BAC HOLDINGS LIMITED
ANNUAL REPORT

2013

Brisbane Airport

ACN 108568038

ONE'S DESTINATION IS NEVER A PLACE, BUT A NEW WAY OF SEEING THINGS.

- HENRY MILLER

VISION

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

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

VALUES

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

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CHAIRMAN'S REPORT

INVESTING IN THE FUTURE

Every day Brisbane Airport Corporation (BAC) is upgrading our airport. On any given day around 50 construction or planning projects are underway.

The scale of the on-going investment by BAC at the airport makes it among the largest commitments of its type in the country.

Since privatisation BAC has invested $1.3 billion in upgrading and building critical infrastructure at Brisbane Airport (BNE). Over the next 10 years we're planning to invest another $2.5 billion. This is no small commitment and it requires shareholders with foresight and a long-term vision for the airport and their own investment.

FY13 was highlighted by a number of major developments valued at more than $256 million. These included facilities dedicated to the aeronautical operations of the airport as well as others which provide better access to the various site precincts and greater amenity for the more than 20,000 people who call BNE their workplace.

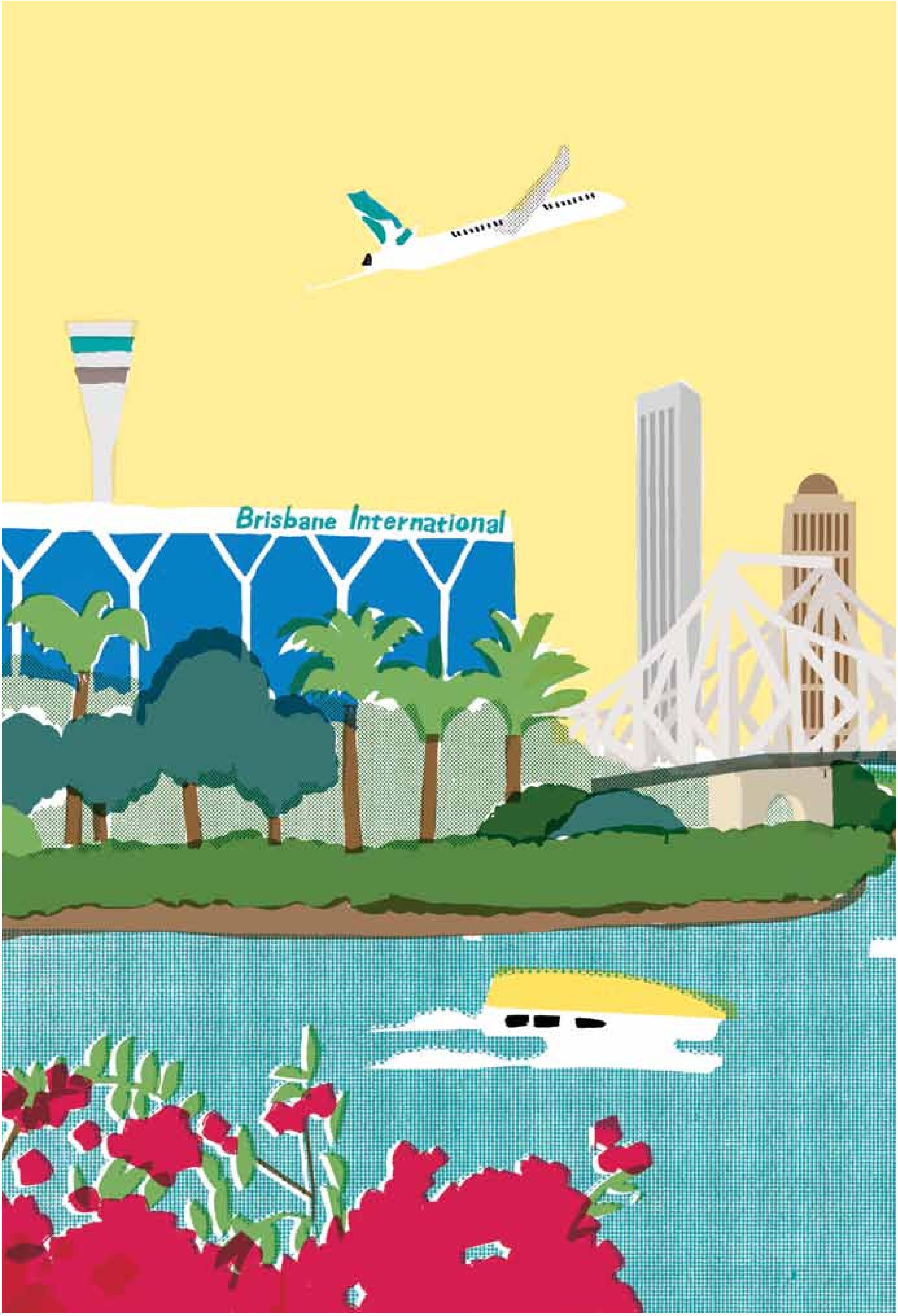
Perhaps the most notable of the major projects was the upgrade of the Domestic Terminal access facilities, including the new car park, Skywalk and face roads. The Domestic Terminal precinct presents many challenges in managing vehicle and foot traffic growth and BAC's significant investment in a new, and much needed, additional car park, the connecting Skywalk and upgrades to the terminal face roads, has significantly improved the ease and efficiency of the precinct.

Upgrades to cycling and pedestrian facilities across the airport site have also delivered for workers and the public alike. That BNE now offers such a high standard of land-side facilities is a reason for pride for all of us.

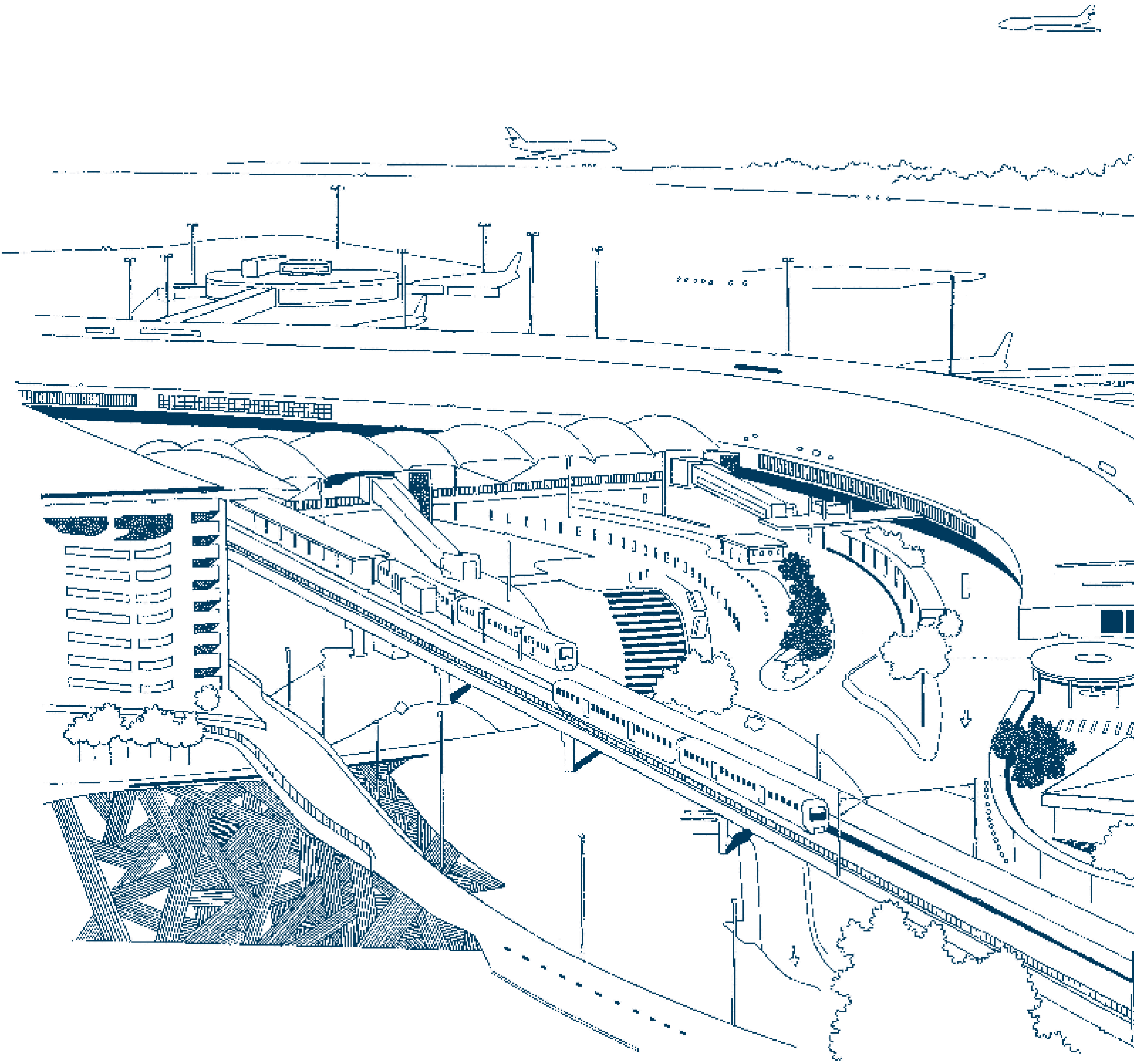
Investment in airside infrastructure was also strong in FY13 with new apron and taxiways providing increased and improved facilities and efficiencies for our airline customers and their passengers. As the CEO will detail in her report, FY13 saw unprecedented growth in aircraft movements, creating a real challenge for BAC, Airservices Australia, which manages air traffic control, and the airlines themselves. The Board's decision, in FY12 to proceed with site preparation works for the New Parallel Runway, was therefore proven to be the right one. In FY13 significantly more funds were released to continue these site works ensuring that the company would be able to meet its target of construction completion in 2020.

Reaching the necessary pricing agreements with airlines has proved to be challenging over recent years, but a major milestone was reached in FY13 with the completion of a major agreement with Virgin Australia. This will enable significant enhancements to Virgin Australia's facilities, support the development of critical infrastructure at BNE and deliver huge benefits for the travelling public in the years to come.

Bill Grant
Chairman of the Board


Brisbane International

CEO AND MANAGING DIRECTOR'S REPORT



For BAC, FY13 was marked by milestones which delivered both great challenges and rewards.

It was wonderful to see the team's hard work recognised through the Skytrax World Airport Awards when BNE was ranked third in the world for airports servicing between 20 and 30 million passengers, and second overall in the category 'Best Airports in Australia/Pacific'. Skytrax Awards are the top rung in our industry so it was a credit to everyone at BNE to be recognised this way.

Perhaps most importantly BNE retained its top ranking by the ACCC for airport customer service. For nine years we've achieved this result and it's something everyone at BAC is immensely proud of. Holding onto the top spot is never easy so I commend the team for its efforts.

BAC's reputation as a leader in airport community consultation was further enhanced this year with the forming of a unique partnership with the Real Estate Institute of Queensland to spread awareness about our aircraft noise tools. Our efforts to leverage digital technologies to improve operations and the customer experience were also recognised when BAC was named a 'Digital Champion' for Brisbane.

As the Chairman noted, FY13 saw a number of major projects completed, including the Domestic Terminal access facilities upgrade, more than 68,000 square metres of new aircraft apron at the Domestic Terminal and the completion of the 'missing link' taxiway near the International Terminal. These vital investments have all paid great dividends in terms of airside efficiency and have proven to be most timely indeed.

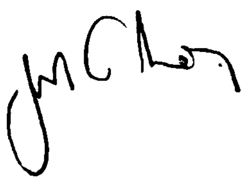
FY13 will probably be most remembered for the challenges we faced when we were delivered unprecedented growth in aircraft movements, poor weather and the closure of our cross-runway.

These forces, not all predictable, combined to create real capacity challenges for the runway system and applied pressure to BAC, Airservices Australia and our airline partners.

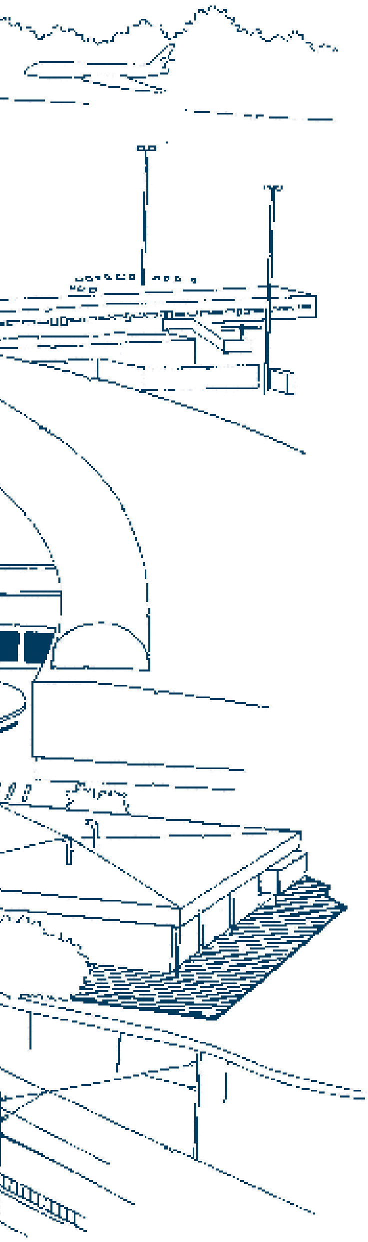
In the face of that pressure it was essential that all parties worked together to find solutions and apply them. Extracting latent capacity out of an already efficient runway system is not easy. It takes time and ingenuity and, most of all, commitment and team-work. The willingness of Airservices Australia, at the highest levels, to work with us to improve performance, should be recognised. The commitment of airline partners, both large and small, to identifying even the smallest technical and operational improvements has also been very welcome.

This challenge won't be met immediately. It will continue until we complete the New Parallel Runway. I am confident however, that with the team-work demonstrated to date we can improve on-time performance and minimise capacity related delays for travellers.

I thank the Board and shareholders for their support throughout the year, and the BAC team for its hard work, commitment to customers and dedication to making BNE a world-best airport.



Julieanne Alroe
CEO and Managing Director



OUR BOARD OF DIRECTORS

William (Bill) Grant
OAM, ALGA, FAICD
Chairman

Julieanne Alroe
BEc, MAICD
Chief Executive Officer and Managing Director

David Gray
BSc, MAICD, FRAS, Hon DPhil
Director

Chris McArthur
BE, MBA, FAICD
Director

Matina Papathanasiou
BCom, LLB
Director

OUR SENIOR MANGEMENT TEAM

Michael Bradburn
Chief Financial Officer

Andrew Brodie
General Manager Airline and Retail Management

Krishan Tangri
General Manager Assets

Sarah Thornton
General Counsel and Company Secretary




Tom Parry
AM, B.Ec (Hons), M.Ec, PhD
Director

Jill Rossouw
B Com, M Phil, GAICD
Director

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

Pieter Verboom
PhD
Director

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

Perry Clausen BCom, CA, MTax
Alternate Director for Chris McArthur

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



Stephen Goodwin
General Manager Operations

Roel Hellemons
General Manager Strategic Planning and Development

Rachel Crowley
Head of Corporate Relations

Gwilym Davies
Head of People and Culture

Renaye Peters (To 1 November 2013)
General Manager Property

Jenna Buckner (To 6 October 2013)
General Manager Parking and Transport Services

OUR FINANCIAL PERFORMANCE AT A GLANCE

FAST FACTS

Profitability	2013 $M	2012 $M	2011 $M
Revenue	528	487	457
Expenses	(144)	(132)	(129)
Revenue from ordinary activities less operating expenses	**384**	**355**	**328**
Depreciation and amortisation	(76)	(66)	(60)
Finance costs	(125)	(120)	(120)
Change in fair value of investment property	67	85	68
Changes in fair value of non-designated derivatives	106	(266)	44
Unrealised foreign exchange loss	(49)	(15)	20
Redeemable preference share dividend	(56)	(50)	(61)
Profit/(loss) before income tax expense	**251**	**(77)**	**219**
Income tax (expense)/benefit	(75)	23	(64)
Profit/(loss) for the year	**176**	**(54)**	**155**

STABLE REVENUE STREAMS AND SOLID OPERATING PERFORMANCE

BAC Holdings Limited ('BACH'), the owner of Brisbane Airport Corporation Pty Limited ('BAC'), has demonstrated consistent growth since the privatisation of the airport in 1997. BAC management has extensive experience in the aviation industry, in particular in the supervision and operation of airports. This expertise has helped provide BACH with a solid track record of delivering growth and out-performing budgets by recording an EBITDA CAGR of 9.5 per cent from FY08 to FY13. Since privatisation in 1997, total passengers have grown from 10 million to 21 million in FY13.

