedges and non-designated derivatives, unrealised foreign exchange gains/(losses), redeemable preference share dividends and income tax expense		**267,760**	**248,654**
Finance costs		120,059	106,173
Profit from ordinary activities before revaluation gains, ineffective hedges and non-designated derivatives, unrealised foreign exchange gains/(losses), redeemable preference share dividends and income tax expense		**147,701**	**142,481**
Change in fair value of investment property	8	67,556	18,325
Profit from ordinary activities before ineffective hedges and non-designated derivatives, unrealised foreign exchange gains/(losses), redeemable preference share dividends and income tax expense		**215,257**	**160,806**
Ineffective cashflow hedges and non-designated derivatives		44,324	-
Unrealised foreign exchange gain/(loss)		19,966	-
Profit from ordinary activities before redeemable preference share dividends and income tax expense		**279,547**	**160,806**
Redeemable preference share dividend		61,057	47,893
Profit before income tax expense		**218,490**	**112,913**
Income tax	4	63,913	31,214
Profit for the period		**154,577**	**81,699**

Statement of Comprehensive Income

for the year ended 30 June 2011

In thousands of AUD	Note	2011	2010
Profit for the period		**154,577**	**81,699**
Other comprehensive income for the period			
Net change in fair value of cash flow hedges		-	(64,810)
Transfer from hedge reserve to the Income Statement		(6,509)	-
Defined benefit plan actuarial gains/(losses)		(64)	(970)
Other comprehensive income		**(6,573)**	**(65,780)**
Total comprehensive income for the period		**148,004**	**15,919**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

for the year ended 30 June 2011

In thousands of AUD	Note	2011	2010
Current Assets			
Cash and cash equivalents	5	138,590	82,592
Trade and other receivables	6	48,572	51,064
Inventories	7	713	689
Current tax receivable		13,650	-
Total Current Assets		**201,525**	**134,345**
Non-Current Assets			
Intangible assets	11	823,014	823,014
Property, plant & equipment	10	1,944,600	1,839,620
Investment property	8	793,412	705,555
Derivative Instruments	17	42,548	9,300
Total Non-Current Assets		**3,603,574**	**3,377,489**
Total Assets		**3,805,099**	**3,511,834**
Current Liabilities			
Trade and other payables	12	195,356	118,194
Employee benefits	14	5,321	5,108
Current tax payable		-	13,526
Other	15	6,622	2,191
Total Current Liabilities		**207,299**	**139,019**
Non-Current Liabilities			
Interest-bearing loans and liabilities	13	2,246,956	2,222,961
Deferred tax liabilities	9	404,419	352,517
Employee benefits	14	2,874	2,701
Other	15	5,163	4,252
Total Non-Current Liabilities		**2,659,412**	**2,582,431**
Total Liabilities		**2,866,711**	**2,721,450**
Net Assets		**938,388**	**790,384**
Equity			
Issued capital		78,388	78,388
Reserves		(2,887)	3,686
Retained Earnings		862,887	708,310
Total Equity	18	**938,388**	**790,384**

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

Statement of Changes in Equity

for the year ended 30 June 2011

In thousands of AUD	Share Capital	Defined Benefit Fund Surplus/ (Deficit)	Hedging Reserve	Retained Earnings	Total
Balance at 1 July 2010	78,388	(2,823)	6,509	708,310	790,384
Total comprehensive income					
Profit/(Loss) for the period	-	-	-	154,577	154,577
Other comprehensive income					
Transfer of hedge reserve to Income Statement, net of tax	-	-	(6,509)	-	(6,509)
Defined benefit plan actuarial gains or losses, net of tax	-	(64)	-	-	(64)
Total other comprehensive income	-	(64)	(6,509)	-	(6,573)
Total comprehensive income	**-**	**(64)**	**(6,509)**	**154,559**	**148,004**
Balance at 30 June 2011	**78,388**	**(2,887)**	**-**	**862,887**	**938,388**

The amounts recognised directly in equity are disclosed net of tax

In thousands of AUD	Share Capital	Defined Benefit Fund Surplus/ (Deficit)	Hedging Reserve	Retained Earnings	Total
Balance at 1 July 2009	78,388	(1,853)	71,319	626,611	774,465
Total comprehensive income					
Profit/(Loss) for the period	-	-	-	81,699	81,699
Other comprehensive income					
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	(64,810)	-	(64,810)
Defined benefit plan actuarial gains or losses, net of tax	-	(970)	-	-	(970)
Total other comprehensive income	-	(970)	(64,810)	-	(65,780)
Total comprehensive income	**-**	**(970)**	**(64,810)**	**81,699**	**15,919**
Balance at 30 June 2010	**78,388**	**(2,823)**	**6,509**	**708,310**	**790,384**

The amounts recognised directly in equity are disclosed net of tax

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flow

for the year ended 30 June 2011

In thousands of AUD	Note	2011	2010
Cash flows from operating activities			
Cash receipts from customers		507,484	458,634
Cash payments to suppliers and employees		(150,986)	(160,795)
Cash generated from operations		**356,498**	**297,839**
Interest paid		(120,059)	(106,173)
Interest received		4,538	2,331
Income taxes paid		(36,368)	(38,850)
Net cash from/(used in) operating activities	19	**204,609**	**155,147**
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		172	265
Acquisitions of property, plant & equipment		(168,470)	(134,854)
Construction of investment property	7	(20,301)	(20,536)
Net cash from/(used in) investing activities		**(188,599)**	**(155,125)**
Cash flows from financing activities			
Proceeds from borrowings		638,863	390,000
Repayments of borrowings		(590,000)	(350,000)
Payment of finance lease liabilities		-	(4,269)
Payment of transaction costs		(8,875)	(5,278)
Dividends paid		-	-
Net cash from/(used in) financing activities		**39,988**	**30,453**
Net increase/(decrease) in cash held		**55,998**	**30,475**
Cash and cash equivalents at 1 July		82,592	52,117
Cash and cash equivalents at 30 June	5	**138,590**	**82,592**

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

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies

(a) Reporting entity

BAC Holdings Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 11 The Circuit, Brisbane Airport Qld 4007, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity'). The Consolidated entity primarily is involved in the operation and development of Brisbane Airport.

(b) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report complies with the International Financial Reporting Standards ('IFRSs') and adopted by the International Accounting Standards Board.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Consolidated entity.

In some cases, prior period comparatives have been amended to ensure comparability between financial reporting periods.

The financial statements were approved by the Board of Directors on 30 September 2011.

(c) Basis of measurement

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

- derivative financial instruments are measured at fair value
- investment property is measured at fair value
- the defined benefit asset is measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

The methods used to measure fair value are discussed further in the following notes.

(d) 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 discussed below.

(i) Key sources of estimation uncertainty

Defined benefit superannuation fund assumptions and obligations

Various actuarial assumptions are made in the determination of the consolidated entity's defined benefit obligations. These assumptions are outlined in note 14. In particular, the assumed discount rate and future salary inflation rate adopted by the Consolidated entity's impact on the value of the defined benefit obligations. A reduction in the assumed discount rate or increase in the assumed salary inflation rate, all other things being equal, will increase/decrease the value of the defined benefit obligation/asset and result in an actuarial loss occurring. Actuarial gains and losses are immediately recognised through equity in the Statement of comprehensive income in the year in which the actuarial gains and losses arise.

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(d) Use of estimates and judgements (continued)

Impairment of goodwill

The Consolidated entity assesses whether goodwill is impaired at least annually in accordance with accounting policy (o). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

Taxation

Balances disclosed in the financial statements and notes thereto, related to taxation, are based on the best estimate of the company. These estimates take into account both the financial performance and position of the consolidated entity as they pertain to the current income tax legislation, and the Consolidated entity's, understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimates, pending an assessment by the Australian Taxation Office.

(e) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date of that control ceases.

(ii) Transactions eliminated on consolidation

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

(f) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentational currency of the Company and each subsidiary is Australian dollars ($).

(ii) Transactions and balances

Foreign currency transactions are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the 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.

Exchange differences on translation of monetary items are recognised in the Statement of Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised in equity; otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(g) Derivative financial instruments

The Consolidated entity uses derivative financial instruments to economically hedge its exposure to interest rate and foreign currency risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income.

The fair value of interest rate and cross currency swaps is the estimated amount that the Consolidated entity would receive or pay to terminate the swap at the balance sheet 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 Consolidated entity's hedging contracts are to be maintained with banks with credit ratings of not less than either A+ (S&P) or A1 (Moody's), unless subsequently approved by the Board.

(h) Hedging

On 1 July 2010, the Consolidated entity discontinued hedge accounting by de-designating the borrowings from the hedge relationships for accounting purposes.

All of the Consolidated entity's derivatives de-designated are in effective economic relationships based on contractual face value amounts and the cash flows over the life of the transactions.

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

Following the discontinuation of hedge accounting on 1 July 2010, existing gains/(losses) recorded in equity at 30 June 2010, will continue to remain in Equity and are transferred to the Statement of Comprehensive Income over the original profile of the cash flow hedge.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the Statement of Comprehensive Income.

(i) Cash flow hedges

If the hedging instrument expires, is sold, terminated or the hedging designation revoked and the forecast transaction is still expected to occur, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(i) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at deemed cost at transition date less accumulated depreciation (see (i) (v)) and impairment losses. Certain 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 Accounting Standards - AIFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where 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.

(ii) Leased assets

Leases in terms of which the Consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

(iii) Capital work in progress

Capital work in progress is measured at cost and includes all expenditure related directly 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 (q).

(iv) Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(v) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The depreciation rates used for each class of asset in the current period are as follows:

Item	Rate
Runways, taxiways and aprons	1% to 11%
Roads and car parks	2.5% to 33%
Buildings	2.5% to 33%
Plant and equipment	2% to 33%
Leased plant and equipment	Over the term of the lease

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(j) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment (see accounting policy (o)).

(k) Investment property

The Investment property class of non-current assets comprises buildings and land that is leased or intended to be leased to third parties for the purpose of obtaining rental income, control of which does not impact on the Consolidated entity's aeronautical operations. Investment property includes aircraft maintenance facilities, aviation training and education centres, freight facilities, distribution warehouses, offices and all other non-aviation activities, such as retail, entertainment and leisure facilities.

Investment properties are stated at fair value. 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 fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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 the statement of comprehensive income under change in fair value of investment property. Rental income from investment property is accounted for as described in accounting policy (v).

Property that has been constructed or developed for future use as investment property is measured at fair value, or if fair value cannot be reliably measured, at cost, until construction is complete.

(l) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses, normally settled within 30 days.

(m) Inventories

Inventories comprise spares for equipment utilised in the operation of the airport and are carried at the lower of cost and net realisable value.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(o) Impairment

The carrying amounts of the Consolidated entity's non-current assets, other than investment property (see accounting policy (k)), and deferred tax assets (see accounting policy (x)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (o) (i)). For Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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 the statement of comprehensive income, 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 through statement of comprehensive income. 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 (the "cash-generating unit").

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.

(i) 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.

(ii) 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.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Share capital

(i) Dividends

Dividends are recognised as a liability in the period in which they are declared. Performance Share Dividends are recognised as a liability arises.

(ii) Transaction costs

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

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(q) Interest-bearing borrowings

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

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

Where interest rates are hedged or swapped, the borrowing costs are recognised net of any effect of the hedge or swap.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take more than twelve months 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.

(r) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations in respect of defined contribution members of superannuation funds (and 3% award contributions in respect of defined benefit members) are recognised as an expense in the statement of comprehensive income as incurred.

(ii) Defined benefit superannuation funds

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated entity'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 periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the Consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in the Statement of comprehensive income in the year in which the actuarial gains and losses arise.

Where the calculation results in a benefit to the Consolidated entity's, 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 periods, resulting in the current period 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).

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Long-term service benefits

The Consolidated entity'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 periods. 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 the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated entity's obligations.

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

(iv) Wages, salaries, annual leave, sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick 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 Consolidated entity's expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(s) Provisions

A provision is recognised in the balance sheet when the Consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(t) Maintenance

Pavement surfacing costs incurred on runways, taxiways and aprons are capitalised and are written off over the period between surfacing projects. This recognises that the benefit is to future periods and also apportions the cost over the period of the related benefit.

Aircraft pavements, roads, leasehold improvements, plant and machinery of the consolidated entity are required to be overhauled on a regular 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.

(u) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(v) Revenue

Revenues are recognised at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority.

(i) Aeronautical revenue

Aeronautical revenue comprises runway and terminal charges. Domestic and international flights are generally charged on a per passenger basis for landing and departures. General aircraft and dedicated freight flights are charged based on the maximum take-off weight of aircraft on landings only.

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(v) Revenue (continued)

(ii) Government mandated security revenue

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

The Consolidated entity is required by the Commonwealth Government to undertake certain security measures, the costs of which are recoverable in full from the airlines. Revenue and costs are shown separately. Costs of government mandated security are included in "Government mandated security costs".

(iii) Retail revenue

Retail revenue comprises concessionaire rent, other charges received and advertising revenue.

(iv) Landside transport revenue

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

(v) Property revenue

Operating property revenue comprises rental income from the Consolidated entity's owned terminals, buildings and other leased areas.

Investment property revenue comprises rental income from Consolidated entity's owned buildings and leased areas held for investment. Refer accounting policy (k).

(vi) Other revenue

Other revenue includes recharges of expenditure to third parties.

(vii) Proceeds from sale of non-current assets

The net proceeds from non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(viii) Interest received – other parties

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

(w) Expenses

(i) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(w) Expenses (continued)

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the statement of comprehensive income (see accounting policy (h). Borrowing costs are expensed as incurred and included in net financing costs unless they are capitalised to capital works in progress for qualifying assets.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

(x) Income tax

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

Current tax is the tax payable to the Australian Taxation Office.

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 used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. 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 enacted or substantively enacted at the balance sheet 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 by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Taxation of Financial Arrangements (TOFA)

From 1 July 2010, the Taxation of Financial Arrangements (TOFA) provisions apply on a mandatory basis to qualifying taxpayers in respect of certain financial arrangements. Broadly, the TOFA rules 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 including anything of economic value, including services.

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

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(x) Income tax (continued)

Tax consolidation

BACH is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries being BAC Holdings No.2 Pty Limited and Brisbane Airport Corporation Pty Limited. BACH owns 100% of the shares in BAC Holdings No.2. BAC Holdings No.2 owns 100% of the shares in Brisbane Airport Corporation Pty Limited. 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/revenue.

In the opinion of the Directors, 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.

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 consolidated entity as an equity contribution or distribution.

The consolidated entity 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.

(y) Segment reporting

The consolidated entity operates predominantly in the Airport business. The consolidated entity's operations are located in Brisbane. The consolidated entity provides Airport infrastructure products and services.

(z) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (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 statement of financial position.

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

Notes to the Financial Statements

for the year ended 30 June 2011

1. Significant accounting policies (continued)

(aa) Current ratio

The statement of financial position shows that the Consolidated entity has a current asset deficiency. The deficiency arose due to the accrual of redeemable preference share dividends. The Consolidated entity has undrawn facilities available and is therefore able to pay debts as and when they fall due.

(ab) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied preparing this financial report:

AASB 13 Fair Value Measurement explains how to measure fair value when required to by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards. AASB 13 becomes mandatory for the Consolidated entity's 30 June 2014 financial statements with prospective application required. The Consolidated entity has not yet determined the potential impact of the standard.Amended AASB 119 Employee Benefits is amendments focus mainly on, but are not limited to, the accounting for defined benefit plans. In addition, it changes the definition of short-term and other long-term employee benefits and some disclosure requirements. The amendments will become mandatory for the Consolidated entity's 30 June 2014 financial statements with retrospective application required. The Consolidated entity has not yet determined the potential impact of the standard.