BACH has historically generated a stable and diversified revenue stream:

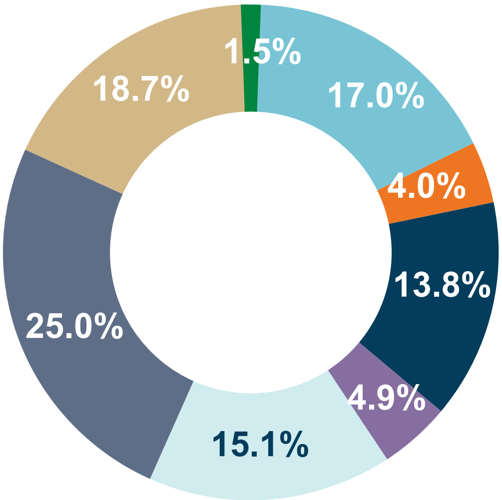
- Aeronautical revenue in FY13 was $201 million (excluding Government mandated security charges of $24 million) and represents 38 per cent of revenue;
- Landside transport revenue, which includes car parking and car rentals, contributed $103 million, or 19 per cent to revenue;
- Retail revenue of $62 million represents 12 per cent of revenue;
- Investment property revenue totalling $61 million, with the majority being long-term leases to quality tenants, comprises 12 per cent of total revenue;
- Operating property revenue, which includes the terminals, contributed $40 million or 7 per cent of revenue;
- Other revenue of $37 million including recharged utilities and interest received represents 7 per cent of total revenue; and
- Government mandated security charges total $24 million representing 5 per cent of revenue.

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

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

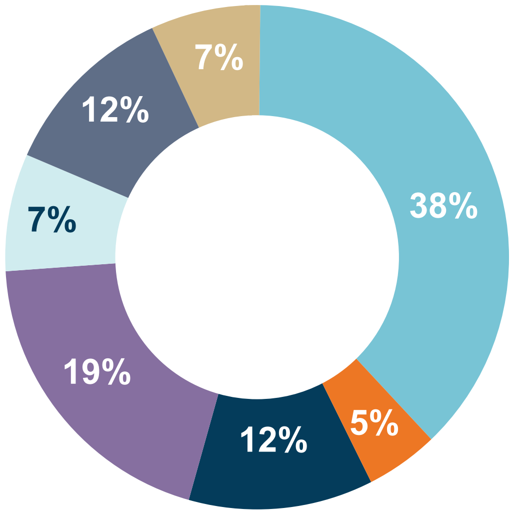
Equally important to its capital structure is the blend of shareholders, which combine financial strength, world-class airport expertise and State Government ownership. Over 81 per cent of BACH shareholders are significant Australian institutional investors. In addition, BACH benefits from the experience and support of its international shareholder Amsterdam Airport Schiphol. BACH shareholders are ultimately ordinary Australians with their savings invested in superannuation and other investment funds.

Ownership Chart



- Colonial First State Global Asset Management and related managed funds
- Commonwealth Bank Group Super
- IFM Infrastructure Funds
- Motor Trades Association of Australia
- National Asset Management Limited as Trustee for the Brisbane Airport Trust
- QIC Limited
- Amsterdam Airport Schiphol
- Sunsuper Pty Limited

Revenue Chart



- Aeronautical
- Government mandated security
- Retail
- Parking and landside transport
- Operating property
- Investment property
- Other

THE YEAR IN REVIEW

2012-2013

JULY 2012

- New QantasLink gate lounge opens at Domestic Terminal.
- BNE achieves record result with 21.1 million passengers in FY12.
- New Australian Federal Police Airport Watch program launched at BNE.
- BNE welcomes the opening of AirportLink M7.
- Brisbane named as host city for G20 Leader's Summit 2014.

AUGUST 2012

- Cathay Pacific celebrates 30 years of service to Brisbane.
- BAC secures AUD$215 million of new bank facilities.
- BNE's inaugural 'Art with Altitude' public art festival launches.
- Minister Albanese unveils BNE's $350 million Domestic Terminal upgrade.
- BNE announces major redevelopment of arrival and departure zones at the International Terminal.

SEPTEMBER 2012

- The iseek Communications Data Centre developed by BAC wins the 'Best Sustainable Development - New Buildings' category and is named 'Queensland Development of the Year' at the 2012 Property Council of Australia Innovation and Excellence Awards.
- BAC delivers additional 68,000sqm of aircraft apron at the Domestic Terminal.
- BAC opens new Public Pick-up Waiting Area at the Domestic Terminal offering drivers 30 minutes free parking in close proximity to the terminal.

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1 BAC CEO Julieanne Alroe with Liz Dalton and Dominic Perret from Cathay Pacific celebrating 30 years.

2 The inaugural Art with Altitude public art festival attracted 1000s of visitors.

3 New $12 million taxiway bravo opened and officially christened.

4 BAC CEO Julieanne Alroe and REIQ CEO Anton Kardash shake on the new partnership.

5 Hawaiian Airlines launch day.

5

OCTOBER 2012

- BAC acquires office building at 2 Boronia Road within the Da Vinci precinct.
- BNE achieves domestic passenger record in October with more than 1.9 million passing through the airport.
- BNE closes cross-runway for essential preparatory works for the New Parallel Runway.
- Qantas announces plans to invest $30 million upgrading its heavy maintenance facility located at BNE.

NOVEMBER 2012

- BAC opens $12 million 'missing link' taxiway near International Terminal providing better access to departing and arriving aircraft.
- BAC and Real Estate Institute of Queensland (REIQ) announce innovative partnership to assist property buyers and agents.
- BAC identified as a 'Digital Champion' for Brisbane city.
- Hawaiian Airlines launches three times weekly nonstop flights between BNE and Honolulu.
- BAC opens apron expansions at Domestic and International Terminals.

DECEMBER 2012

- New BAC CFO, Michael Bradburn appointed, replacing retiring CFO Tim Rothwell.
- The Federal Government launches Body Scanning technology at BNE's International Terminal.
- BAC hosts its second annual free community Christmas Masterclass Weekend.
- BAC achieves 4.5 per cent growth in 2012 calendar year.

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JANUARY 2013

- Work commences on BAC's 2014 Airport Master Plan to guide development over the next 20 years.

FEBRUARY 2013

- BNE Property calls for Expression of Interest for a new commercial development at Skygate.
- BAC calls for Expression of Interest for a new seven year Duty Free contract at the International Terminal.

MARCH 2013

- BNE re-opens cross-runway which closed in October 2012.
- BAC completes a major upgrade to the intersection of Lomandra and Qantas Drives.

APRIL 2013

- BNE ranked third in the 2013 Skytrax World Airport Awards for airports servicing between 20-30 million passengers.
- BNE ranked second in the 2013 Skytrax World Airport Awards 'Best Airports in Australia/Pacific'.
- BAC launches free iPhone app.
- BAC, Virgin Australia and SkyNRG announce feasibility study into the creation of Australia's first 'bio-port' at BNE.
- BNE ranked No.1 for customer service for ninth consecutive year by ACCC.

MAY 2013

- Airport Village precinct rebranded as Skygate.
- Emirates' announces the launch of Airbus A380 services between Dubai-BNE-Auckland from 2 October 2013.

JUNE 2013

- BAC pledges its support to Wildlife Queensland in a three year, $240,000 partnership to help promote and enhance the ecological values of Moreton Bay.
- Philippine Airlines launches services between Manila and BNE via Darwin.
- Malaysia Airlines increases frequency between BNE and Kuala Lumpur from five a week to daily services.
- Woolworths' first 24/7 supermarket in Queensland opens at Skygate.
- BAC and Virgin Australia reach agreement to support the development of critical infrastructure at BNE.
- BNE becomes the first airport in Australia to allow passengers to publically share personalised SMS messages on two large LED digital screens at the International Terminal.
- BAC registers its Property Development Master Plan to seek a Green Building Council Australia Green Star – Communities PILOT rating.
- Qantas introduces daily services between BNE and Hong Kong.

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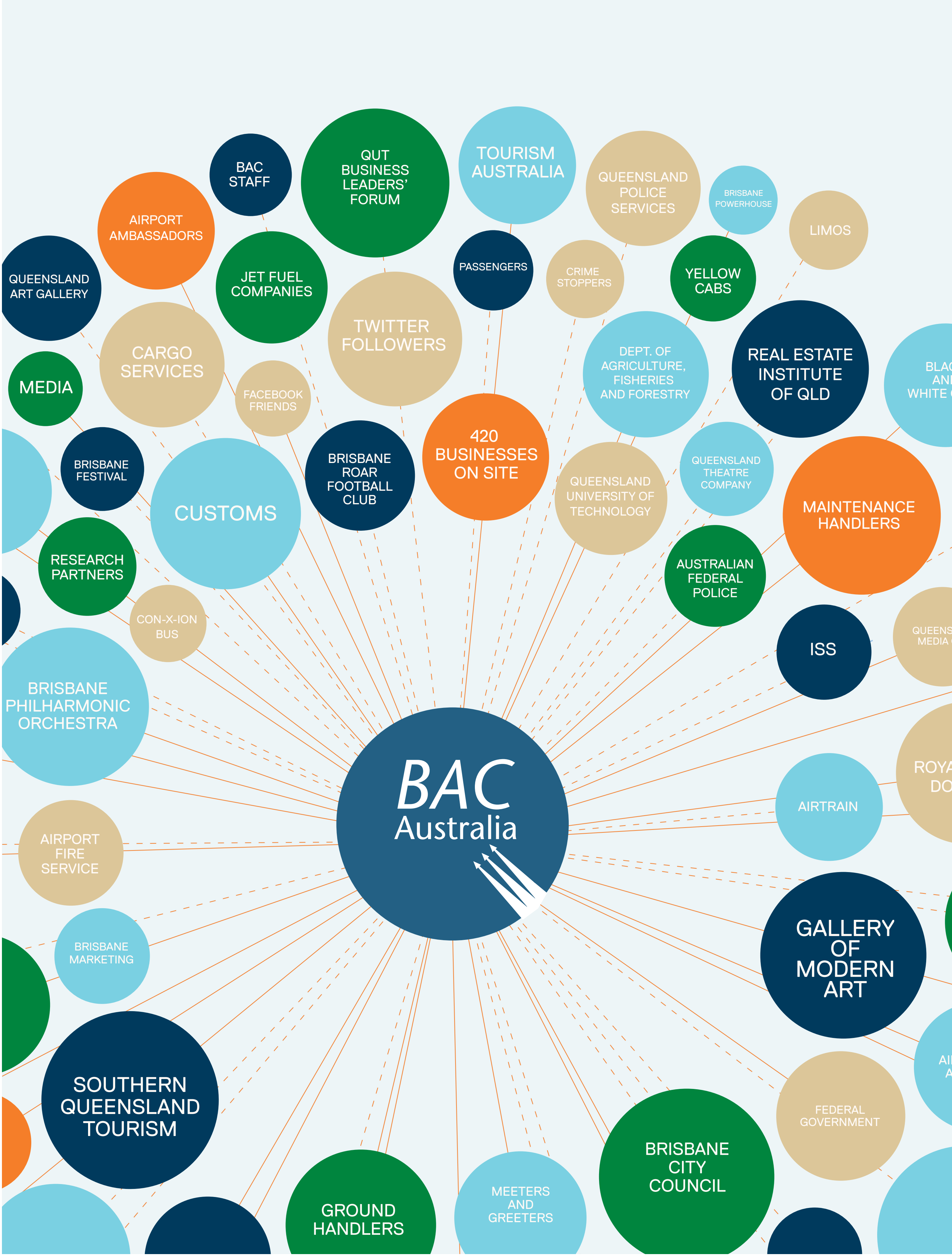
6 BAC Chairman Bill Grant with The Hon. Anthony Albanese at the official opening of the Domestic Terminal precinct upgrade.

7 BNE's free iPhone app.

8 New interactive digital screens at the International Terminal.

9 The new Skygate branding.


BAC Australia
BAC STAFF
QUT BUSINESS LEADERS' FORUM
TOURISM AUSTRALIA
QUEENSLAND POLICE SERVICES
BRISBANE POWERHOUSE
LIMOS
AIRPORT AMBASSADORS
QUEENSLAND ART GALLERY
JET FUEL COMPANIES
PASSENGERS
CRIME STOPPERS
YELLOW CABS
TWITTER FOLLOWERS
CARGO SERVICES
MEDIA
FACEBOOK FRIENDS
DEPT. OF AGRICULTURE, FISHERIES AND FORESTRY
REAL ESTATE INSTITUTE OF QLD
420 BUSINESSES ON SITE
BRISBANE FESTIVAL
CUSTOMS
BRISBANE ROAR FOOTBALL CLUB
QUEENSLAND UNIVERSITY OF TECHNOLOGY
QUEENSLAND THEATRE COMPANY
MAINTENANCE HANDLERS
RESEARCH PARTNERS
AUSTRALIAN FEDERAL POLICE
CON-X-ION BUS
ISS
BRISBANE PHILHARMONIC ORCHESTRA
AIRTRAIN
AIRPORT FIRE SERVICE
GALLERY OF MODERN ART
BRISBANE MARKETING
SOUTHERN QUEENSLAND TOURISM
FEDERAL GOVERNMENT
BRISBANE CITY COUNCIL
GROUND HANDLERS
MEETERS AND GREETERS

des·ti·na·tion *n*

The ultimate place for which something is created or intended

CONNECTING WITH OUR PARTNERS

Our business is underpinned by a desire to form collaborative and mutually-beneficial relationships with our business partners. This approach allows us to work openly with industry partners to deliver a prosperous and sustainable airport business community.

This approach extends to local, national and global partners. In all cases, our aim is to build Brisbane's profile as a front door to Queensland; a burgeoning business location and a gateway to some of the world's best leisure destinations.


YOUR BNE
BRISBANE
AIRPORT

OUR PEOPLE AND CULTURE

At BAC, we know our success begins with our people, because it's our people who shape our unique culture and reputation.

With a full-time work force of around 300 we are a relatively small team, however the total number of people employed through BAC is around 1100 as we outsource another 775+ jobs to major contractors covering areas such as security, landscaping, cleaning and car park management.

This is just a small number of the more than 20,000 people currently employed by the 420 businesses located at the airport in a wide range of industries, including freight and aircraft handling, warehousing, transport and communications, manufacturing, research, property and infrastructure development, education and training, recreation, tourism, leisure and retail.

As a proud 'Employer of Choice' this year we increased our overall satisfaction/engagement rating from 75 per cent in FY12 to 78 per cent in the staff Pulse Engagement Survey, further cementing BAC's position within the benchmarked 'High Performance, Best Employer' range.