Amended AASB 119 Employee Benefits is amendments focus mainly on, but are not limited to, the accounting for defined benefit plans. In addition, it changes the definition of short-term and other long-term employee benefits and some disclosure requirements. The amendments will become mandatory for the Consolidated entity's 30 June 2014 financial statements with retrospective application required. The Consolidated entity has not yet determined the potential impact of the standard.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income makes a number of changes to the presentation of Other Comprehensive Income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items. The amendments will become mandatory for the Consolidated entity's 30 June 2013 financial statements with retrospective application required. The Consolidated entity has not yet determined the potential impact of the standard.

AASB 9 Financial Instruments (December 2010) supersedes AASB 9 (2009) and relates to the classification and measurement of financial assets and financial liabilities. The requirements that were added are generally consistent with the equivalent requirements of AASB 139 Financial Instruments: Recognition and Measurement except in respect of the fair value option and certain derivatives linked to unquoted equity instruments. The requirements of AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9 were also added. AASB 9 (2010) will become mandatory for the Consolidated entity's 30 June 2014 financial statements. Early adoption is permitted and entities may elect whether to apply AASB 9 (December 2010) or AASB 9 (December 2009). If adopted before 1 January 2012, the prior period is not required to be restated. The Consolidated entity has not yet determined the potential impact of the standard.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax Recovery of Underlying Assets clarify that the tax base of investment property measured using the fair value model in accordance with AASB 140 Investment Property is based on the premise that the carrying amount will be recovered entirely through sale rather than through use. These amendments become applicable for the Consolidated entity's 30 June 2013 financial statements and retrospective application is applicable. The Consolidated entity has not yet determined the potential impact of the standard.

AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments which will become mandatory for the Consolidated entity's 30 June 2012 financial statements. The Consolidated entity has not yet determined the potential impact of the standard.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project affects various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments will become mandatory for the Consolidated entity's 30 June 2012 financial statements.

Notes to the Financial Statements

for the year ended 30 June 2011

2. Determination of fair values

A number of the consolidated entity'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 based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. On transition date to AIFRS, being 1 July 2004, the book value of property, plant and equipment was treated as deemed cost.

From time to time, the consolidated entity undertakes an independent valuation to determine the fair value of items of property, plant and equipment – this is not a requirement of AASB 116 Property, Plant and Equipment and as such, is not accounted for in the Annual Report.

(b) Investment property

An external, independent valuation company, having professional qualifications and recent experience in the location and category of property being valued, values the Consolidated entity's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Consolidated entity and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(c) Trade and other receivables / payables

For trade receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

(d) Financial instruments

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

Fair value hierarchy

In valuing financial instruments, the Consolidated entity 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 an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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.

Notes to the Financial Statements

for the year ended 30 June 2011

2. Determination of fair values (continued)

(d) Financial instruments (continued)

(i) Derivatives

For interest rate swaps discounted cash flow techniques are used, estimated future cash flows are based on inputs derived from market related data at the balance sheet date and the discount rate is a market related rate for a similar instrument.

(ii) Non-derivative financial liabilities

The fair value of interest bearing loans and borrowings is calculated based on discounted expected future principal and interest cash flows. The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

(iii) Share-based payment transactions

The value of the Executive Long Term Incentive Plan is determined by calculating the value of entitlements up to the vesting period. This is deemed to reflect the fair value.

3. Auditors' remuneration

In AUD	2011	2010
Audit Services		
Auditors of the Company – KPMG Australia		
Audit of 2011 Financial Reports	162,650	-
Audit of 2010 Financial Reports	12,425	159,050
Audit of 2009 Financial Reports	-	8,500
Other regulatory/contract audit services	20,640	20,100
	195,715	**187,650**
Other Services		
Auditors of the Company – KPMG		
Other Services	495,292	131,634
	495,292	**131,634**

Included in the audit fees above are charges incurred by subsidiary companies, BAC Holdings No. 2 Pty Limited and Brisbane Airport Corporation Pty Limited but paid by Brisbane Airport Corporation Pty Limited.

Notes to the Financial Statements

for the year ended 30 June 2011

4. Income tax expense

Recognised in the Statement of Comprehensive Income

In thousands of AUD	Note	2011	2010
Current Tax Expense			
Current period		9,901	31,186
Adjustment for prior periods		(709)	(1,263)
		9,192	**29,923**
Deferred Tax Expense			
Origination and reversal of temporary differences		45,663	15,660
Redeemable preference share dividends		9,058	(14,368)
	9	**54,721**	**1,292**
Total income tax recognised in other comprehensive income		**63,913**	**31,214**

Income tax recognised in other comprehensive income

In thousands of AUD	Before Tax	Tax (Expense)/ Benefit	Net of Tax
2011			
Cash flow hedges	(9,300)	2,791	(6,509)
Defined benefit plan actuarial gains/(losses)	(92)	28	(64)
	(9,392)	**2,819**	**(6,573)**
2010			
Cash flow hedges	(92,587)	27,777	(64,810)
Defined benefit plan actuarial gains/(losses)	(1,385)	415	(970)
	(93,972)	**28,192**	**(65,780)**

Reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2011	2010
Profit for the period	154,577	81,699
Total income tax expense/(benefit)	63,913	31,214
Profit excluding income tax	**218,490**	**112,913**
Income tax using the domestic corporate tax rate of 30% (2010: 30%)	65,547	33,875
Increase in income tax due to:		
Third party entertainment	20	21
Other non-deductible expenses	1	-
Decrease in income tax due to:		
R & D concession	(1,500)	(1,500)
Under/(over) provided in prior years	(155)	(1,182)
Income tax expense on pre-tax accounting profit	**63,913**	**31,214**

Notes to the Financial Statements

for the year ended 30 June 2011

5. Cash and cash equivalents

In thousands of AUD	2011	2010
Cash at hand	432	286
Bank balance	138,158	82,306
Cash and cash equivalents	**138,590**	**82,592**
Cash and cash equivalents per Statement of Cash Flows	**138,590**	**82,592**

6. Trade and other receivables

In thousands of AUD	2011	2010
Trade receivables and accrued income	40,692	43,249
Sundry debtors and prepayments	7,880	7,815
	48,572	**51,064**

The Consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 17.

7. Inventories

In thousands of AUD	2011	2010
Maintenance Spares – at Cost	713	689
	713	**689**

8. Investment property

In thousands of AUD	2011	2010
Balance at 1 July	705,555	666,694
Acquisitions	20,301	20,536
Fair Value Adjustments	67,556	18,325
Balance at 30 June	**793,412**	**705,555**

The basis of the valuation of the investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arms' 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 2011 valuation was based on independent assessments made by Taylor Byrne Valuers. (2010: Taylor Byrne)

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 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.

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

Notes to the Financial Statements

for the year ended 30 June 2011

9. Deferred tax asset and liabilities

Recognised deferred tax assets and liabilities:

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	-	-	415,249	387,566	415,249	387,566
Cash flow hedges	-	-	12,764	2,788	12,764	2,788
Lease incentive asset	-	-	1,678	1,802	1,678	1,802
Inventories	-	-	214	207	214	207
Employee benefits	(2,419)	(1,969)	99	301	(2,320)	(1,668)
Other provisions	(1,431)	(1,298)	-	-	(1,431)	(1,298)
Interest bearing liabilities	-	(421)	5,990	-	5,990	(421)
Borrowing costs	-	-	1,082	1,286	1,082	1,286
Accruals	(1,442)	(1,321)	-	-	(1,442)	(1,321)
Redeemable preference share dividends	(27,365)	(36,424)	-	-	(27,365)	(36,424)
Tax Assets/(Liabilities)	**(32,657)**	**(41,433)**	**437,076**	**393,950**	**404,419**	**352,517**

Movement in temporary differences during the year:

In thousands of AUD	Balance 1 July 2010	Recognised in Income	Recognised in Equity	Balance 30 June 2011
Property, plant and equipment	387,565	27,684	-	415,249
Cash flow hedges	2,788	12,767	(2,791)	12,764
Lease incentive asset	1,802	(124)	-	1,678
Inventories	207	7	-	214
Employee benefits	(1,668)	(624)	(28)	(2,320)
Other provisions	(1,299)	(132)	-	(1,431)
Interest bearing liabilities	(421)	6,411	-	5,990
Borrowing costs	1,286	(204)	-	(1,082)
Accruals	(1,321)	(121)		1,442
Redeemable preference share dividends	(36,423)	9,058	-	(27,365)
Tax Assets/(Liabilities)	**352,517**	**54,722**	**(2,819)**	**404,419**

Notes to the Financial Statements

for the year ended 30 June 2011

9. Deferred tax asset and liabilities (continued)

In thousands of AUD	Balance 1 July 2009	Recognised in Income	Recognised in Equity	Balance 30 June 2010
Property, plant and equipment	374,281	13,285	-	387,566
Cash flow hedges	30,565	-	(27,777)	2,788
Lease incentive asset	1,916	(114)	-	1,802
Inventories	207	-	-	207
Employee benefits	(1,585)	332	(415)	(1,668)
Other provisions	(1,110)	(188)	-	(1,298)
Interest bearing liabilities	(1,251)	830		(421)
Borrowing costs	1,281	5		1,286
Accruals	(1,621)	300		(1,321)
Finance lease	(1,232)	1,232		-
Redeemable preference share dividends	(22,055)	(14,369)		(36,424)
Tax Assets/(Liabilities)	**379,396**	**1,313**	**(28,192)**	**352,517**

10. Property, plant and equipment

In thousands of AUD	Runways, Taxiways & Aprons	Roads & Car Parks	Buildings	Plant & Equipment	Leased Land	Leased Plant & Equipment	Capital Works In Progress	Total
2011								
Cost or deemed cost								
Balance at 1 July 2010	684,541	307,851	539,799	295,688	65,404	22,217	188,581	2,104,281
Additions	9,786	19,021	39,804	15,923	-	-	80,537	165,071
Disposals	-	-	(29)	(400)	-	-	-	(429)
Balance at 30 June 2011	**694,327**	**326,872**	**579,574**	**311,211**	**65,404**	**22,217**	**269,118**	**2,268,923**
2010								
Cost or deemed cost								
Balance at 1 July 2009	684,507	103,417	533,062	257,267	65,404	22,217	325,119	1,990,993
Additions	34	204,434	6,737	38,960	-	-	(136,538)	113,627
Disposals	-	-	-	(539)	-	-	-	(539)
Balance at 30 June 2010	**684,541**	**307,851**	**593,799**	**295,688**	**65,404**	**22,217**	**188,581**	**2,104,081**

Notes to the Financial Statements

for the year ended 30 June 2011

10. Property, plant and equipment (continued)

In thousands of AUD	Runways, Taxiways & Aprons	Roads & Car Parks	Buildings	Plant & Equipment	Leased Land	Leased Plant & Equipment	Capital Works In Progress	Total
2011								
Depreciation and impairment losses								
Balance at 1 July 2010	49,363	19,751	94,956	69,587	8,587	22,217	-	264,461
Depreciation	8,775	8,778	22,607	19,111	661	-	-	59,932
Disposals	-	-	(21)	(249)	-	-	-	(270)
Balance at 30 June 2011	**58,138**	**28,529**	**117,542**	**88,449**	**9,248**	**22,217**	**-**	**324,123**
2010								
Depreciation and impairment losses								
Balance at 1 July 2009	40,876	13,520	73,202	55,129	7,926	19,097	-	209,750
Depreciation	8,487	6,231	21,754	14,781	661	3,120	-	55,034
Disposals	-	-	-	(323)	-	-	-	(323)
Balance at 30 June 2010	**49,363**	**19,751**	**94,956**	**69,587**	**8,587**	**22,217**	**-**	**264,461**
Carrying Amounts								
At 30 June 2011	**636,189**	**298,343**	**462,032**	**222,762**	**56,156**	**-**	**269,118**	**1,944,600**
At 30 June 2010	**635,178**	**288,100**	**444,843**	**226,101**	**56,817**	**-**	**188,581**	**1,839,620**

A total of $12,499,815 (2010: $12,908,552) of borrowing costs were capitalised to capital work in progress at interest rates ranging from 7.14% to 7.52% (2010: 6.72% to 7.07% respectively).

Leased land

Prepaid rental payments of $57,478,000 at 1 July 2009, relating to land used for operating purposes have been reclassified from prepaid operating lease payments to leased land in accordance with changes to AASB 117 leases. A corresponding adjustment of $56,817,000 was made at 30 June 2010. The amended standard has removed the statement that a lease of land with an indefinite economic life would normally be classified as an operating lease. The lease arrangement has been assessed and substantially all the risks and rewards associated with ownership have been transferred to the Consolidated entity and it is therefore now classified as a finance lease. There was no impact on profit or loss for the year ended 30 June 2010 or 30 June 2011.

Valuation

The Consolidated entity performs an independent valuation of property, plant and equipment every 3 years. AssetVal was engaged to undertake this valuation for the year ended 30 June 2011. The property, plant and equipment valuation, which excludes work in progress, of $2.410 billion is $791 million higher than the carrying amount of fixed assets, excluding work in progress. This valuation is not included in the above asset values for accounting purposes in the 2011 financial reporting period.

Notes to the Financial Statements

for the year ended 30 June 2011

11. Intangible assets

In thousands of AUD	2011	2010
Costs and carrying amounts		
Balance at 30 June	**823,014**	**823,014**

The Consolidated entity is treated as a single cash-generating unit and goodwill has been allocated for impairment on this basis. Yearly independent valuations of the Consolidated entity are undertaken which have valued the Consolidated entity in the excess of the net assets.

In addition, the Consolidated entity undertakes an annual assessment of goodwill impairment based on a value in use calculation which uses cash flow forecasts of 5 years (from its Business Plan) with terminal growth rate of 2.5% (2010: 2.5%) and a pre-tax discount rate of 13.07% (2010: 11.07%).

12. Trade and other payables

In thousands of AUD	2011	2010
Trade creditors and accruals	36,420	24,095
Redeemable preference share dividends	158,936	94,099
	195,356	**118,194**

The Consolidated entity's exposure to liquidity risk is related to trade and other payables are disclosed in note 17.

13. Interest-bearing liabilities and borrowings

This note provides information about the contractual terms of the Consolidated entity's interest bearing loans and borrowings. For more information about the Consolidated entity's exposure to interest rate risk, refer to note 17.

In thousands of AUD	2011	2010
Current Liabilities		
Secured domestic bond issues	-	-
Bond loan transaction costs	-	-
Non-Current Liabilities		
Secured bank loans	140,000	690,000
Bank loan transaction costs	(4,360)	(6,846)
Refinancing loan transaction costs	-	(966)
Redeemable preference shares	494,025	497,805
Secured domestic bond issues	1,250,000	1,050,000
Bond transaction costs	(7,855)	(7,031)
Secured international bond issues	378,898	-
Bond transaction costs	(3,751)	-
	2,246,956	**2,222,961**

Notes to the Financial Statements

for the year ended 30 June 2011

13. Interest-bearing liabilities and borrowings (continued)

In thousands of AUD		Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount	Face Value	Carrying Amount
				30 June 2011		30 June 2010	
Secured bank loan (floating)	AUD	BBSY + Margin	2011	-	-	400,000	399,556
Secured bank loan (floating)	AUD	BBSY + Margin	2012	70,000	68,798	290,000	283,598
Secured domestic bond issue	AUD	BBSW + Margin	2013	350,000	348,268	350,000	347,576
Secured bank loan	AUD	BBSY + Margin	2014	70,000	66,841	-	-
Secured domestic bond issue	AUD	BBSW + Margin	2016	400,000	398,300	400,000	397,960
Secured domestic bond issue	AUD	BBSW + Margin	2017	300,000	297,773	300,000	297,433
Secured domestic bond issue	AUD	Fixed 8%	2019	200,000	197,804	-	-
Secured international bond issue	USD	Fixed 5.24%	2021	150,000	138,614	-	-
Secured international bond issue	USD	Fixed 5.34%	2023	150,000	138,610	-	-
Secured international bond issue	AUD	Fixed 8.25%	2026	98,863	97,923	-	-
Redeemable preference shares**	AUD	11%	2014	494,025	494,025	497,805	497,805
Refinance costs			-			-	(966)
Total interest bearing liabilities				**2,282,888**	**2,246,956**	**2,237,805**	**2,222,961**

** Redeemable preference shares are subject to stepped variable interest rate but accounted for using an effective interest rate of 9.64%.