Other key achievements in FY13 include:

- A new People and Culture strategy connecting BAC's strategic direction, business model and business planning process to our human resource function;
- The roll out of 'Fresh Ideas', BAC's staff suggestion box;
- The introduction of the 'High Flyers' reward and recognition program to acknowledge and thank employees for those instances where they have gone above and beyond what is expected;
- A greater focus on our Learning and Development Strategy resulting in 70 per cent of team members attending a developmental training session in FY13;
- Becoming a partner in QUT's Indigenous Student Scholarship Program whereby BAC sponsors an Indigenous student over a four year period, including two work experience internship placements;
- The development of two in-house graduate programs;
- The introduction of a three tier leadership development program to enhance leadership capabilities at all levels of the organisation;
- Upgrade of the HR & Payroll System – improving basic payroll processing functionality and ensuring ongoing compliance with BAC audit requirements; and
- Successful transition and handover of the Chief Financial Officer position, including a review of structure and change of reporting for BAC's General Counsel and Company Secretary.

WORK HEALTH AND SAFETY

BAC is committed to providing a healthy and safe work environment for staff and visitors. Key achievements in this area for FY13 include:

- Hosting BAC's eighth annual Health Week encouraging staff to focus on their long-term health and wellbeing;
- Delivering over 650 hours of training to approximately 80 team members about BAC's WHS Contractor management processes;
- Commencing a precinct risk assessment project with the primary purpose of identifying and providing information to contractors engaged by BAC on known hazards and risks in the areas. Work has been completed on the International and Domestic precincts involving over 600 individual plant rooms and 2700 photos, with approximately 600 Hazard Risk Identification Forms produced covering 43 different risk categories;
- The expansion of the Australian Airports Safety Forum to include airports from New Zealand. The renamed Australasian Airports Safety Forum (AASF) conducts regular teleconferences and bi-annual conferences hosted in this period by Gold Coast and Perth Airports. The forum established key criteria for benchmarking on work health and safety specific to the airport environment and an AASF website;
- Maintaining BAC's AS4801 accreditation following surveillance audits conducted by SAI Global;
- Hosting events for staff and contractors during National Safe Work Australia Week, including a mock court trial; and
- Launching the Chairman's Award for Safety for the individual or team that best exemplify BAC's vision and values in providing a healthy and safe work environment at BNE.

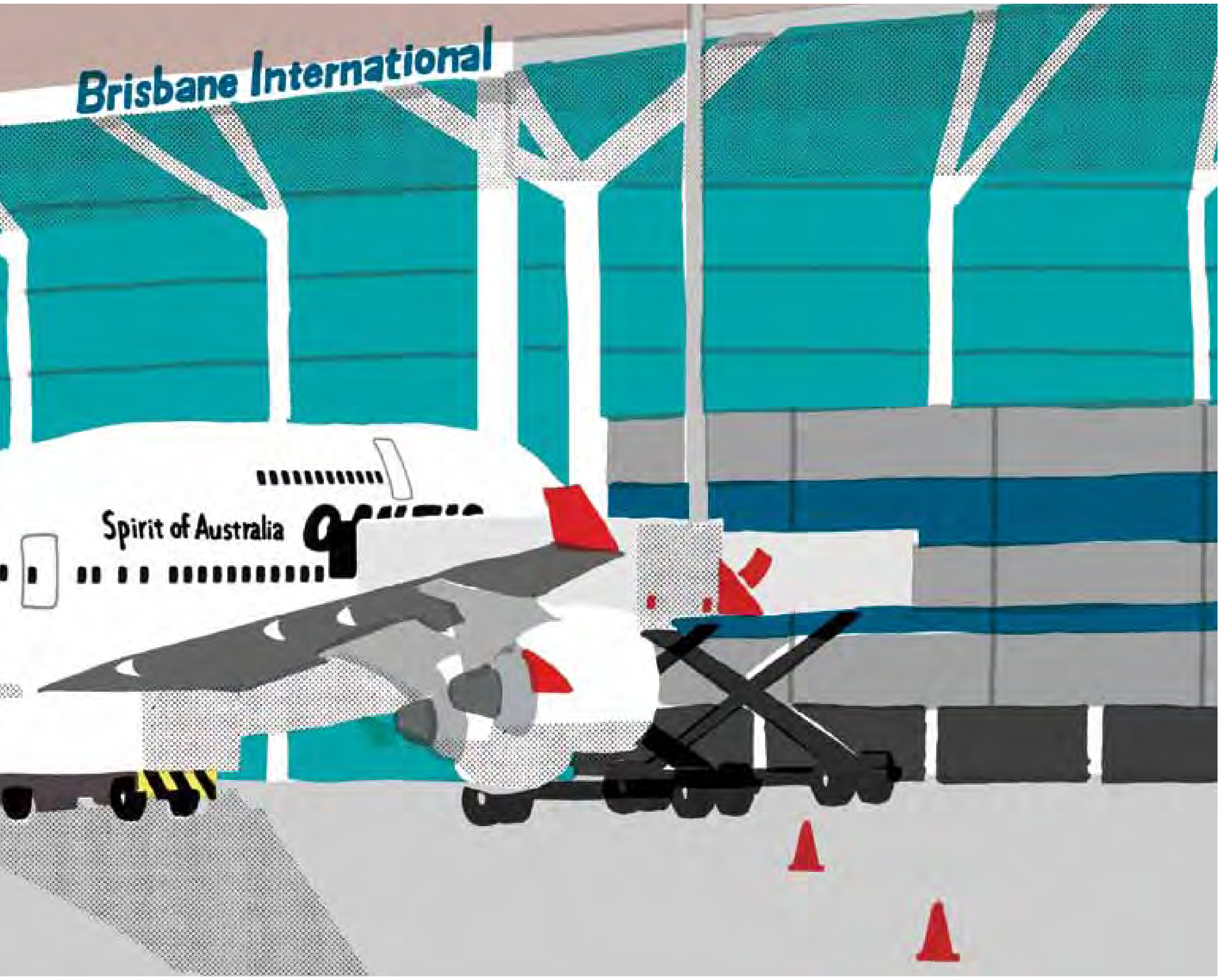
CARRIERS

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

SCHEDULED NETWORK

	Destinations	Frequency*
Direct Destinations 2012/13		
International		
Asia	9	95
New Zealand	5	92
Pacific	10	53
North America	2	17
Middle East	2	21
Total	28	278
Domestic		
Total	43	1,643

*frequencies per week, one way



FAST FACTS

Passengers	2010/11	2011/12	2012/13
International	4,287,681	4,483,094	4,523,183
Growth	3.6%	4.6%	0.9%
Domestic	15,800,845	16,516,320	16,843,522
Growth	5.9%	4.5%	2.0%
Transits	159,248	182,720	212,366
Growth	-15.3%	14.7%	16.2%

Landings	2010/11	2011/12	2012/13
Aircraft Landings	95,201	102,148	109,785
Growth	7.2%	7.3%	7.5%
Landed Tonnes	7,229,745	7,530,644	7,974,697
Growth	6.5%	4.2%	5.9%

Air Cargo (tonnes)	2010/11	2011/12	2012/13
International			
Import	42,172	46,871	46,647
Growth	19.6%	11.1%	-0.5%
Export	39,506	42,285	45,241
Growth	-5.2%	7.0%	7.0%
Total International	81,678	89,156	91,887
Growth	6.2%	9.2%	3.1%

AVIATION INDUSTRY OVERVIEW

Aviation is the most important part of our business and every day more than 600 flights take off or touch down at BNE, carrying around 60,000 passengers to and from destinations as varied as Moranbah to Manila.

In FY13 BNE experienced one of its strongest periods of growth in aircraft movements with an additional 10,134 aircraft movements this year. The growth can mainly be attributed to flights going to and from regional intrastate destinations fuelled by the resource sector, which in turn has resulted in BNE overtaking Melbourne as the second busiest airport in Australia on aircraft movements behind Sydney.

DOMESTIC REVIEW

In FY13 BNE achieved a year-on-year increase of 2 per cent in domestic passengers, up 332,000 passengers to 16.84 million.

Contributing to this result was an increase in scheduled weekly flight frequency from 2,911 to 3,181, with a corresponding increase in seat capacity of 7.9 per cent, or more than 1.65 million additional seats on offer across the domestic network.

Illustrating the impact the resources industry is having on demand, there was a 20 per cent increase in intrastate flights with intrastate passenger growth outpacing interstate passenger growth during the year.

October 2012 showed the highest monthly passengers, with volumes up over 93,000 from 2011, resulting in a new monthly domestic passenger record of over 1.5 million passengers. Capacity was also at its highest in October with over 258,000 extra seats on offer, coupled with discounting of airfares.

The busiest day for domestic travel was on 28 September 2012 with over 61,300 arrivals and departures recorded, setting a new daily passenger record.

INTERNATIONAL REVIEW

International passenger volumes in FY13 were marginally higher than FY12 with a 0.9 per cent increase to 4.5 million passengers.

Notable highlights for FY13 included the launch of Hawaiian Airlines direct non-stop flights between Brisbane and Honolulu three times weekly from November 2012, as well as the introduction of Philippine Airlines flying three times weekly from June 2013.

Visitor numbers grew at three times the rate of resident departures, with the fastest growing markets including China, the United Kingdom (UK), the USA and Papua New Guinea. BNE achieved growth above the national average for the latter three markets. The UK market was buoyed by supporters of the British and Irish Lions joining their team down under in June 2013.

The most popular international destinations among Australian residents departing Brisbane in FY13 were New Zealand accounting for 24 per cent of all departures, USA with 10 per cent, Fiji with 6 per cent and Thailand with 6 per cent.

CHANGES IN SEAT CAPACITY DOMESTIC

- Tigerair re-launching Sydney-BNE services in August 2012;
- Virgin Australia introducing competition on the Mount Isa (August 2012), Moranbah (April 2013) and Bundaberg (May 2013) routes, which were previously served solely by Qantas/ QantasLink;
- Virgin Australia discontinuing its wet-lease of Alliance Fokker 100s in February 2013 and introducing A330 aircraft on the Perth-BNE route from April 2013;

- QantasLink deploying more B717 aircraft on flights to and from BNE; and
- Alliance Airlines moving some of its charters from the Common User Area - Domestic Terminal to other facilities at the airport.

CHANGES IN SEAT CAPACITY INTERNATIONAL

- Virgin Australia withdrawing from the Hamilton-BNE route in October 2012;
- THAI International returning to year-round daily frequency on the Bangkok-BNE route from November 2012;
- Hawaiian Airlines launching three times weekly Honolulu-BNE services in late November 2012 and operating additional seasonal services between March and May 2013;
- China Southern Airlines operating daily Guangzhou-BNE services during February 2013, including several weekly services via Cairns. From April 2013, China Southern transitioned to new A330-200 aircraft and discontinued offering Beijing as a tag on its Guangzhou services;
- Etihad Airways increasing its Abu Dhabi flight frequency from three times weekly to daily from February 2013;
- Air Pacific operating its first scheduled flight with newly delivered A330 aircraft on the Nadi-BNE route in April 2013 and continuing to deploy on select services;
- In a staged approach between April and June 2013, Qantas increasing its Hong Kong-BNE frequency from four times weekly to daily;
- Philippine Airlines commencing a three times weekly Manila-Darwin-BNE service, utilising A320 aircraft, in June 2013; and
- Malaysia Airlines increasing its Kuala Lumpur-BNE frequency from five times weekly to daily from June 2013.

SAFETY, SECURITY AND EMERGENCY PLANNING

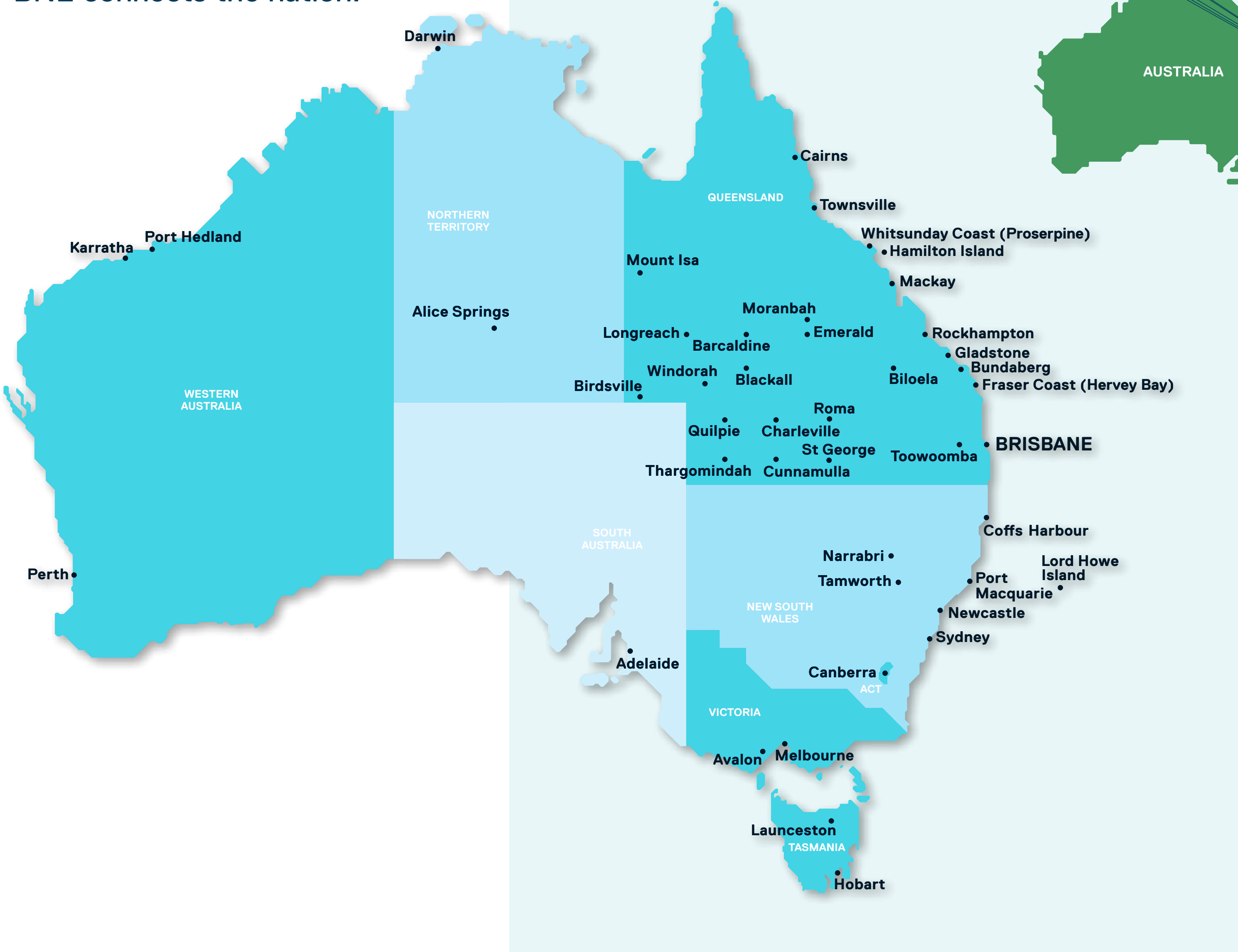
BAC is committed to providing a healthy, safe and secure environment for all members of the public and workers at BNE. This involves working in close partnership with state and federal government agencies to develop, implement and maintain best practice safety, security and emergency planning management practices.