Notes to the Financial Statements

for the year ended 30 June 2011

13. Interest-Bearing liabilities and borrowings (continued)

Finance facilities at reporting date

In thousands of AUD	2011	2010
Finance facilities available at reporting date		
Bank overdraft	3,600	3,600
Secured bank loans (July 2011)	-	400,000
Secured bank loans (July 2012)	330,000	330,000
Secured bank loans (July 2014)	220,000	220,000
	553,600	**953,600**
Finance facilities utilised at reporting date		
Bank overdraft	-	-
Secured bank loans (July 2011)	-	400,000
Secured bank loans (July 2012)	70,000	220,000
Secured bank loans (July 2014)	70,000	70,000
	140,000	**690,000**
Finance facilities not utilised at reporting date		
Bank overdraft	3,600	3,600
Secured bank loans (July 2011)	-	-
Secured bank loans (July 2012)	260,000	110,000
Secured bank loans (July 2014)	150,000	150,000
	413,600	**263,600**

Financing arrangements

Bank loans, domestic and international bonds

Bank loans, domestic and international bonds are secured by a first ranking mortgage over the airport lease and a fixed and floating interest charge over the Consolidated entity's assets and undertakings.

Bank overdrafts

The bank overdraft is secured by a guarantee from the Consolidated entity. Interest on bank overdrafts is charged at the prevailing market rate.

Notes to the Financial Statements

for the year ended 30 June 2011

14. Employee benefits

In thousands of AUD	2011	2010
Current		
Salaries and wages accrued	710	556
Liability for annual leave	1,839	1,782
Liability for long service leave	2,772	2,770
	5,321	**5,108**
Non Current		
Present value of unfunded obligations	10,375	10,752
Present value of funding obligations	(10,046)	(9,750)
Recognised liability for defined benefit obligations (see below)	**329**	**1,002**
Liability for long service leave	1,098	962
Executive long term incentive scheme	1,447	737
Total employee benefits	**2,874**	**2,701**

(a) Liability for defined benefit obligation

The Consolidated entity makes contribution to a defined benefit superannuation fund that provides defined benefits for employees upon retirement.

In thousands of AUD	2011	2010
Movements in the net liability for defined benefit obligations recognised in the Statement of Financial Position		
Net liability for defined benefit obligations at 1 July	1,002	169
Contributions received	(1,535)	(1,210)
Expense recognised in Statement of comprehensive income	770	658
Amount recognised in equity	92	1,385
Net liability/(asset) for defined benefit obligations at 30 June	**329**	**1,002**

In thousands of AUD	2011	2010
Defined benefit superannuation fund		
Amounts in Statement of Financial Position		
Liabilities	10,375	10,752
Assets	(10,046)	(9,750)
Net liability/(asset)	**329**	**1,002**

Notes to the Financial Statements

for the year ended 30 June 2011

14. Employee benefits (continued)

(a) Liability for defined benefit obligation (continued)

In thousands of AUD	2011	2010
Movement in present value of the defined benefit obligations		
Defined benefit obligations at 1 July	10,752	8,538
Benefits paid by the plan	(1,711)	(200)
Current service costs and interest	1,404	1,198
Actuarial gains/(losses) in other comprehensive income	230	1,480
Taxes, premiums and expenses paid	(300)	(264)
Defined benefit obligations at 30 June	**10,375**	**10,752**

In thousands of AUD	2011	2010
Movements in fair value of plan assets		
Fair value of plan assets at 1 July	9,750	8,369
Contributions paid into the plan	1,535	1,210
Benefits paid by the plan	(1,711)	(200)
Expected return on plan assets	634	540
Actuarial gains/(losses) in other comprehensive income	138	95
Taxes, premiums and expenses paid	(300)	(264)
Fair value of plan assets at 30 June	**10,046**	**9,750**

In thousands of AUD	2011	2010
Expenses recognised in profit or loss		
Current service costs	936	798
Interest on obligation	468	400
Expected return on plan assets	(634)	(540)
	770	**658**

In thousands of AUD	2011	2010
Actuarial gains and losses recognised in comprehensive income		
Cumulative amount at 1 July	3,507	2,122
Recognised during period	92	1,385
Cumulative at 30 June	**3,599**	**3,507**

In thousands of AUD	2011	2010
Actual return on plan assets		
Actual return on plan assets	**772**	**635**

Notes to the Financial Statements

for the year ended 30 June 2011

14. Employee benefits (continued)

(a) Liability for defined benefit obligation (continued)

The major categories of fund assets as percentage of total fund assets are as follows:

As At	2011	2010
Australian Equity	27%	30%
International Equity	29%	30%
Fixed Income	14%	12%
Property	14%	10%
Alternatives/Other	6%	10%
Cash	10%	8%

Actuarial assumptions

Principal assumptions at the reporting date (expressed as weighted averages)

As At	2011	2010
Discount rate at 30 June	4.6%	4.7%
Expected rate of return on plan assets	6.5%	6.5%
Future salary increases	4.0%	4.0%

In thousands of AUD	2011	2010
Historical Information		
Present value of defined benefit obligation	10,375	10,752
Fair value of plan assets	10,046	9,750
Deficit in plan	**329**	**1,002**
Experience adjustments (gains)/losses - plan assets	(138)	(95)
Experience adjustments (gains)/losses - plan liabilities	148	1,220

Notes to the Financial Statements

for the year ended 30 June 2011

14. Employee benefits (continued)

(a) Liability for defined benefit obligation (continued)

(1) The defined benefit section of the fund is closed to new members.

(2) The assumptions adopted for early retirement is as follows:

Age last birthday	Percentage of members age x at beginning of year assumed to leave the Plan during year on account of early retirement
x	%
55	20
56	5
57	5
58	5
59	5
60	20
61	15
62	15
63	20
64	50
65	100

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees and asset based administration fees.

(b) Defined contribution superannuation funds

The Consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as an expense for the year ended 30 June 2011 was $1,379,920 (2010: $1,341,026).

15. Other liabilities

In thousands of AUD	2011	2010
Current		
Unearned revenue	4,718	357
Retentions, deposits and other amounts held on behalf of third parties	1,904	1,834
	6,622	**2,191**
Non-Current		
Unearned revenue	**5,163**	**4,252**

Notes to the Financial Statements

for the year ended 30 June 2011

16. Capital and reserves

The establishment of BAC Holdings Limited in 2004 is accounted for as a reverse acquisition. Therefore the combined retained earnings of Brisbane Airport Corporation Pty Limited, BAC Holdings No. 2 Pty Limited and BAC Holdings Limited equal the consolidated retained earnings.

Reconciliation of movements in capital

In thousands of shares	2011	2010
On issue at 1 July	681,887	681,887
On issue at 30 June – fully paid	**681,887**	**681,887**

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

Performance shares

A Controlled entity (BAC) has issued 100 performance shares to its parent entity, BACH No 2, which in turn has issued 100 performance shares to the Company on the same terms and conditions. Holders of performance shares are not entitled to vote at shareholders' meetings nor to receive notices, reports, audited accounts and balance sheets of the Company. Dividends are paid to holders of performance shares based on the Company reaching financial targets and sufficient cashflow.

Dividends

No dividends were declared and paid in the current financial year by the Consolidated entity. (30 June 2010: nil)

Dividend Franking Account

In thousands of AUD	2011	2010
30 percent of franking credits available to shareholders of BAC Holdings Limited for subsequent financial years	66,136	57,181

17. Financial risk management

Overview

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

The Consolidated entity has exposure to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market Risk

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

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

Overview (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Finance, Audit & Risk Management (FARM) Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Consolidated entity, 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 Consolidated entity's activities. The Consolidated entity, 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 Consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated entity. The FARM Committee is assisted in its oversight role by regular internal audits conducted by an external firm. The internal audit reviews risk management controls and procedures and the results are reported to the FARM Committee.

The Consolidated entity 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 activites.

(a) Credit risk

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

(i) Trade and other receivables

The Consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographic of the Consolidated entity's 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 credit-worthiness before the Consolidated entity's standard payment and conditions are offered. The Consolidated entity's review of creditworthiness includes external ratings, when available, and/or bank guarantees or cash deposits of up to three to six months' rent plus outgoings. Aeronautical customers are analysed individually for credit worthiness and where required, provide an unconditional bank guarantee up to an estimate of six months' worth of aeronautical charges in accordance with the Aviation Charges and Government Mandated Charges Schedule.

The majority of the Consolidated entity's customers have been transacting with the Consolidated entity for over ten years and losses have been incurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics. The Consolidated entity's trade and other receivables relate mainly to the Consolidated entity's 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, Dun & Bradstreet, may occur as the debtor begins to age.

The Consolidated entity has established an allowance for impairment that represents their 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.

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Other

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

Exposure to credit risk

The carrying amount of the financial assets at the reporting date were:

In thousands of AUD	Note	Carrying Amount 2011	Carrying Amount 2010
Trade and other receivables	6	48,572	51,064
Cash and cash equivalents	5	138,590	82,592
Derivative instruments		42,548	9,300
		229,710	**142,956**

The Consolidated entity's maximum credit exposure to credit risk for trade and other receivables at the reporting date by customer type were:

In thousands of AUD	2011	2010
Aeronautical customers	25,501	21,260
Property (including retail) customers	3,630	11,598
Miscellaneous customers	725	403
	29,856	**33,261**

The Consolidated entity's most significant customer accounts for 28% of the trade receivables carrying amount at 30 June 2011 (2010: 18%).

Impairment losses

The aging of the Consolidated entity's trade receivables at reporting date were:

In thousands of AUD	Gross 2011	Impairment 2011
Not past due (0-30 days)	11,789	(111)
Past due (30-60 days)	17,666	(72)
Past due (61-90 days)	385	(64)
Past due (more than 91 days)	690	(427)
	30,530	**(674)**

17. Financial risk management (continued)

(a) Credit risk (continued)

Impairment losses (continued)

In thousands of AUD	Gross 2010	Impairment 2010
Not past due (0-30 days)	10,177	(204)
Past due (30-60 days)	13,757	(189)
Past due (61-90 days)	2,629	(980)
Past due (more than 91 days)	8,606	(534)
	35,169	**(1,907)**

The movement in allowance for impairment in respect of trade receivables during the year were as follows:

In thousands of AUD	2011	2010
Balance at 1 July	1,907	368
Impairment loss/(gain) recognised	(1,233)	1,539
Balance at 30 June	**674**	**1,907**

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated entity's will not be able to meet its financial obligations as they fall due. The Consolidated entity's approach to liquidity is to ensure, as far as possible, that it 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 Consolidated entity's reputation.

The Consolidated entity's actively monitors cash flow requirements and optimises its return on investments to manage liquidity risk. Typically the Consolidated entity's 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. In practice, the Consolidated entity's maintains in either cash on deposit and/or undrawn credit lines of between $100 million and $500 million.

(i) Funding

The Consolidated entity's 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 Company attempts to ensure that no more than 20% of total debt matures within a 12 month period, and no more than 50% in any 36 month period.

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(b) Liquidity risk (continued)

(i) Funding (continued)

The following are the contractual maturities of financial liabilities:

In thousands of AUD	Note	Contractual Cashflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
2011							
Secured bank loans	13	(140,000)	-	-	(70,000)	(70,000)	-
Secured bond issues:							
AUD US fixed rate 2026	13	(98,863)	-	-	-	-	(98,863)
USD fixed rate 2023	13	(150,000)	-	-	-	-	(150,000)
USD fixed rate 2021	13	(150,000)	-	-	-	-	(150,000)
AUD fixed rate 2019	13	(200,000)	-	-	-	-	(200,000)
AUD floating rate 2017	13	(300,000)	-	-	-	-	(300,000)
AUD floating rate 2016	13	(400,000)	-	-	-	-	(400,000)
AUD floating rate 2013	13	(350,000)	-	-	-	(350,000)	-
Redeemable preference share	13	(494,025)	-	-	-	(494,025)	-
Trade and other payables	12	(195,356)	(195,356)	-	-	-	-
		(2,478,244)	**(195,356)**	**-**	**(70,000)**	**(914,025)**	**(1,298,863)**
2010							
Secured bank loans	13	(690,000)	-	-	(400,000)	(290,000)	-
Secured bond issues:							
AUD floating rate 2017	13	(300,000)	-	-	-	-	(300,000)
AUD floating rate 2016	13	(400,000)	-	-	-	-	(400,000)
AUD floating rate 2013	13	(350,000)	-	-	-	(350,000)	-
Redeemable preference share	13	(497,805)	-	-	-	(497,805)	-
Trade and other payables	12	(118,194)	(118,194)	-	-	-	-
		(2,355,999)	**(118,194)**	**-**	**(400,000)**	**(1,137,805)**	**(700,000)**

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

Interest payments on the Consolidated entity's fixed rate bonds are paid semi-annually.

The Consolidated entity's trade and other payables are payable in less than 6 months.

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Consolidated entity'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 Consolidated entity enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Board. Components of market risk to which the Consolidated entity is exposed are discussed below:

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

Interest and currency 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 Australian dollar borrowings.

Company policy

The Consolidated entity's'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:

- Years 1 - 2 80%
- Years 3 - 5 65%
- Years 6 - 10 50%
- Years 11 - 15 30%

Minimum requirement under Financing Documents

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

- Years 1 - 3 75%
- Years 4 - 5 60%

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(c) Market risk (continued)

Profile

At the reporting date the interest rate profile of the Consolidated entity's interest bearing financial instruments, ignoring economic hedging, was:

In thousands of AUD	Nominal 2011	Nominal 2010
Fixed rate instruments:		
Financial liabilities	(1,092,888)	(497,805)
	(1,092,888)	**(497,805)**
Variable rate instruments		
Financial assets	138,590	82,592
Financial liabilities	(1,190,000)	(1,725,157)
	(1,051,410)	**(1,642,565)**

(ii) 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 Australian currency to meet the principal and interest obligations under the swaps. These foreign currency borrowings have a maturity between 10 and 12 years.

Company policy

The Consolidated entity's policy is to minimise foreign exchange exposures where practical, and to hedge back to Australian dollars any combination of foreign exchange exposures to avoid unhedged foreign exchange exposures in excess of A$2 million.

The Consolidated entity's has the following foreign exchange exposures which have been economically hedged back to Australian dollars for the duration of the issue.

In thousands of AUD		Nominal Interest Rate	Year of Maturity	Face Value
2011				
Secured international bond issue	USD	Fixed	2021	150,000
Secured international bond issue	USD	Fixed	2023	150,000
Total interest bearing liabilities				**300,000**

(2010: nil)

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(c) Market risk (continued)

(iii) Sensitivity on interest rate and foreign exchange risk

The table below summarises the gain/(loss) impact of reasonable possible changes in market risk, relating to existing financial instruments, on net profit 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 per cent (2010: nil) USD depreciation and USD appreciation
- Sensitivity analysis is isolated for each risk. For example, interest rate sensitivity analysis assumes the foreign exchange rates remain constant.