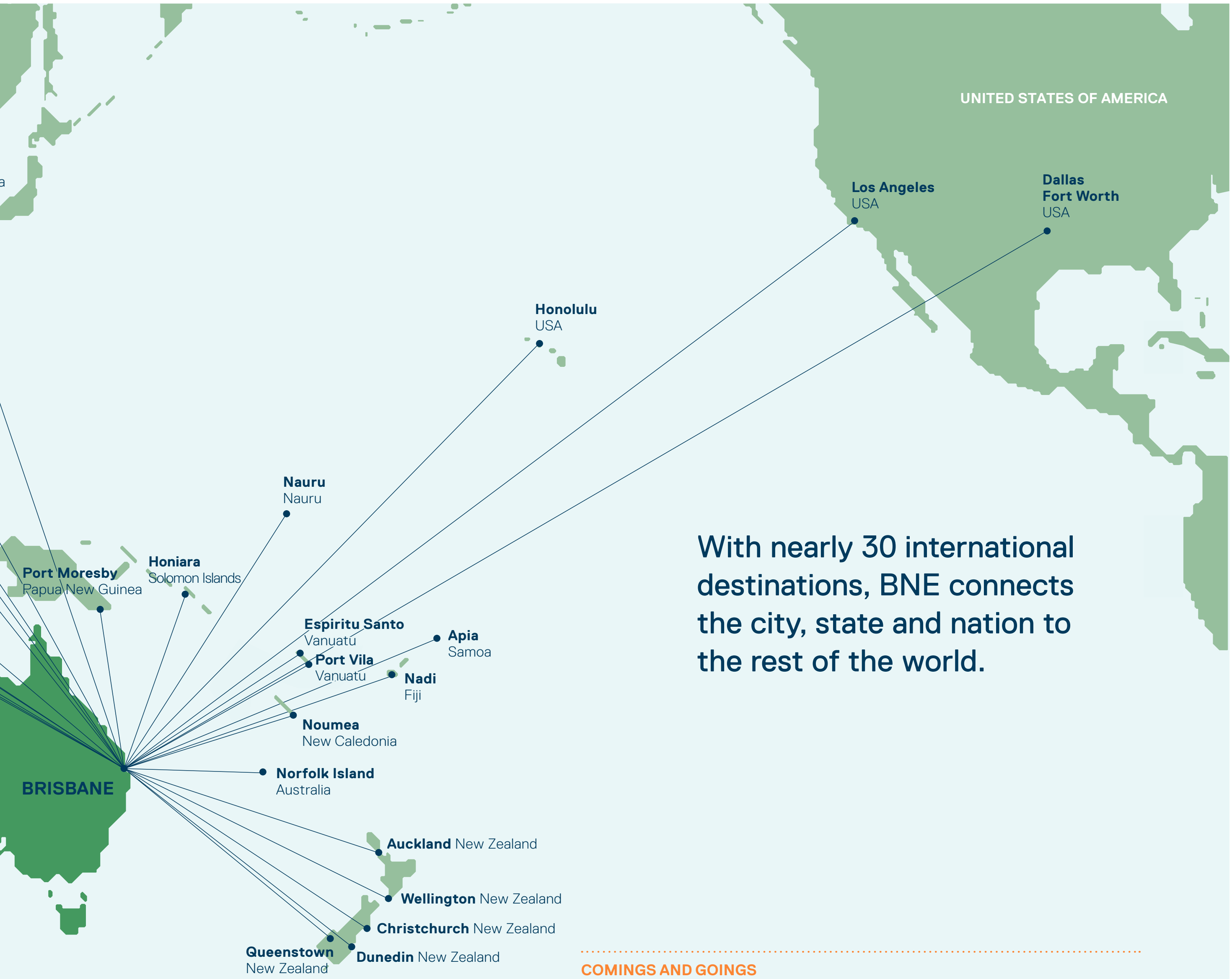
This year BAC:

- Commenced preparation for the implementation of the G20 management plan;
- Continued the development of the incident management framework with the ongoing roll out of the Noggin notification and incident management system and BNE's Incident Response Vehicle;
- Continued the roll out of new passenger screening equipment, technology and screening point design to improve aviation security outcomes and the passenger travel experience;
- Continued to implement front of house protection measures designed to protect airport critical infrastructure and provide a safe and secure environment for passengers and airport visitors and workers; and
- Continued its focus on wildlife control to manage the risks of bird/wildlife hazards both at the airport and within a 13km radius of the airfield, including habitat management to make the airfield 'less attractive' for wildlife.

OUR NETWORK

With its comprehensive network of destinations spanning the continent, BNE connects the nation.



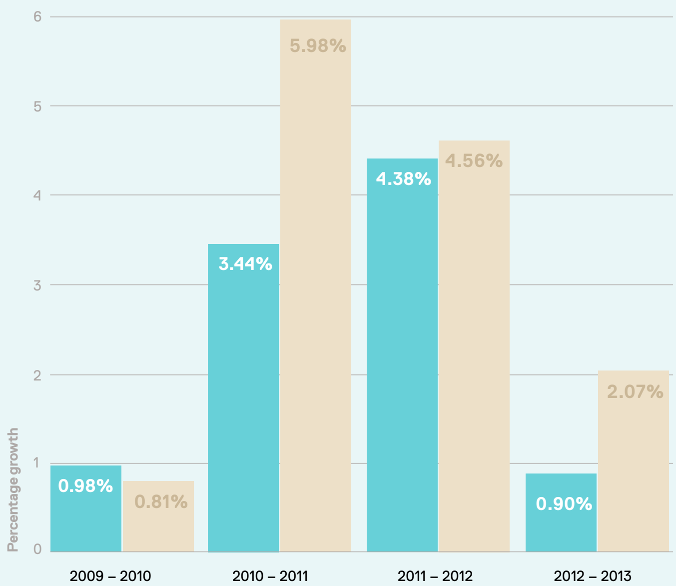


With nearly 30 international destinations, BNE connects the city, state and nation to the rest of the world.

COMINGS AND GOINGS

In the past few years, BNE has welcomed growing numbers of passengers from around the country, and around the world.

Domestic
International



CONNECTING WITH OUR COMMUNITY

BAC contributes more than $1.2 million in sponsorship and philanthropic donations each year in support of over 100 local community initiatives and charities.

BNE is more than just arrivals and departures, it is part of the greater landscape of Brisbane: a host, an ambassador and a showcase for the best of Brisbane.

With this in mind, as the custodian of BNE, we are committed to supporting and engaging with our local community to build pride in the airport and encourage a sense of co-ownership.

As part of this commitment BAC contributes more than $1.2 million in sponsorship and philanthropic donations each year in support of over 100 local community initiatives and charities.

Some of our major charitable partnerships include The Royal Flying Doctor Service, RACQ Careflight, Crime Stoppers and Surf Life Saving Queensland. We are also keen supporters of the arts culture and professional sports leagues in Brisbane as sponsors of the Brisbane Roar Football Club, Brisbane Festival, Queensland Theatre Company, Brisbane Powerhouse, QAGOMA, La Boite Theatre Company, Camerata of St John's and Brisbane Philharmonic Orchestra to name a few.

We are also proud to be leading the way in engaging with our community through a dedicated ***Community Engagement Program***. This program is dedicated to generating informed, ongoing and interactive discussion about airport development, aircraft technologies, potential impacts from increased aircraft operations and airspace management.

Initiatives of the Program include:

COMMUNITY EXCHANGES

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

BRISBANE AIRPORT DISCOVERY CENTRE

Opened in 2010, the Brisbane Airport Discovery Centre was the first of its kind in Australia providing details about the airport's operations, multimedia presentations, interactive maps and unique software programs. Located at the Village Markets Skygate, the Centre is also available online at www.bne.com.au/experience-centre. In FY13 approximately 5000 people visited the centre and a further 9,000+ logged into the online version.

COMMUNITY CONSULTATION

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

FAIRS AND FESTIVALS

We are proud to participate in and support local cultural and community activities that help make South East Queensland one of the world's great places to live, work and visit. Every year BAC staff set up and man information stands at local fairs and festivals to bring the airport to the community.

COORDINATED PLANNING

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

Similarly, the Brisbane Airport Technical Noise Working Group (TNWG) supplements the BACACG. Issues raised by the BACACG requiring a complex or detailed response are referred to the TNWG, which includes airline representatives, government agencies such as Airservices Australia, regulators and BAC.

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

BAC also undertakes numerous briefings of elected representatives on the 2014 Master Plan, airport development and operational initiatives.

Other community initiatives include:

- A greatly increased presence on social media platforms - Facebook (20,000 followers), Twitter (4,000+ followers) among others;
- Distributing 2000 BNE Children's Activity packs;
- Offering Australia's first dedicated 'School Tours' program;
- Doing 10 presentations to community groups; and
- Conducting more than 60 guided airport tours for local community and social groups.

DISABILITY ACCESS

Disability Access is also a key focus for BAC and many positive outcomes have been achieved this year including:

- Achieving 50 per cent coverage for hearing augmentation loops which provide amplification for those with hearing impairments in public buildings. This exceeds the minimum 10 per cent coverage as required for Public Transport Buildings;
- Upgrading way-finding signage, accessible toilets, Parent's Rooms, lift lobbies, boarding gates and ramps;
- Upgrading Flight Information Display Screens (FIDS) systems in line with AS-1428.2(1992);
- Providing additional seating;
- Fully accessible car parking and terminal access;
- Visual emergency alarms in the Common User Area - Domestic Terminal;
- Developing disability awareness training programs for security screening staff;
- Participation in public awareness sessions with Guide Dogs Qld's Brisbane Airport Travel Day;
- Providing a dedicated Disability Access page on bne.com.au;
- E-text and MP3 audio files on bne.com.au; and
- Braille and large print hardcopy summary documents of disability access features.

LOOKING AFTER OUR ENVIRONMENT

BAC is committed to the responsible management and development of the large site on which the airport is located in a way that meets the needs of present generations and is viewed with pride by future generations.

Our sustainability goals are to maximise energy, water and waste efficiencies, manage noise impacts, balance the built environment and biodiversity values and achieve best practice in urban and built design.

At BAC, a dedicated team is committed to the careful management of water, energy, air quality, waste, biodiversity, soil and heritage as part of an ongoing commitment to minimising our impact on the environment.

As part of this commitment the following environmental sustainability achievements have been recorded in the last 12 to 18 months:

- The development of an Environmental Sustainability Action Plan that documents our commitment to environmental sustainability and sets a blueprint for continued improvement in environmental sustainability performance at BNE into the future;
- The implementation of 20 energy saving projects resulting in a 4.8 gigawatt hour reduction in energy consumption and a decrease in BAC's greenhouse gas footprint;
- A water balance was undertaken on the potable water network identifying additional areas to reduce BNE's potable water consumption;
- Modifications to logistical operations and service levels with BAC's cleaning contractor resulting in increased volumes of recycling from both terminals; and
- Collaboration with Q Catering and DHL to establish a food rescue collection service with OzHarvest to provide food items to the Wesley Mission Brisbane. This initiative reduces food waste from leaving BNE.

Environmental initiatives associated with the construction of the New Parallel Runway include:

- Conversion of 11 hectares of Casuarina plantation to habitat for the near threatened Lewin's Rail (Lewinia pectoralis);
- Establishment of a topsoil and mulch facility to blend cleared vegetative material with onsite topsoil to create a nutrient rich soil product for landscaping the future new airfield; and
- Commencement of a three year funding agreement worth $240,000 for Wildlife Preservation Society of Queensland's Seagrass Watch and Mangrove Watch programs.

BAC was also a Silver Sponsor of the 2013 Healthy Waterways Community Award for the fifth consecutive year.

Collectively, these changes have a big impact on our operations, helping BAC learn more about the demand and consumption of these critical resources and allowing us to make strategic decisions to ensure efficient water and energy usage across the business in the future.

By gaining a better understanding of how energy and water is consumed at the airport and implementing initiatives that help BAC be more resource efficient, we are able to effectively grow our business without dramatically increasing our natural resource consumption.

ENVIRONMENT PROGRAM

The environment program's key focal areas are energy and water efficiency, waste management and biodiversity. Key targets and achievements for FY13 include:

Metric	Achievement
Environmental Sustainability Performance Benchmarking	BAC EarthCheck Registered
Energy consumed on airport (GWh)	174 Gigawatt Hours
Amount of renewable energy generated by BAC (kWh)	112,177 Kilowatt Hours
Potable water consumed on airport (ML)	684 Megalitres
Waste Recycled	284 Tonnes
Ecosystem Health	▪ Mangrove biomass increased onsite ▪ Lewin's Rail near threatened species population stable ▪ Migratory shorebird abundance and species richness stable
Habitat Restoration	Conversion of 11 hectares of Casuarina plantation to Lewin's Rail habitat
Sustainable Development Performance	BAC's Property Development Master Plan registered for a Green Star Communities PILOT rating in March 2013
Sponsorship Programs	▪ Commenced a three year funding agreement worth $240,000 for Wildlife Queensland's Seagrass Watch and Mangrove Watch programs ▪ Sponsored the Healthy Waterways Community Award for the fifth consecutive year at a value of $15,000

· Note that energy and potable water consumption is increasing at the airport due to aeronautical and commercial projects. Therefore BAC has implemented a range of initiatives to endeavour to reduce BNE's resource consumption footprint. All other metrics are either stable or have improved.

PLANNED INITIATIVES FY14

During FY14 BAC will develop innovative methods to reduce BNE's electricity and potable water consumption. We will also strive to achieve Bronze Benchmarked EarthCheck status for our environmental sustainability performance and a Green Star rating for the Property Development Master Plan under the Green Star Communities PILOT process. Existing ecosystem health monitoring programs will continue throughout the year and a White-bellied Sea-Eagle nest will be relocated from the footprint of the New Parallel Runway project to the nearby Boondall Wetlands. The key projects identified for FY14 include:

Metric	Planned Initiatives FY14
Environmental Sustainability Performance Benchmarking	Achieve EarthCheck Bronze Benchmarked status
Energy and Emissions	Installation of three more solar arrays
Water Efficiency	Continue to reduce potable water consumption through improvements to metering and reporting
Waste and Recycling	Develop a waste minimisation strategy for the Domestic Terminal through tenant engagement
Ecosystem Health	Continue ecosystem health monitoring in all Environmentally Significant Areas
Habitat Restoration	▪ Restore degraded mangrove habitat associated with the Gateway Upgrade project ▪ Relocate the White-bellied Sea-Eagle nest from the New Parallel Runway footprint to the Boondall Wetlands
Sustainable Development Performance	Strive to achieve a Green Star rating for the Property Development Master Plan under the Green Star Communities PILOT process
Sponsorship Programs	Continue existing sponsorship programs


Skygate
Jeep

BNE PROPERTY

The Skygate precinct at the entrance to Brisbane Airport continues to grow as an exciting lifestyle destination.

BNE Property, the property division of BAC, is continuing to realise its vision of creating a vibrant centre for commerce, innovation and recreation as outlined in the 2012 Property Development Master Plan.

Through appropriate levels of commercial, retail, industrial and hotel accommodation, the diversity and opportunity of real sustainable development opportunities has created an air of excitement attracting interest from industries including MRO, mining, freight and logistics and professional service firms.

BNE Property has a property portfolio valued at more than $1 billion including commercial, industrial, retail and land developments and manages approximately 200 leases.

Key milestones this year include:

- Completion of 5 Lobelia Circle, the first commercial building in the International Terminal precinct;
- Release of an Expression of Interest for a new commercial development next to the existing Novotel Brisbane Airport;
- Completion of DHL's new air freight facility and Mazda's Vehicle Storage Facility;
- Negotiating the acquisition of an office building at 2 Boronia Road within the Da Vinci precinct; and
- Commencement of the first stage of Golf Central at Skygate, a golf entertainment centre that will include a driving range, mini golf course, golf coaching centre, hi-tech club fitting system, bar and café.