Analysis for fixed rate instruments

The Consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value accounting model. Therefore a change in interest rates the reporting date would not affect profit or 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) equity and profit or loss by the amounts shown below. This analysis assumes that all variables remain constant. This analysis is performed on the same basis for 2010.

	Profit before tax		Equity (before tax)	
In thousands of AUD	2011	2010	2011	2010
100bps increase in interest rate				
Variable rate instruments	(10,514)	(14,846)	-	-
Interest rate swap*	153,598	8,600	-	193,912
Cross currency swap*	(27,066)	-	-	-
Cash flow sensitivity (net)	**116,018**	**(6,246)**	**-**	**193,912**
100bps decrease in interest rate				
Variable rate instruments	10,514	14,846	-	-
Interest rate swap*	(178,354)	(8,600)	-	(224,832)
Cross currency swap*	27,066	-	-	-
Cash flow sensitivity (net)	**(140,774)**	**6,246**	**-**	**(224,832)**
10% movement in foreign currency rates				
10% (2010: nil) USD depreciation	(4,568)	-	-	-
10% (2010: nil) USD appreciation	(1,090)	-	-	-
Cash flow sensitivity (net)	**(5,658)**	**-**	**-**	**-**

*On 1 July 2010, the Company discontinued hedge accounting by de-designating the borrowings from hedge relationships for accounting purposes. As a result, changes in the value of interest rate and cross currency swaps are shown in the Statement of Comprehensive Income, rather than the Statement of Change in Equity.

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(d) Fair value

Fair value verses carrying amounts

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

In thousands of shares	Note	Carrying Amount 2011	Fair Value 2011	Carrying Amount 2010	Fair Value 2010
Assets carried at fair value					
Interest rate and cross currency swaps		42,548	42,548	9,300	9,300
		42,548	**42,548**	**9,300**	**9,300**
Assets carried at amortised cost					
Trade and other receivables	6	48,572	48,572	51,064	51,064
Cash and cash equivalents	5	138,590	138,590	82,592	82,592
		187,162	**187,162**	**133,656**	**133,656**
Liabilities carried at amortised cost					
Secured bank loans	13	(135,639)	(135,639)	(682,188)	(682,188)
Secured domestic bond issues	13	(1,242,145)	(1,245,621)	(1,042,969)	(1,042,969)
Secured international bond issues	13	(375,147)	(368,069)	-	-
Redeemable preference shares	13	(494,025)	(494,025)	(497,805)	(497,805)
Trade and other payables	12	(195,356)	(195,356)	(118,194)	(118,194)
		(2,442,312)	**(2,438,710)**	**(2,341,156)**	**(2,341,156)**
		(2,212,602)	**(2,209,000)**	**(2,198,200)**	**(2,198,200)**

Fair value of financial instruments

The basis for determining fair values is disclosed at note 2. The Company 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 2011 of derivative instruments are held for liquidity management, which are the entity's only financial instruments carried at fair value, was a net gain of $33,248,150 (2010: net loss $64,811,000) measured at level 2 valuation techniques as defined in the fair value hierarchy shown in note 2.

(e) Derivative ineffectiveness and non-designated derivatives in the Statement of comprehensive income

Amounts shown below reflect ineffectiveness on changes in the fair value of any derivative instrument in a cash flow hedge and the de-designation of derivatives previously hedge accounted.

In thousands of AUD	2011	2010
Ineffective portion of cashflow hedges	11,076	-
Change in fair value of financial instruments	33,248	-
Ineffective and non-designated derivatives	**44,324**	**-**

Notes to the Financial Statements

for the year ended 30 June 2011

17. Financial risk management (continued)

(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.

(i) Gearing

The Consolidated entity's targeted gearing ratio over the long term is between 45% (2010: 50%) and 55% (2010: 60%) of external debt to enterprise value, defined as shareholders' equity plus asset revaluations not booked and external debt.

The debt service cover ratio (DSCR) is calculated as cash earnings before interest (EBITDA) less tax paid divided by external finance costs. EBITDA excludes any unrealised revaluation gains. All debt is held by Brisbane Airport Corporation Pty Limited and covenants include that DSCR must be a minimum of 1.1x and gearing below 70%. DSCR must be above 1.5x to raise new senior debt and make distributions to the parent company, BAC Holdings Limited.

The DSCR target is between 2.0x and 2.5x over the business/capital expenditure cycle. The average DSCR for the 12 months ended 30 June 2011 was 2.36x (2010: 2.37x).

There were no changes to the Consolidated entity's capital management approach during the year.

18. Capital and other commitments

Capital expenditure commitments

(i) Contracted but not provided for and payable

In thousands of AUD	2011	2010
Contracted but not provided for and payable:		
Within one year	227,902	169,482
One year or later and no later than five years	31,709	47,406
	259,611	**216,888**

The Consolidated entity has entered into an arrangement to make payments for infrastructure development of $1.75 million (2010: $47.40million). This amount has been included in the above total.

Operating lease receivable commitments

(i) Future minimum lease receipts under non-cancellable operating leases are as follows:

In thousands of AUD	2011	2010
Within one year	120,851	110,091
One year later and no later than five years	286,504	306,222
Later than five years	381,316	390,439
	788,761	**806,752**

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

Notes to the Financial Statements

for the year ended 30 June 2011

19. Reconciliation of cash flows from operating activities

In thousands of shares	Note	2011	2010
Cash flows from operating activities			
Profit for the period:		154,577	81,699
Adjustments for:			
Depreciation & amortisation		59,931	55,033
Change in value of investment property	8	(67,556)	(18,325)
Change in fair value of financial instruments	17	(44,324)	-
Foreign exchange gains/(losses)		(19,966)	-
Finance charges on capitalised leases		-	161
Amortisation on declared borrowing costs		3,975	4,751
(Gain)/Loss on sale of property, plant & equipment		(15)	(48)
Income tax expense	4	63,913	31,214
Operating profit before changes in working capital and provisions		**150,535**	**154,485**
Change in trade and other receivables		2,492	(9,677)
Changes in inventories		(24)	1
Change in trade and other payables		86,198	49,188
Income tax paid		(36,368)	(38,850)
Other		1,776	-
Net Cash from operating activities		**204,609**	**155,147**

20. Related parties

Key management personnel of the Company at any time during the reporting period were the following:

Directors

B Grant

P Clausen (Alternate Director)

J Alroe

J Rossouw

J Ward

M Papathanasiou

D Harrison

P Verboom

C McArthur

J Allpass (Alternate Director)

R Israel (Alternate Director)

D Gray

Notes to the Financial Statements

for the year ended 30 June 2011

20. Related parties (continued)

Executives and Management

B Bowes (Company Secretary – resigned)

G J de Graaf (General Manager Strategic Planning & Development)

S Thornton (General Counsel and Company Secretary – appointed)

J Carden (Head of Corporate Relations – resigned)

T Rothwell (Chief Financial Officer)

K Tangri (General Manager Assets - appointed)

S Goodwin (General Manager Operations)

R Peters (General Manager – Property - appointed)

G Davies (Head of People & Culture)

J Buckner (General Manager – Parking & Transport Services - appointed)

M Willey (Head of Airport Development)

A Brodie (General Manager – Terminal Retail - appointed)

C McPhee (General Manager – Aviation Business Development)

J Richards (General Manager – Major Projects – resigned)

R McTaggart (Commerical Property Manager - resigned)

Transactions with key management personnel

In addition to their salaries, the Consolidated entity contributes to a post-employment defined benefit superannuation fund or a post-employment defined contribution superannuation fund on behalf of key management personnel. In accordance with the terms of the defined benefit plan superannuation fund, key management personnel retire up to the age of 65 and are entitled to receive their retirement benefits calculated as a multiple of their salary plus members contributions made to the Fund.

There were no loans made to key management personnel and their related parties during the year.

Long Term Incentive Plan

Key managers also participate in the Company's Long Term Incentive Plan.

The BAC Holdings Limited (BACH) Long Term Incentive Plan 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 the Company and total shareholder returns. The plan is settled in cash.