A brand new service centre to include a food court and auto service facilities is also scheduled to open on the corner of Nancy Bird Way and Moreton Drive in early 2014.

This year Airport Village was rebranded Skygate to reflect the evolution of the vibrant retail, commercial and lifestyle precinct with more than 130 retail and dining options including DFO and Queensland's first 24 hour Woolworths.

The Cavalia White Big Top transformed the precinct in March and April 2013 with thousands attending sold-out shows, significantly benefiting the turnover of retailers in the precinct.

The inaugural Art with Altitude festival was a huge success, with more than 5,500 people flocking to see the giant interactive artworks and enjoy the program of entertainment and art workshops. The festival was recognised for its creativity, winning a Property Council of Australia Retail Property 'Excellence in Marketing' award. The 2nd Annual Christmas Masterclass Weekend, children's holiday activities and Ultimate Holiday Competition were also successful in activating the precinct.

As a result of targeted and planned development, BNE Property is well positioned to continue to attract and convert investment activity and retain and grow tenants.

1

1 5 Lobelia Circle, opened in October 2012 and occupied by the Australian Federal Police, is the first office building in the International Terminal precinct.

INVESTING IN THE FUTURE

Every day BAC is delivering upgrades to BNE and regularly has around 50 construction and planning projects underway at any time.

Since privatisation, BAC has invested $1.3 billion in upgrades and building critical infrastructure at BNE, including committing more than $256 million to projects throughout FY13.

In the next 10 years BAC is set to invest a further $2.5 billion in infrastructure, the cornerstone of which will be the construction of BNE's New Parallel Runway (NPR), expected to be operational by 2020.

Located two kilometres west of the existing main runway, work on the $1.3 billion NPR began in August 2012 with clearing, construction of access roads, significant drainage works and modifications to the cross-runway system.

Once completed the NPR will deliver regional economic benefit of around $5 billion per year by 2035 with an estimated 2,700 jobs created during peak construction. It will enable BNE to maximise the number of flights that can arrive and depart over Moreton Bay, reducing noise exposure, particularly at night.

Other major investment projects commenced or completed during FY13 include:

AERONAUTICAL SERVICES AND FACILITIES

- Significant apron expansions used for aircraft parking, refuelling and boarding at the Domestic and International Terminals;
- The construction of a new taxiway connection between Bravo 7 and Bravo 8;
- Redevelopment of the International Arrivals Hall (Level 2), including the relocation and refurbishment of a food and beverage outlet, the installation of a new outlet and upgraded bathroom facilities;
- The commencement of construction for additional apron at the southern end of the Domestic Terminal;
- The commencement of an airside drainage upgrade project at the southern end of the main runway, including clearing topsoil and excavating the drainage channel, shaping the land to prevent ponding and establishing new grass;
- The implementation of a trial self-service baggage drop system in the Common User Area - Domestic Terminal; and
- Redevelopment of Gate 23 at Hakea Street to become the main airside entry point to the Enhanced Inspection Area (EIA) for contractors and staff, providing increased screening capacity, a new Emergency Assembly Area, improved facilities for guards, improved access for Visitor Pass issuing and future expansion capability.

NON-AERONAUTICAL SERVICES AND FACILITIES

- The opening of a new Pick-up Waiting Area at the Domestic Terminal providing 30 minutes free parking for drivers waiting to collect arriving passengers;
- The installation of an Electronic Access Fee Collection System for taxis and ground transport operators, replacing a cash-based coin collect system for taxis and an Automatic Number Plate Recognition system for ground transport operators;
- Lomandra Drive and Qantas Drive intersection upgrade providing significant capacity and safety improvements for the wider airport road network, including new traffic lights, 400 metres of widening, new curbs, traffic islands, a new bus stop plus cycling and pedestrian crossings and connections;
- Cycling and pedestrian access upgrades including improved connections into and around the airport through the addition of two kilometres of surface upgrades and extensions; and
- Design for a new staff car park at the Central Parking Area.

Continually planning for the future, this year BAC also began work on its 2014 Brisbane Airport Master Plan.

Building on the strategies of the previous Master Plan, the 2014 Master Plan will provide a platform for BAC's ongoing investment in and contribution to Queensland's economy over the next 20 years.

BAC HOLDINGS LIMITED

ANNUAL REPORT
30 JUNE 2013

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DIRECTORS' REPORT

The Directors present their report along with the consolidated financial report of BAC Holdings Limited ('BACH') and its controlled entities, BAC Holdings No. 2 Pty Limited ('BACH No. 2') and Brisbane Airport Corporation Pty Limited ('BAC') (together the 'Consolidated entity') for the year ended 30 June 2013.

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. Operating and financial review

The core underlying business grew strongly in the year ended 30 June 2013, which is reflected by the increase in total revenue from continuing operations of 8.4% from $487.3 million in the prior year to $528.1 million. Revenue from aeronautical activities was $200.9 million, an increase of $12.7 million or 6.7% from the prior year. This was due to continued growth in both domestic (2.0%) and international (1.0%) passengers on the prior year.

Revenue from parking and transport activities was $102.9 million, an increase of $14.8 million or 16.8% from the prior year. This was contributed to by passenger growth, increased car park capacity, and improved car parking products.

Investment property revenue was $61.1 million, an increase of $6.9 million or 12.7% from the prior year. The increase was mainly due to rental income from new tenants in newly constructed investment buildings and favourable annual rent increases.

Total operating expenses for the year were $143.5 million, an increase of 8.7% from the prior amount of $132.0 million. Staff expenses for the year were $30.5 million, an increase of $1.4 million or 4.8% from the prior year. This increase reflects the wage rises along with resourcing required due to the increased level of activity throughout the airport.

Revenue less operating expenses was $384.6 million for the year, an increase of 8.3% from the prior year amount of $355.3 million. The Company investment property portfolio recorded a valuation increment of $66.7 million in the current year compared to a revaluation increment of $85.4 million in the prior year.

Profit from ordinary activities before revaluation gains, ineffective hedges and non-designated derivatives, unrealised foreign exchange gains, redeemable preference share interest and income tax expense for the year ended 30 June 2013 was $183.6 million, an increase of $14.5 million from the prior year profit of $169.1 million.

Profit before tax of $251.2 million was $327.9 million up on the prior year loss of $76.7 million. The primary drivers of this increase were the improved revenues, a favourable movement in non-designated derivatives (hedges) and offset by lower revaluation gains on investment property and an unfavourable foreign exchange loss.

3. Dividends

Redeemable preference share dividends payable by the Consolidated entity have been accrued in the financial statements. No dividends on ordinary shares were declared or paid by the Consolidated entity.

4. State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated entity during the financial year ended 30 June 2013.

5. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, the BAC Board has approved, subject to contract, entry into arrangements to commence the dredging element of the first phase of the New Parallel Runway. The first phase is estimated to be $524 million. The dredge costs comprise a large part of this phase. Apart from these arrangements, there has not arisen any transaction or event of a material or unusual nature likely, in the opinion of the Directors of BACH, to affect significantly the operations of the Consolidated entity, the results of those operations or the state of the affairs of the Consolidated entity, in future financial years.

6. Likely developments

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

This includes a proposed new runway, currently forecast to cost $1.4 billion. Construction commenced in 2013 and is expected to be completed in 2020. A decision to progress this project further is subject to Board approval and airline pricing negotiations.

BAC published terms of access in April 2012 (including aeronautical charges) that applied to all operators using Brisbane Airport from 1 July 2012. The published prices adopted accepted pricing principles. BAC has subsequently negotiated commercial agreements with a number of major airline customers, in lieu of the published prices. BAC will continue to engage with the remaining airlines with a view to reaching negotiated commercial outcomes. If such agreements cannot be achieved, BAC has the option to pursue regulatory or legal actions against any airline that has not either accepted published prices or signed a negotiated agreement.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

7. Directors

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

Name and qualifications	Experience, special responsibilities and other directorships
William (Bill) Grant OAM, ALGA, FAICD Chairman and Non-Executive Director  Date appointed: 28/01/2009	Bill was appointed Chairman of the Board of Directors on 25 September 2009. Bill currently holds a number of other board and advisory board positions, including the New Hope Corporation Limited, the Brisbane Development Association and Chairman of the Townsville CBD Taskforce. Bill has significant experience in property development, venue management, local government and project management. Previously, Bill held positions as CEO of Southbank Corporation and Newcastle City Council, and was Chairman of the Urban Land Development Authority of Queensland. Bill was Alternate Director for Dr Pieter Verboom from mid August 2008 to mid September 2009. Bill is also Chairman of the New Parallel Runway ('NPR') Project Committee.
Julieanne Alroe BEc, MAICD CEO & Managing Director  Date appointed: 01/07/2009	Julieanne was appointed to the position of CEO & Managing Director in July 2009. In addition to this role, Julieanne currently holds board positions with Australia TradeCoast Limited, Queensland Theatre Company and Queensland Tourism and is Chair of the Queensland chapter of the Australian Business Arts Foundation (ABaF). Prior to her appointment to BACH, 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 Limited and Airports Council International Safety and Technical Standing Committee and a director of Schiphol Australia Pty Limited. Julieanne is also a member of the Aeronautical Pricing and Regulatory Committee ('APARC') and the NPR Project Committee.
David Gray BSc, MAICD, FRAS, Hon DPhil Non-Executive Director  Date appointed: 23/04/2010	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 Chairman of Queensland Motorways and WaterSecure. David is also Chairman of the Human Resources and Remuneration ('HRR') Committee and a member of the NPR Project Committee.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Chris McArthur BE, MBA, FAICD Non-Executive Director Alternate Director for John Ward  Appointed as Director: 25/11/2008 Appointed as Alternate for John Ward: 07/12/2007	Chris is Head of Asset Management, Australia for infrastructure investment at Colonial First State Global Asset Management. He is responsible for the management of selected assets globally, primarily in the transport sector, including board representation on existing assets and evaluation of new investment opportunities. Chris was previously head of the commercial division of Pacific National, the former Toll/Patrick joint venture and Australia's largest private rail group. He also held senior management positions with Qantas in Sydney and London, including as head of the QantasLink group of regional airlines. Chris is a current director of Adelaide Airport and former director of Perth Airport, and was inaugural Chairman of Airports Coordination Australia Ltd. As a full Director of Brisbane Airport, he is also an Alternate Director for John Ward. Chris is a member of the Finance, Audit and Risk Management ('FARM') Committee, HRR Committee, APARC and NPR Project Committee.
Matina Papathanasiou BCom, LLB Non-Executive Director  Date appointed: 15/05/2009	Matina is the Deputy Global Head of QIC Global Infrastructure and has over twenty-five years of investment management and 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 part of the management team responsible for managing a global unlisted infrastructure portfolio of over $8 billion across 20 investments and 11 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. 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 FARM Committee, HRR Committee, NPR Project Committee and APARC.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Thomas Parry AM, BEc (Hons), MEc, PhD Non-Executive Director  Date appointed: 01/07/2012	Tom is Chairman of First State Super Trustee Corporation, the third largest superannuation fund in Australia, and Chairman of its Investment Committee; Chairman of Health Super Financial Services and Foundation Chairman of the Australian Energy Market Operator ('AEMO'). He is a director of ASX Compliance (the regulatory arm of the Australian Securities Exchange) and a director of Powerco New Zealand. He also is an adviser to DUET Limited and QIC. Previously Tom was Chairman of Sydney Water Corporation, the largest water and wastewater company in Australia. From 2004 to 2009 he had several roles with Macquarie Bank, the last four and a half years advising Macquarie Capital on utility and infrastructure assets in Australia and overseas. For the previous 12 years, Tom was Foundation Executive Chairman of the Independent Pricing and Regulatory Tribunal of NSW ('IPART') and its predecessor the Government Pricing Tribunal, the first utility regulator in Australia. He was Chairman of NSW Gas Council in 1995 before its functions were absorbed into the IPART. He also was the Foundation NSW Natural Resources Commissioner from 2004 to 2006. He was an ex officio Commissioner of the Australian Competition and Consumer Commission; a member of the NSW Council on the Cost and Quality of Government, a board member of SE Area Health, a Foundation Director of the NSW Clinical Excellence Commission and a director of the Children's Medical Research Institute). He was Chair of the Expert Panel for the 2011/12 review of the structure of the NSW electricity network businesses. Tom has had over 40 years' experience as an academic, business and public policy consultant, in the financial sector and as a regulator. He has been Head of the School Economics, University of New South Wales and Dean, Faculty of Commerce, University of Wollongong. Tom is also Chairman of the APARC and a member of the NPR Project Committee.
Jill Rossouw BCom, MPhil, GAICD Non-Executive Director  Date appointed: 26/11/2009	Jill Rossouw is an Investment Director in IFM Investors' Infrastructure Group. Jill's responsibilities include managing IFM Investors' investments in the Australian airport and social infrastructure (PPP) sub-sectors. IFM Investors is one of the largest infrastructure managers globally, with over $14 billion in infrastructure assets. Jill has over 15 years' project finance, corporate finance, infrastructure and private equity investment experience. Before joining IFM Investors, Jill held positions as Associate Director at PricewaterhouseCoopers in its Project Finance group and at GE Capital Australia. Jill's current directorships include Southern Cross Station, Defence Head Quarters and Perth Courts PPP's. Previous board appointments include director of the Royal Victorian Eye and Ear Hospital (2005 to 2009); and Airport Development Group as chairperson (2006 to 2007). Jill is also a member of the FARM Committee, HRR Committee, APARC and NPR Project Committee.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Pieter Verboom PhD Non-Executive Director  Date appointed: 25/07/2008	Pieter studied econometrics at the Erasmus University of Rotterdam and was employed as assistant professor in information technology. He became Associate Professor in Finance, was engaged in consultancy assignments and received a PhD degree in 1981. From 1983, he held several management positions at Philips during 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 retired as a member of the Board of Management as of 1 May 2012. He serves on the supervisory boards of VastNed Retail and Tennet. Pieter is also an Expert judge of the Dutch Enterprise Court and an executive board member of RFS, an online retail and financial services company. Pieter is also a member of the NPR Project Committee.
John Ward BSc, FAIM, FAICD, FAMI, FCILT Non-Executive Director  Date appointed: 24/11/1997	John is a professional company director and corporate adviser. He was interim Chairman of the Board of Directors from 30 January 2009 to 25 September 2009, and is a member of the FARM Committee, previously holding the position of Committee Chairman for 13 years. He is also a member of the NPR Project Committee. John retired as the General Manager Commercial of News Limited in May 2001. Prior to joining the News Corporation in mid-1994, he was Managing Director and Chief Executive of Qantas Airways Limited. This culminated a 25-year career with the airline in a variety of corporate and line management roles covering Australia, Asia, Europe and North America. John is an Honorary Life Governor of the Research Foundation of Information Technology, the Chairman of Wolseley Private Equity, interim Chairman of Adelaide Airport and a director of Ward Advisory Services and Ward Securities Pty Limited. He was Chairman of the NSW Freight Advisory Council from June 2010 until its dissolution in January 2012.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
John Allpass FCA, FCPA, FAICD Alternate Director for Pieter Verboom  Date appointed: 17/09/2009	John is Alternate Director for Pieter Verboom and was appointed Chairman of the FARM Committee effective from 1 July 2011. He is also a member of the NPR Project Committee. He has for more than 15 years practised as an independent non-executive director of various companies. John 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 is a director of Schiphol Australia Pty Limited. John's other appointments have included BrisConnections Management Company Limited (2008 to 2013), MBF Australia Pty Limited (1999 to 2008), 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.
Perry Clausen BCom, CA, MTax Alternate Director for Chris McArthur  Date appointed: 25/11/2008	Perry is Alternate Director for Chris McArthur. Perry is Global Head of Infrastructure Investment at Colonial First State Global Asset Management ('CFSGAM') having commenced with CFSGAM in March 2007. Perry has overall responsibility for the global unlisted infrastructure investment business, with a primary focus on direct investment in and management of major infrastructure businesses including airports, toll roads, water distribution, and pipelines. In his prior role, he was Director of Infrastructure Investments for Super Investment Management Pty Limited, a wholly owned funds management company of Retail Employees Superannuation Trust ('REST'). Perry was responsible for establishing a direct infrastructure portfolio and for managing REST's investment in a number of entities. Perry has over 25 years of infrastructure and financial experience including nine years at 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.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

7. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Ross Israel BCom, LLB, FFin Alternate Director for Matina Papathanasiou and Tom Parry  Appointed as Alternate for Tom Parry: 01/07/2012 Appointed as Alternate for Matina Papathanasiou: 15/05/2009	Ross is Alternate Director for Matina Papathanasiou and Tom Parry. Ross co-founded QIC Global Infrastructure ('GI') in January 2006 and heads up the 21 person team. QIC GI, on behalf of its clients, has committed over $8.3 billion across 22 investments and 11 geographies, with 97% of these being direct investments (as at 30 June 2013). Ross provides overall leadership to the QIC GI team and oversight of asset management, and is a member of the QIC GI Investment Committee. Ross has over 20 years of experience in the field of corporate finance and funds management with specialist skills in infrastructure, capital raisings and mergers and acquisitions. Prior to QIC, Ross was with AMP Capital from 2000 to 2005. He co-led the AMP team responsible for the creation of the Diversified Utility and Energy Trusts ('DUET'), after which he was seconded into the management joint venture between AMP Capital and Macquarie Bank established prior to DUET's listing on the ASX in August 2004. He was DUET's Chief Operating Officer until his departure to QIC. Prior to joining AMP Capital, Ross worked for ABN AMRO and BZW in their Australian infrastructure corporate advisory and London mergers and acquisition teams and Ernst & Young in their Sydney corporate tax division. Ross is currently a director of Queensland Motorways, PowerCo New Zealand, CampusParc (Ohio State University) and an alternate director of Port of Brisbane Corporation.

8. Company secretary

Sarah Thornton is Company Secretary and General Counsel for each company in the Consolidated entity. She has held the role for two years and has been a solicitor for 11 years.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

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 BACH during the financial year were:

Director	Board Meetings		FARM Committee Meetings		HRR Committee Meetings		NPR Project Committee Meetings		APARC Meetings	
	A	B	A	B	A	B	A	B	A	B
W Grant (Chairman of the Board)	12	12	4	4	2	2	1	1	1	2
J Alroe (CEO & Managing Director)	12	12	3	4	2	2	1	1	2	2
D Gray	10	12	2	4	2	2	1	1	0	2
C McArthur (Director and also Alternate Director for J Ward)	10	12	4	4	2	2	1	1	2	2
M Papathanasiou	12	12	4	4	2	2	1	1	2	2
T Parry	12	12	0	4	0	2	1	1	2	2
J Rossouw	12	12	4	4	2	2	1	1	2	2
P Verboom	4	12	0	4	0	2	0	1	1	2
J Ward	11	12	4	4	0	2	1	1	1	2
J Allpass (Alternate Director for P Verboom)	12	12	4	4	0	2	1	1	1	2
P Clausen (Alternate Director for C McArthur)	1	1	0	0	0	0	0	0	0	0
R Israel (Alternate Director for T Parry and M Papathanasiou)	0	0	0	0	0	0	0	0	0	0

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

If any Circulating Written Resolutions of Directors were made during the year pursuant to Rule 20.17 of the Constitution, these would be included in the number of Board meetings held and attended. This Rule states that such a resolution is 'for all purposes treated as having been passed at a duly convened meeting of the Board'. However, no such resolutions were made in 2013 reporting year.

DIRECTORS' REPORT (CONTINUED)

10. Indemnification

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

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

11. Insurance

During the year, the Consolidated entity 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 Consolidated entity.

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 within Short term employee benefits in the Key Management Personnel compensation table in note 21 to the financial statements.

12. Environmental regulation

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

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

13. Non-audit services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by BACH and have been reviewed by the FARM Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided 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 BACH, acting as an advocate for BACH or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of BACH, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 4 to the financial statements.

14. Lead auditor's independence declaration

The lead auditor's independence declaration is included on page 103 of the 2013 Annual Report and forms part of the Directors' Report for financial year ended 30 June 2013.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

15. Rounding off

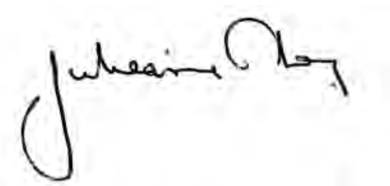
BACH is of a kind referred to in Australian Securities and Investments Commission ('ASIC') Class Order 98/100 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in Brisbane in accordance with a resolution of the Directors:

Bill Grant

Director

27 September 2013



Julieanne Alroe

Director

27 September 2013

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

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

The Board and management acknowledge that there are a number of models for good corporate governance, each of which has some principles of commonality, with other areas tailored for varying corporate structures, legal jurisdictions and local conditions. In Australia, these models include the Australian Securities Exchange ('ASX') Corporate Governance Council 'Corporate Governance Principles and Recommendations with 2010 Amendments' (2nd Edition); Investment and Financial Services Association Limited (IFSA) 'Blue Book: Corporate Governance – a Guide for Fund Managers and Corporations'; and the Corporate Governance Standards issued by Standards Australia. As an unlisted public company, BACH has no obligation to comply with or report against ASX guidelines or listing rules. Nor are many of the ASX (or other aforementioned entities) principles necessarily applicable or appropriate to BACH's corporate arrangements. Therefore, the Board has considered each model and adopted a number of key common aspects consistent with BACH's particular circumstances and overarching governance documents – the Constitution and the BACH Shareholders' Agreement.

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

(a) Board of Directors

Role of the Board

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

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

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

Size and composition of the Board

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

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

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

Key meeting protocols

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

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

The Board endeavours to hold approximately ten 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 and Risk Management ('FARM') Committee, Human Resources and Remuneration ('HRR') Committee, New Parallel Runway ('NPR') Project Committee and Aeronautical Pricing and Regulatory Committee ('APARC') (see details below). The Board has also established a risk management framework for the Consolidated entity including a system of internal control, and a business risk management process. Further details of the Consolidated entity's risk management system are provided later in this statement.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(a) Board of Directors (continued)

Board performance assessment

During the 2010 financial year, the Board undertook a performance assessment that was facilitated by an external independent specialist organisation. During the 2013 financial year, the Board completed the implementation of the agreed recommendations arising from that assessment and resolved to conduct performance reviews for the Board and each of its sub-committees every two years. A review was completed in financial year 2012 with the next review due in financial year 2014.

(b) FARM Committee

As mentioned above, to assist in the execution of its responsibilities, the Board has established the FARM Committee, the composition, role and responsibilities of which are governed by a Charter. 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 established framework of internal control and risk management for of BACH and reviewing any changes to or improvements of that framework. 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 the year were:

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

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 invited to attend meetings. The BACH 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 BACH's:

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

The Board has a Policy on External Audit which covers:

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

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(b) FARM Committee (continued)

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

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

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

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

(c) HRR Committee

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

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

Board and Board committees:

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

Management and staff:

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(d) NPR Project Committee

The Board of BAC has established the 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 of BAC on the following matters related to the NPR:

- matters of a financial nature, including cost, cost recovery, pricing, return and funding;
- risk management and insurance;
- performance of the NPR Project Control Group 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 (or their alternates). The Chairman of the Board of BAC is the Chairman of the Committee. The Secretary of the Committee is the BAC Secretary. The CEO & Managing Director and the Chief Financial Officer are invited to the meetings at the discretion of the Committee.

During financial year 2013, meetings of the NPR Project Committee were temporarily suspended to allow all NPR matters to be considered at Board level. The Board of BAC also established the APARC to consider airline pricing and regulatory issues associated with the NPR in more detail (see further below).

(e) APARC

On 30 November 2012, the Board of BAC established the APARC, the composition, role and responsibilities of which are governed by a Charter.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(f) Risk management

Financial control framework

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

- financial and management reporting – there is a comprehensive budgeting system with an annual budget and five year Business Plan approved by the Board. Actual results are reported against budget and revised forecasts for the year are prepared regularly. BACH reports to equity and debt holders on a quarterly basis;
- quality and integrity of personnel – BAC'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 – BAC adopts financial controls and procedures including information system controls;
- functional speciality reporting – BACH 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 – BAC has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures and levels of authority.

Each year, the CEO & Managing Director and Chief Financial Officer provide a Management Representation Letter to BACH's external auditors and formally provide sign-off to the Board addressing matters such as internal control, compliance with accounting standards, asset values, liabilities, related party transactions and contingencies. In addition, the CEO & Managing Director provides a Compliance Report from management to the Board each quarter which, amongst other things, addresses matters of legal compliance and enterprise risk management.

Business risk management

BAC has established a system of risk oversight and management that encompasses the culture, processes and structures that are directed towards identifying, assessing and managing risks that could have a material impact on the business. To this end, BAC has formal Board Policies on Risk Management and Legal Compliance, with the objective of these programmes being to provide management with the guidelines and framework consistent with the respective Australian Standard AS/NZS ISO 31000:2009 Risk Management – principles and guidelines' and compliance framework through Australian Standard AS 3806-2006. BAC continues to facilitate and encourage a culture of appropriate risk management and compliance amongst its staff.

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

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

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(f) Risk management (continued)

Risk analysis is also embedded in BACH's annual business planning process and Board strategy workshop. During the year, management has reported to the Board as to the effectiveness of BACH'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 BAC is Deloitte Touche Tohmatsu. The internal auditor conducts a series of risk-based and routine reviews based on an annual plan agreed with management and the FARM Committee with the objective of providing assurance to the Board on the adequacy of BAC's risk framework and the completeness and accuracy of risk reporting by management.

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

Financial reporting

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

- in their view, BACH'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
- BACH'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.

(g) Environmental management

Airport Environment Strategy

The Airports Act 1996 (Cth) ('Airports Act') outlines the requirement for BAC to include in its Master Plan, an Airport Environment Strategy ('AES') which, at five yearly intervals, must undergo a review and re-issue process. A minor variation to the current Brisbane AES was approved by the DIT Minister on 14 February 2012 and continues to set the strategic direction for environmental management until 2014. The range of the environmental legislation which applies to Brisbane Airport is identified throughout the document.

Environmental performance

The AES outlines a range of action items to demonstrate compliance with the Airports Regulations 1997 and the Airports (Environment Protection) Regulations 1997. The most significant includes the ongoing management of its Environment Management System ('EMS') consistent with ISO 14001, continuance of a comprehensive ecosystem health monitoring program, 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.

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.

BAC regularly reviews emission levels associated with processes for which BAC has operational control and compares those results to reporting thresholds outlined in the National Greenhouse and Energy Reporting Act 2007 (Cth). Similarly, with the introduction of the Clean Energy Act 2012 (Cth), BAC regularly monitors emission levels to determine if any trigger thresholds are met. Currently, BAC does not trigger any thresholds associated with this Act.

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 1999 (Cth) ('EPBC Act') for determination of the environmental assessment process and to provide advice on environmental matters back to the DIT Minister.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(g) Environmental management (continued)

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

New Parallel Runway

The NPR received Australian and Queensland Government approval in late 2007, and is needed to address the continuing growth in air travel through Brisbane Airport. This growth is expected to exceed the capacity of the current runway system by 2017, and the NPR is expected to become operational by 2020.

Initial work on the NPR was completed during the 2013 year to partly clear the site, construct new drainage works, establish construction access roads, and modify the cross runway taxiway system to facilitate future new runway construction activities. The next phase consists of preparing the 360 hectare site for the NPR with the majority of the construction work involving dredging and placing around 13 million cubic metres of sand to form the platform on which the NPR will be constructed. This sand volume is also needed to surcharge the poor quality in-situ soils, and settlement of the site will take up to four years. BAC has issued tenders for the dredging with works planned to commence, subject to concluding satisfactory funding arrangements, in late 2013. Following settlement, construction of the runway and associated taxiways is expected to commence from 2017, with the runway forecast to open in 2020.

(h) Work health and safety

Overview

The business is subject to State legislation in the work health and safety ('WH&S') field. WH&S compliance is primarily governed by the Work Health and Safety Act 2011 and the associated Work Health and Safety Regulation 2011. This legislation provides a range of duties for ensuring the health and safety of persons who may be affected by the undertakings of BACH. 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.

Work, health and safety compliance

BAC's WH&S management system is certified to AS/NZS 4801:2001 and the system is reviewed against this standard every six months in order to retain accreditation.

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

(i) Diversity

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 HRR 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.

Diversity compliance

Compliance in this area is in accordance with a number of pieces of legislation (including the Anti-Discrimination Act 1991 (Qld) and the Workplace Gender Equality Act 2012 (Cth)) and Recommendations 3.2 to 3.4 of the ASX Corporate Governance Council Principles and Recommendations.

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

FINANCIAL STATEMENTS 30 JUNE 2013

BAC HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Aeronautical revenue		200,939	188,226
Government mandated security revenue		24,400	21,644
Retail revenue		62,069	61,587
Landside transport revenue		102,938	88,097
Operating property revenue		39,529	38,698
Investment property revenue		61,062	54,165
Other revenue from ordinary activities		34,090	30,172
Interest received from other parties		3,066	4,702
Revenue from ordinary activities		**528,093**	**487,291**
Staff expenses		(30,547)	(29,119)
Government mandated security expenses		(24,400)	(21,644)
Utilities expenses		(33,296)	(28,653)
Maintenance and contract services expenses		(30,352)	(29,702)
Corporate and administration expenses		(14,292)	(13,774)
Other expenses		(10,636)	(9,123)
Total operating expenses		**(143,523)**	**(132,015)**
Revenue from ordinary activities less operating expenses		**384,570**	**355,276**
Depreciation and amortisation		(76,288)	(66,036)
Finance costs		(124,697)	(120,148)
Redeemable preference share dividend		(55,778)	(50,102)
Change in fair value of investment property	9	66,695	85,400
Change in fair value of non-designated derivatives	18	106,087	(266,514)
Unrealised foreign exchange loss	18	(49,353)	(14,546)
Profit/(loss) before income tax		**251,236**	**(76,670)**
Income tax (expense)/benefit	5	(74,927)	22,671
Profit/(loss) for the year		**176,309**	**(53,999)**
Other comprehensive income/(loss) for the year			
Items that will not be reclassified subsequently to profit or loss			
Defined benefit superannuation fund actuarial gains/(losses), net of tax		536	(1,667)
Other comprehensive income/(loss) for the year		**536**	(1,667)
Total comprehensive income/(loss) for the year		**176,845**	**(55,666)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 $000	2012 $000
Current assets			
Cash	6	73,032	142,620
Trade and other receivables	7	54,873	45,118
Inventories	8	738	808
Current tax receivable		-	4,481
Total current assets		**128,643**	**193,027**
Non-current assets			
Trade and other receivables	7	21,954	-
Intangible assets	12	823,014	823,014
Property, plant and equipment	11	2,185,554	2,089,581
Investment property	9	1,002,800	892,449
Derivative instruments	18	60,045	61,995
Total non-current assets		**4,093,367**	**3,867,039**
Total assets		**4,222,010**	**4,060,066**
Current liabilities			
Trade and other payables	13	136,408	188,134
Interest-bearing liabilities and borrowings	14	349,630	-
Employee benefits	15	5,884	5,689
Current tax payable		18,693	-
Other liabilities	16	4,769	2,340
Total current liabilities		**515,384**	**196,163**
Non-current liabilities			
Interest-bearing liabilities and borrowings	14	2,044,872	2,321,935
Deferred tax liabilities	10	415,839	363,724
Derivative instruments	18	177,924	285,961
Employee benefits	15	3,435	4,425
Other liabilities	16	4,987	5,134
Total non-current liabilities		**2,647,057**	**2,981,179**
Total liabilities		**3,162,441**	**3,177,342**
Net assets		**1,059,569**	**882,724**
Equity			
Issued capital		78,388	78,388
Reserve	15	(4,016)	(4,552)
Retained earnings		985,197	808,888
Total equity		**1,059,569**	**882,724**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Issued capital $000	Defined benefit fund deficit reserve $000	Retained earnings $000	Total $000
Balance at 1 July 2012		**78,388**	**(4,552)**	**808,888**	**882,724**
Total comprehensive income for the year					
Profit for the year		-	-	176,309	176,309
Other comprehensive income for the year					
Defined benefit superannuation fund actuarial gains	5	-	536	-	536
Total other comprehensive income for the year		**-**	**536**	**-**	**536**
Total comprehensive income for the year		**-**	**536**	**176,309**	**176,845**
Balance at 30 June 2013		**78,388**	**(4,016)**	**985,197**	**1,059,569**