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

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

The grant date of the units was 1 July 2005 with an initial base value of $1.57 per unit. Total units issued were 1,202,211. The units vest over a four year period based on total shareholder returns for the period.

Notes to the Financial Statements

for the year ended 30 June 2011

20. Related parties (continued)

Long Term Incentive Plan (continued)

At 30 June 2009, the value of the entitlements under Plan 1 was $2,091,847 which was recognised in full and paid in full during the 2010 reporting period.

The BAC Holdings Limited (BACH) Long Term Incentive Plan 2 ("Plan 2") provides a second issuance of Units under the same condition as Plan 1 (scheme 1 was terminated during the 2010 reporting period).

The grant date of units for Plan 2 was 1 July 2007 with an initial base value of $2.26 per unit. Total unit issued under Plan 2 were 548,215. During the 2011 reporting period, 188,924 units were cancelled upon termination of 3 participants. Total units on issue at 30 June 2011 are 359,292. At 30 June 2011, the value of the entitlements under Plan 2 was $ 239,726, which was recognised in full (see note 14) on the same basis Plan 1.

The BAC Holdings Limited (BACH) Long Term Incentive Plan 3 ("Plan 3") provides a third issuance of Units under the similar condition as Plan 2.

The grant date of units for Plan 3 was 1 July 2009 with an initial base value of $3.15 per share. Total units issued under Plan 3 were 922,918. During the 2011 reporting period, 147,119 units were cancelled upon termination of 3 participants. Total units on issue at 30 June 2011 are 775,799. At 30 June 2011, the value of entitlements under Plan 3 was $240,894, which was recognised in full (see note 14) on the same basis as Plan 3.

No key management personnel have entered into a material contract with the Company since the beginning of the year and there were no material contracts involving key management personnel interest's subsisting at year end. (2010: nil)

Key management personnel compensation

The key management personnel compensation is as follows:

In thousands of AUD	2011	2010
Short-term employee benefits	4,053,207	4,333,128
Post- employment benefits	666,386	528,706
Other long term benefits	50,441	39,955
Termination benefit	1,042,340	-
Total compensation	**5,812,374**	**4,901,789**

The terms and conditions of the transaction with key management personnel were no more favourable than those available or which might reasonably expect to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The compensation disclosed above represents the allocation of the key management personnel's estimated compensation from the Company in relation to their services rendered to the Company.

Notes to the Financial Statements

for the year ended 30 June 2011

20. Related parties (continued)

Key management personnel compensation (continued)

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

Key management personnel	Related Entity	% Share in Holding Company as at 30 June 2011	Transactions	2011 Value of transactions (In AUD)	2010 Value of transactions (In AUD)
P Verboom, B Grant and G J de Graaff	Schiphol Australia Pty Ltd and its related entities	18.72%	Technical services, IP agreement, and miscellaneous expenses	3,468,000	3,471,000
			Board fees and board travel	172,000	216,000
G Hardgrave	City of Brisbane Investment Corporation Pty Ltd and its related entities, including Brisbane City Council and Brisbane Water	0.00% (was 1.27% until 1 March 2010)	Utilities and rates	-	6,187,000
			Board fees	-	63,000
P Clausen and C McArthur	Colonial First State Investments Limited and CFS Asset Management Australia	18.5%	Board fees and board travel	119,000	121,000
Ross Israel, D Harrison and M Papathanasiou	Queensland Investment Corporation (QIC)	25%	Board fees and travel	201,000	211,000
J Rossouw and K Mangini (resigned 26 November 2009)	J.P. Morgan Nominees Australia Ltd as Nominee of the Custodian of the Trustee of IFM Infrastructure Funds	13.84%	Board fees and board travel	110,000	103,000
J Allpass	-	-	Board Fees and travel	102,000	81,000
J Ward	-	-	Board Fees and travel	117,000	133,000
D Gray	-	-	Board Fees and travel	94,000	16,000

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

In AUD	2011	2010
Current payables	3,074,000	3,120,000
	3,074,000	**3,120,000**

Notes to the Financial Statements

for the year ended 30 June 2011

20. Related parties (continued)

Technical Services Agreement

Brisbane Airport Corporation Pty Limited has a Technical Services Agreement with Schiphol Nederland BV which provides the Company with technical services including:

- Advisory services, including staffing, planning, operations, marketing and third party liaison; and
- Qualified personnel to fulfil various positions, including the Managing Director & CEO and General Manager Commercial Services, subject to Board approval.

Intellectual Property (IP) Agreement

Brisbane Airport Corporation Pty Limited has an IP Agreement with Schiphol International BV which provides the Company with a licence to use any intellectual property rights owned or licensed by Schiphol International BV which may be applied in operating and developing the airport, including in relation to marketing, operations, planning, staffing and third party liaison.

Australia TradeCoast Limited

The Consolidated entity, together with the Port of Brisbane Corporation, the Queensland Government and Brisbane City Council are members in Australia TradeCoast Limited, a corporatised alliance, to promote development in the Brisbane Airport / Port region. The Company provided financial support of $200,000 (2010: $200,000) to Australia TradeCoast Limited during the year.

Related Entities

The Company has a related party relationship with its controlled entities. The Company has a loan receivable from BAC Holdings No.2 Pty Ltd for $286,494,200 (2010: $286,494,200) which in turn is owed the same amount under the same terms and conditions from Brisbane Airport Corporation Pty Limited (2010: $286,494,200).

The Interest Rate under the loan is 15% per annum, is received annually in arrears and accrues daily. However, interest only accrues and the BAC Holdings No 2. Pty Limited is only obligated to pay interest upon the Principal Outstanding for an Interest Period to the extent that:

(i) there is Free Cash (as defined in the agreement) available to it as at the last day of that Interest Period; and

(ii) in BAC Holdings No. 2's reasonable opinion, the payment of that amount of interest would not be likely to threaten the viability of the Company.

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.

Notes to the Financial Statements

for the year ended 30 June 2011

21. Parent entity disclosures

In thousands of AUD	2011	2010
Results of the parent entity		
Profit for the period	626	(34,999)
Other comprehensive income	-	-
Total comprehensive income for the period	**626**	**(34,999)**
Financial position of the parent entity at year end		
Current assets	84,413	21,545
Total assets	**1,044,467**	**990,657**
Current Liabilities	158,936	107,682
Total liabilities	**652,962**	**599,779**
Net Assets	**391,505**	**390,878**
Total equity of the parent entity comprising of:		
Share capital	470,494	470,494
Retained earnings	(78,989)	(79,616)
Total equity	**391,505**	**390,878**

22. Events subsequent to balance date

a) Subsequent to balance date, the aggregate fair value of the Consolidated entity's derivative instruments has fallen by $90,084,961 as at 28 September 2011 due to uncertainty in global markets. No adjustment has been made to the asset fair value of $42,548,175 recognised in the financial statements.

b) The Consolidated entity expects to complete a debt refinancing shortly after the date of signing of this report, which results in bilateral bank facilities of AUD$550,000,000 (with maturities between 2012 and 2014) being replaced with AUD$500,000,000 of bilateral bank facilities maturing in September 2015.

Directors' Declaration

1 In the opinion of the Directors of BAC Holdings Limited ('the Company'):

(a) the financial statements and notes set out in pages 32 to 78 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1(b); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Brisbane 30th day of September 2011.

Bill Grant

Director

Julieanne Alroe

Director

Independent Auditor's Report

KPMG

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

Report on the financial report

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 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 22 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(b), 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.

Independent Auditor's Report

KPMG

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

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 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

KPMG.

KPMG

Matthew McDonnell

Matthew McDonnell
Partner

Brisbane

30 September 2011

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 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

Matthew McDonnell
Partner

Brisbane

30 September 2011

Additional Information

BAC Holdings Limited, incorporated and domiciled in Australia, is a consolidated entity limited by shares.

Principal registered office:
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Brisbane International


20:25

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BAC Australia
BAC Holdings Limited