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

	Note	Issued capital $000	Defined benefit fund deficit reserve $000	Retained earnings $000	Total $000
Balance at 1 July 2011		**78,388**	**(2,885)**	**862,887**	**938,390**
Total comprehensive income for the year					
Loss for the year		-	-	(53,999)	(53,999)
Other comprehensive income for the year					
Defined benefit superannuation fund actuarial losses	5	-	(1,667)	-	(1,667)
Total other comprehensive loss for the year		**-**	**(1,667)**	**-**	**(1,667)**
Total comprehensive loss for the year		**-**	**(1,667)**	**(53,999)**	**(55,666)**
Balance at 30 June 2012		**78,388**	**(4,552)**	**808,888**	**882,724**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Cash receipts from customers		515,261	532,271
Payments to suppliers and employees		(153,371)	(170,745)
Cash generated from operations		**361,890**	**361,526**
Interest paid		(119,435)	(120,148)
Interest received		3,150	4,702
Income taxes refunded/(paid)		129	(8,328)
Net cash from operating activities	20	**245,734**	**237,752**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		184	98
Acquisitions of property, plant and equipment		(140,511)	(193,891)
Acquisitions of investment property		(97,755)	(13,372)
Net cash used in investing activities		**(238,082)**	**(207,165)**
Cash flows from financing activities			
Proceeds from interest bearing liabilities and borrowings		222,052	210,000
Repayments of interest bearing liabilities and borrowings		(200,000)	(150,000)
Payments of transaction costs		(1,448)	(2,813)
Redeemable preference share dividends		(97,844)	(83,744)
Net cash used in financing activities		**(77,240)**	**(26,557)**
Net (decrease)/increase in cash held		**(69,588)**	**4,030**
Cash and cash equivalents at 1 July		142,620	138,590
Cash and cash equivalents at 30 June	6	**73,032**	**142,620**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

BAC Holdings Limited ('BACH') is a company incorporated and domiciled in Australia. The address of the Company's registered office is 11 The Circuit, Brisbane Airport, Queensland 4008, Australia. The consolidated financial statements of BACH as at and for the year ended 30 June 2013 comprise BACH and its subsidiaries, BAC Holdings No. 2 Pty Limited ('BACH No. 2') and Brisbane Airport Corporation Pty Limited ('BAC') (BACH, BACH No. 2 and BAC together being the 'Consolidated entity'). The Consolidated entity is a for-profit entity and is primarily involved in the operation and development of Brisbane Airport.

The nature of the operations and principal activities of the Consolidated entity are described in the Directors' Report.

(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 and the Corporations Act 2001. The financial report complies with the International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board.

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

In some cases, prior year comparatives have been amended to ensure comparability between financial reporting years (see note 3).

The financial statements were approved by the Board of Directors on 27 September 2013.

(c) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- investment property is measured at fair value; and
- the defined benefit obligation 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) Going concern

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

There was a net current asset deficiency of $387 million as at 30 June 2013. This is primarily due to a $350 million secured domestic bond that is due to mature in December 2013. The Consolidated entity has $480 million of undrawn facilities, which can be utilised to cover any net current asset deficiency (see note 14).

BACH and the Consolidated entity have the ability to pay debts in full as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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:

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 obligation. These assumptions are outlined in note 15. In particular, the assumed discount rate and future salary inflation rate adopted by the Consolidated entity impact on the value of the defined benefit obligation. 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 other comprehensive income in the year in which the actuarial gains and losses arise.

Impairment of goodwill

The Consolidated entity assesses whether goodwill is impaired at least annually in accordance with accounting policy (p). 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 estimates of BACH. 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 BACH's best estimate, pending an assessment by the Australian Taxation Office ('ATO').

(f) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by BACH. Control exists when BACH 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 that control ceases.

Investments in subsidiaries held by BACH are accounted for at cost in the separate financial statements of the parent less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate results of the parent, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any such indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recorded.

Transactions eliminated on consolidation

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation

Functional and presentation currency

Both the functional and presentational currency of BACH and each controlled entity is Australian dollars ($).

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 consolidated statement of profit or loss and other comprehensive income.

(h) 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, investing and financing 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 remeasurement to fair value is recognised immediately in the consolidated statement of profit or loss and other 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 reporting date, taking into account current interest and foreign exchange rates and the current creditworthiness of the swap counterparties. In accordance with its treasury policy, the 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 approved by the Board.

Current versus non-current classification

Derivative financial instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows). When the Consolidated entity expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current.

(i) Economic hedging

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

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

The gain or loss on remeasurement to fair value is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation 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 equivalents to IFRSs), 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.

Leased land

Leased land is classified as a finance lease as substantially all the risks and rewards of ownership have been transferred to the Consolidated entity. On initial recognition, the leased land is accounted for at the lower of its fair value and the present value of minimum lease payments. Subsequent to the initial recognition, leased land is accounted for similarly to other owned assets.

Capital work in progress

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

Borrowing costs are capitalised to qualifying assets as set out in accounting policy (r).

Subsequent costs

BACH 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 consolidated statement of profit or loss and other comprehensive income as an expense as incurred.

Depreciation and amortisation

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

The annual depreciation and amortisation rates used for each class of asset are as follows:

Item	Rate %
Runways, taxiways and aprons	1 to 11
Roads and car parks	2.5
Buildings	2.5 to 20
Plant and equipment	2 to 33

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of an 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 (p)).

(l) Investment property

The investment property class of non-current assets comprises property held either to earn rental income or for capital appreciation, but not for sale, 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 facilities, such as retail, entertainment and leisure facilities.

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

An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio annually. The 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 consolidated statement of profit or loss and other comprehensive income under change in fair value of investment property. Rental income from investment property is accounted for as described in accounting policy (w).

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

(m) Trade and other receivables

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

(n) 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.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment

The carrying amounts of the Consolidated entity's non-current assets, other than investment property (see accounting policy (l)) and deferred tax assets (see accounting policy (y)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated on an annual or more frequent basis as may be required.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss and other 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 the consolidated statement of profit or loss and other comprehensive income.

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

Calculation of recoverable amount

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

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed. 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.

(q) Issued capital

Dividends

Dividends are recognised as a liability in the year in which they are declared. Performance share dividends are recognised as the liability arises.

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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Interest-bearing liabilities and borrowings

Interest-bearing liabilities and 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 consolidated statement of profit or loss and other comprehensive income over the period of the borrowings on an effective interest basis.

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

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which generally take a substantial period of time to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Redeemable preference shares are included within interest-bearing liabilities and borrowings.

(s) Employee benefits

Defined contribution superannuation funds

A defined contribution superannuation fund 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 consolidated statement of profit or loss and other comprehensive income as incurred.

Defined benefit superannuation funds

A defined benefit superannuation fund is a post-employment benefit plan other than a defined contribution superannuation fund. The 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 years; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any fund assets are deducted.

The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating to the terms of the 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 other comprehensive income in the year in which the actuarial gains and losses arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

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 years. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Consolidated entity's obligations. Any actuarial gains or losses are recognised immediately in profit/(loss).

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

Wages, salaries and annual leave

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

Share-based payments – Cash settled transactions

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

(t) Provisions

A provision is recognised in the consolidated statement of financial position 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.

(u) Maintenance

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

Aircraft pavements, roads, leasehold improvements, plant and equipment 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.

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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 ATO.

Aeronautical revenue

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

Government mandated security revenue

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

The Consolidated entity is required by the Australian Government to undertake certain security measures, the costs of which are recoverable in full from the airlines. Revenue and expenses are disclosed separately. Costs of government mandated security are included in government mandated security expenses in the consolidated statement of profit or loss and other comprehensive income.

Retail revenue

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

Landside transport revenue

Landside transport revenue comprises revenue from public and staff car parks, ground facilities fees and car rental operators and is recognised at the fair value of the consideration received net of the amount of GST.

Property revenue

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

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

Interest received from other parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Finance costs and interest income

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

Redeemable preference share dividends in the consolidated statement of profit or loss and other comprehensive income are a finance cost.

Interest income is recognised in the consolidated statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

(y) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit/(loss) 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 ATO.

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 reporting date.

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

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

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 provisions apply to financial arrangements that are cash settled legal or equitable rights and/or obligations to receive or provide a financial benefit. A financial benefit is broadly defined to include anything of economic value, including services.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Income tax (continued)

Tax consolidation

BACH is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries being BACH No. 2 and BAC. BACH owns 100% of the shares in BACH No. 2. BACH No. 2 owns 100% of the shares in BAC. The implementation date for the tax-consolidated group was 30 June 2004.

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

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

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

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.

(z) 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.

(aa) Goods and services tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) New and amended accounting standards

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Consolidated entity has adopted the following amended Australian Accounting Standards as of 1 July 2012:

- AASB 112 *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*; and
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.*

The adoption of the amended standards is described below. They have no effect on the Consolidated entity's financial position, performance or disclosures.

AASB 112 I*ncome Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*

The amendment addresses the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendment also incorporates SIC – 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112. The amendment is effective for annual reporting years after 1 January 2012 and has no effect on the Consolidated entity's financial position, performance or disclosures.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income*

This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The standard affects disclosures only and does not affect the Consolidated entity's financial position or performance.

Accounting standards recently issued or amended but not yet effective

Australian accounting standards that have been recently issued or amended but are not yet effective and have not been adopted by the Consolidated entity for the annual reporting year ended 30 June 2013 are outlined below. The Consolidated entity does not plan to adopt these standards early.

AASB 9 *Financial Instruments*

AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 is effective for annual reporting years beginning on or after 1 January 2015 with early adoption permitted. The extent of the impact has not yet been determined. A review will be conducted in a timely manner prior to the standard becoming mandatory to identify any material impacts for the Consolidated entity.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

AASB 12 is effective for annual reporting years beginning on or after 1 January 2013 with early adoption permitted. It is not expected that the standard will have a material impact the Consolidated entity's financial position, performance or disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) New and amended accounting standards (continued)

AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 13 is effective for annual reporting years beginning on or after 1 January 2013 with early adoption permitted. This is not expected to be material to the Consolidated entity's financial position or performance. The 30 June 2014 financial report will incorporate expanded disclosures under the standard.

AASB 119 *Employee Benefits*

The main change introduced by this standard is to revise the accounting for defined benefit superannuation funds. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets whereby fund assets will now produce a credit to profit/(loss) based on Commonwealth Government bond yields irrespective of the actual composition of assets held and their expected return.

The standard changes the definition of short term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

AASB 119 is effective for annual reporting years beginning on or after 1 January 2013 with early adoption permitted. The Consolidated entity's current accounting policy is to recognise actuarial gains and losses in other comprehensive income in the year in which they arise. As a result, there is no change to the accounting for defined benefit superannuation funds.

Short term employee benefits which would potentially be classified as long term under the revised standard are not expected to be material.

AASB 2012-2 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of information that will enable users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and liabilities.

AASB 2012-2 is effective for annual reporting years beginning on or after 1 January 2013 with early adoption permitted. The 30 June 2014 financial report will include expanded disclosures under the standard as they relate to the Consolidated entity's derivative instrument assets and derivative instrument liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) New and amended accounting standards (continued)

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 principally amends AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is effective for annual reporting years beginning on or after 1 January 2014 with early adoption permitted. It is not expected that the standard will have a material impact on the Consolidated entity's financial position, performance or disclosures.

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. On the transition date to Australian equivalents to IFRSs (being 1 July 2004), the book value of property, plant and equipment was treated as at 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 financial statements.

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.

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, and trade and other payables are discounted to determine the fair value.

2. DETERMINATION OF FAIR VALUES (CONTINUED)

Financial instruments

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

Fair value measurements hierarchy

In valuing financial instruments, the 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); and
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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 reporting date and the discount rate is a market related rate for a similar instrument.

Non-derivative financial liabilities

The fair value of interest-bearing liabilities 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 changes in interest rates.

Share-based payment transactions

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

3. CORRECTION OF PRIOR YEAR DISCLOSURE

In the 30 June 2012 financial report, derivative instruments representing interest rate and cross currency swaps were offset and disclosed as a net non-current liability. In accordance with AASB 132 *Financial Instruments: Presentation*, financial assets and financial liabilities shall be offset and the net amount presented when, and only when, there exists a legally enforceable right to set off the recognised amounts and an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. As a legally enforceable right to offset does not exist, the net non-current liability disclosed in the 30 June 2012 financial report has been restated into its non-current asset and non-current liability components. This restatement has had the effect of increasing non-current assets and total assets by $62 million and increasing non-current liabilities and total liabilities by the same amount. The impact on net assets is zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

4. AUDITORS' REMUNERATION

	2013 $	2012 $
The auditor of BACH is KPMG Australia		
Audit services		
Amounts received or due and receivable by the auditor for:		
Audit fees – 2013 financial year	162,500	-
Audit fees – 2012 financial year	-	165,800
Audit fees – 2011 financial year	-	36,932
Other regulatory/contract audit services	89,000	90,160
	251,500	**292,892**
Other services		
Auditors of BACH	**250,417**	**273,039**

Included in the audit fees above are charges incurred by BACH No. 2 and BACH but paid by BAC.

5. INCOME TAX (EXPENSE)/BENEFIT

Recognised in profit/(loss)

	Note	2013 $000	2012 $000
Current tax expense			
Current year		(23,159)	(16,371)
Under provided in prior years		578	(938)
		(22,581)	**(17,309)**
Deferred tax (expense)/benefit			
Origination and reversal of temporary differences:			
Derivatives		(31,826)	79,954
Other		(10,204)	(30,708)
Redeemable preference share dividend ('RPS')		(10,316)	(9,266)
	10	**(52,346)**	**39,980**
Total income tax (expense)/benefit recognised in profit/(loss)		**(74,927)**	**22,671**

Income tax recognised in other comprehensive income

	Before tax $000	Tax (expense)/ benefit $000	Net of tax $000
2013			
Defined benefit superannuation fund actuarial gains	769	(233)	**536**
2012			
Defined benefit superannuation fund actuarial losses	(2,382)	715	**(1,667)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

5. INCOME TAX (EXPENSE)/BENEFIT (CONTINUED)

Reconciliation between tax (expense)/benefit and pre-tax accounting profit/(loss)

	2013 $000	2012 $000
Profit/(loss) for the year	**176,309**	**(53,999)**
Total income tax expense/(benefit)	74,927	(22,671)
Profit/(loss) before income tax	**251,236**	**(76,670)**
Income tax using the domestic corporate tax rate of 30%	(75,371)	23,001
(Increase)/decrease in income tax due to:		
Third party entertainment	(20)	(31)
Research and development concession	1,500	1,500
Over provided in prior years	(1,036)	(1,799)
Income tax (expense)/benefit on pre-tax accounting profit/(loss)	**(74,927)**	**22,671**

6. CASH AND CASH EQUIVALENTS

	2013 $000	2012 $000
Cash in bank	72,096	142,267
Cash on hand	937	353
Cash and cash equivalents	**73,032**	**142,620**
Cash and cash equivalents per consolidated statement of cash flows	**73,032**	**142,620**

7. TRADE AND OTHER RECEIVABLES

	2013 $000	2012 $000
Current		
Trade receivables and accrued income	46,843	37,109
Sundry receivables and prepayments	7,958	8,009
Finance lease receivable	72	-
	54,873	**45,118**
Non-current		
Finance lease receivable	**21,954**	**-**

The Consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

8. INVENTORIES

	2013 $000	2012 $000
Maintenance spares - at cost	**738**	**808**

9. INVESTMENT PROPERTY

	2013 $000	2012 $000
Balance at 1 July	892,449	793,412
Acquisitions	75,730	13,637
Transfer to property, plant and equipment	(32,074)	-
Fair value adjustments	66,695	85,400
Balance at 30 June	**1,002,800**	**892,449**

Contractual obligations to purchase, construct or develop investment property are included within Note 19.

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 arm's length transaction, based on current prices in an active market for similar properties in the same location and same condition and subject to similar leases. The determination of fair value was therefore more heavily supported by market evidence as opposed to other factors. The 2013 and 2012 valuations were based on independent assessments made by Taylor Byrne Valuers, an accredited independent valuer.

In undertaking their valuation, Taylor Byrne Valuers 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.

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Property, plant and equipment	-	-	477,061	450,431	477,061	450,431
Finance lease receivable	(1,414)	-	-	-	(1,414)	-
Derivatives	(35,364)	(67,190)	-	-	(35,364)	(67,190)
Lease incentive asset	-	-	1,616	1,554	1,616	1,554
Inventories	-	-	221	242	221	242
Employee benefits	(2,813)	(2,240)	-	-	(2,813)	(2,240)
Other provisions	(697)	(1,571)	-	-	(697)	(1,571)
Interest-bearing liabilities	(13,189)	-	-	1,626	(13,189)	1,626
Borrowing costs	-	-	777	950	777	950
Accruals	(2,576)	(1,979)	-	-	(2,576)	(1,979)
RPS	(7,783)	(18,099)	-	-	(7,783)	(18,099)
Tax (assets)/liabilities	**(63,836)**	**(91,079)**	**479,675**	**454,803**	**415,839**	**363,724**

Movement in temporary differences during the year

	Note	Balance at 1 July 2012 $000	Recognised in profit/(loss) $000	Recognised in other comprehensive income $000	Balance at 30 June 2013 $000
Property, plant and equipment		450,431	26,630	-	477,061
Finance lease receivable		-	(1,414)	-	(1,414)
Derivatives		(67,190)	31,826	-	(35,364)
Lease incentive asset		1,554	62	-	1,616
Inventories		242	(21)	-	221
Employee benefits		(2,241)	(342)	(231)	(2,813)
Other provisions		(1,571)	874	-	(697)
Interest-bearing liabilities		1,626	(14,815)	-	(13,189)
Borrowing costs		950	(173)	-	777
Accruals		(1,979)	(597)	-	(2,576)
RPS		(18,099)	10,316	-	(7,783)
Tax liabilities/(assets)	5	**363,724**	**52,346**	**(231)**	**415,839**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	Note	Balance at 1 July 2011 $000	Recognised in profit/(loss) $000	Recognised in other comprehensive income $000	Balance at 30 June 2012 $000
Property, plant and equipment		415,249	35,182	-	450,431
Derivatives		12,764	(79,954)	-	(67,190)
Lease incentive asset		1,678	(124)	-	1,554
Inventories		214	28	-	242
Employee benefits		(2,320)	795	(715)	(2,240)
Other provisions		(1,431)	(140)	-	(1,571)
Interest-bearing liabilities		5,990	(4,364)	-	1,626
Borrowing costs		1,082	(132)	-	950
Accruals		(1,442)	(537)	-	(1,979)
RPS		(27,365)	9,266	-	(18,099)
Tax liabilities/(assets)	5	**404,419**	**(39,980)**	**(715)**	**363,724**

11. PROPERTY, PLANT AND EQUIPMENT

	Runways, taxiways and aprons $000	Roads and car parks $000	Buildings $000	Plant and equipment $000	Leased land $000	Capital work in progress $000	Total $000
Cost or deemed cost							
At 1 July 2012	696,211	449,356	671,661	406,069	64,933	191,118	2,479,348
Additions/transfers	78,188	16,363	14,137	56,852	32,074	(25,031)	172,583
Disposals	-	-	-	(704)	-	-	(704)
At 30 June 2013	**774,399**	**465,719**	**685,798**	**462,217**	**97,007**	**166,087**	**2,651,227**
Cost or deemed cost							
At 1 July 2011	694,327	326,872	579,574	333,428	65,404	269,118	2,268,723
Additions/transfers	1,884	122,484	92,087	72,909	-	(78,000)	211,364
Disposals	-	-	-	(268)	(471)	-	(739)
At 30 June 2012	**696,211**	**449,356**	**671,661**	**406,069**	**64,933**	**191,118**	**2,479,348**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Runways, taxiways and aprons $000	Roads and car parks $000	Buildings $000	Plant and equipment $000	Leased land $000	Capital work in progress $000	Total $000
Accumulated depreciation, amortisation and impairment losses							
At 1 July 2012	66,902	38,251	142,531	132,382	9,701	-	389,767
Depreciation and amortisation	9,611	11,552	28,416	26,004	705	-	76,288
Disposals	-	-	-	(382)	-	-	(382)
At 30 June 2013	**76,513**	**49,803**	**170,947**	**158,004**	**10,406**	**-**	**465,673**
Accumulated depreciation, amortisation and impairment losses							
At 1 July 2011	58,138	28,529	117,542	110,666	9,248	-	324,123
Depreciation and amortisation	8,764	9,722	24,989	21,901	660	-	66,036
Disposals	-	-	-	(185)	(207)	-	(392)
At 30 June 2012	**66,902**	**38,251**	**142,531**	**132,382**	**9,701**	**-**	**389,767**
Carrying amounts							
Balance at 30 June 2013	**697,886**	**415,916**	**514,851**	**304,213**	**86,601**	**166,087**	**2,185,554**
Balance at 30 June 2012	629,309	411,105	529,130	273,687	55,232	191,118	2,089,581

A total of $9.7 million (2012: $15.8 million) of borrowing costs was capitalised to capital work in progress at interest rates ranging from 7.1% to 7.5% (2012: 7.1% to 7.5% respectively).

Leased land

Leased land represents prepaid rental payments on land leased by the Consolidated entity from the Commonwealth Government. The lease is classified as a finance lease as substantially all the risks and rewards associated with ownership have been transferred to the Consolidated entity.

Valuation

The Consolidated entity performs an independent valuation of property, plant and equipment every three years. AssetVal was engaged to undertake this valuation for the year ended 30 June 2011. The then property, plant and equipment valuation, excluding capital work in progress, of $2.4 billion was $791 million higher than the carrying amount of fixed assets, excluding capital work in progress. This valuation is not included in the above asset values for accounting purposes in the 2013 financial reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

12. INTANGIBLE ASSETS

	2013 $000	2012 $000
Cost and carrying amount		
Goodwill	**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 excess of its net assets for the current and prior year.

Key assumptions used in value in use calculation

The Consolidated entity undertakes an annual assessment of goodwill impairment based on a value in use calculation which uses cash flow forecasts for five years (from its Business Plan) with key assumptions of a terminal growth rate of 2.5% (2012: 2.5%) and a post-tax discount rate of 12.4% (2012: 13.1%) per annum.

Sensitivity to changes in assumptions

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

13. TRADE AND OTHER PAYABLES

	2013 $000	2012 $000
Trade payables and accruals	48,837	58,497
RPS dividends	87,571	129,637
	136,408	**188,134**

The Consolidated entity's exposure to liquidity risk as related to trade and other payables is disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

14. INTEREST-BEARING LIABILITIES AND BORROWINGS

This note provides information about the contractual terms of the Consolidated entity's interest-bearing liabilities and borrowings. For more information about the Consolidated entity's exposure to interest rate risk see note 18.

	2013 $000	2012 $000
Current		
Secured domestic bond issue	350,000	-
Secured domestic bond issue transaction costs	(370)	-
	349,630	**-**
Non-current		
Secured bank loans	20,000	200,000
Secured bank loans transaction costs	(1,314)	(1,753)
Secured domestic bond issues	900,000	1,250,000
Secured domestic bond issue transaction costs	(4,242)	(6,207)
Secured international bond issues	654,096	393,441
Secured international bond issue transaction costs	(4,301)	(3,427)
RPS	480,633	489,881
	2,044,872	**2,321,935**
Total interest-bearing liabilities and borrowings	**2,394,502**	**2,321,935**

		Nominal interest rate	Year of maturity	Face value $000 2013	Carrying amount $000 2013	Face value $000 2012	Carrying amount $000 2012
Bank loans	AUD	BBSY + margin	2015	20,000	18,686	200,000	198,247
Domestic bond	AUD	BBSW + margin	2013	350,000	349,630	350,000	348,961
Domestic bond	AUD	BBSW + margin	2016	400,000	398,969	400,000	398,640
Domestic bond	AUD	BBSW + margin	2017	300,000	298,447	300,000	298,115
Domestic bond	AUD	Fixed 8.0%	2019	200,000	198,342	200,000	198,077
International bond	USD	Fixed 5.2%	2021	162,443	161,262	147,289	146,033
International bond	USD	Fixed 3.9%	2022	50,900	50,549	-	-
International bond	AUD	Fixed 6.8%	2022	30,000	30,000	-	-
International bond	USD	Fixed 5.3%	2023	162,443	161,215	147,289	146,004
International bond	USD	Fixed 4.0%	2024	64,977	64,677	-	-
International bond	AUD	Fixed 8.3%	2026	98,863	97,999	98,863	97,977
International bond	USD	Fixed 4.2%	2027	84,470	84,093	-	-
RPS	AUD	Fixed 12.0%	2022	480,633	480,633	489,881	489,881
				2,404,729	**2,394,502**	**2,333,322**	**2,321,935**

RPS are subject to a stepped variable interest rate but accounted for using an effective interest rate of 10.2% per annum (2012: 9.6%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

14. INTEREST-BEARING LIABILITIES AND BORROWINGS (CONTINUED)

Finance facilities

	2013 $000	2012 $000
Available at reporting date		
Bank overdraft	3,600	3,600
Secured bank loans	500,000	500,000
	503,600	**503,600**
Utilised at reporting date		
Bank overdraft	-	-
Secured bank loans	20,000	200,000
	20,000	**200,000**
Not utilised at reporting date		
Bank overdraft	3,600	3,600
Secured bank loans	480,000	300,000
	483,600	**303,600**

The secured bank facilities expire in September 2015.

Unutilised bank facilities are sufficient to cover the net current asset deficiency and ongoing operations.

Financing arrangements

Bank loan and domestic and international bond issues

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

Bank overdraft

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

15. EMPLOYEE BENEFITS

	Note	2013 $000	2012 $000
Current			
Wages and salaries accrued		866	929
Liability for annual leave		2,004	1,971
Liability for long service leave		3,014	2,789
		5,884	**5,689**
Non-current			
Present value of unfunded obligation	15(ii)	10,385	11,787
Fair value of plan assets	15(iii)	(10,305)	(10,034)
Recognised liability for defined benefit obligations	15(i)	**80**	**1,753**
Liability for long service leave		1,559	1,355
Executive Long Term Incentive Plan		1,796	1,317
		3,435	**4,425**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

15. EMPLOYEE BENEFITS (CONTINUED)

(a) Liability for defined benefit obligation

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

	Note	2013 $000	2012 $000
(i) Movement in the net liability for defined benefit obligation recognised in the consolidated statement of financial position			
Net liability for defined benefit obligation at 1 July		1,753	329
Contributions paid into the plan		(1,372)	(1,564)
Expense recognised in profit/(loss)	15(iv)	468	606
Amount recognised in equity		(769)	2,382
Net liability for defined benefit obligation at 30 June		**80**	**1,753**
(ii) Movement in present value of the defined benefit obligation			
Defined benefit obligation at 1 July		11,787	10,375
Benefits paid by the plan		(2,030)	(1,312)
Current service costs and interest		1,104	1,250
Actuarial (gains)/losses in other comprehensive income		(197)	1,784
Taxes, premiums and expenses paid		(279)	(310)
Defined benefit obligation at 30 June		**10,385**	**11,787**
(iii) Movement in fair value of plan assets			
Fair value of plan assets at 1 July		10,034	10,046
Contributions paid into the plan		1,372	1,564
Benefits paid by the plan		(2,030)	(1,312)
Expected return on plan assets		636	644
Actuarial gains/(losses) in other comprehensive income		572	(598)
Taxes, premiums and expenses paid		(279)	(310)
Fair value of plan assets at 30 June		**10,305**	**10,034**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

15. EMPLOYEE BENEFITS (CONTINUED)

(a) Liability for defined benefit obligation (continued)

	2013 $000	2012 $000
(iv) Expenses recognised in profit/(loss)		
Current service costs	836	810
Interest on obligation	268	440
Expected return on plan assets	(636)	(644)
	468	**606**
Actuarial gains/(losses) recognised in other comprehensive income		
Cumulative amount at 1 July	(5,981)	(3,599)
Recognised during the year	769	(2,382)
Cumulative amount at 30 June	**(5,212)**	**(5,981)**
Actual return on plan assets	**1,208**	**46**

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

	2013 %	2012 %
Australian equities	24	25
International equities	34	29
Fixed income	19	18
Property	13	16
Alternatives/other	4	5
Cash	6	7

Actuarial assumptions

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

	2013 %	2012 %
Discount rate at 30 June	3.1	2.5
Expected rate of return on plan assets	6.5	6.5
Future salary increases	4.0	4.0

Defined benefit fund deficit reserve

	2013 $000	2012 $000
Employee benefits	**(4,016)**	**(4,552)**

15. EMPLOYEE BENEFITS (CONTINUED)

(a) Liability for defined benefit obligation (continued)

	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
Historical information					
Present value of defined benefit obligation	10,385	11,787	10,375	10,752	8,538
Fair value of plan assets	(10,305)	(10,034)	(10,046)	(9,750)	(8,369)
Deficit in plan	**80**	**1,753**	**329**	**1,002**	**169**
Experience adjustments (gains)/losses					
Plan assets	(572)	598	(138)	(95)	1,738
Plan liabilities	369	(11)	148	1,220	284

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

The assumptions adopted for early retirement for 2012 and 2013 were as follows:

Age last birthday	Percentage of members aged X at beginning of the 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 fund

The Consolidated entity makes contributions to a defined contribution superannuation fund. The amount recognised as an expense for the year ended 30 June 2013 was $3.1 million (2012: $3.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

16. OTHER LIABILITIES

	2013 $000	2012 $000
Current		
Unearned revenue	2,538	249
Retentions, deposits and other amounts held on behalf of third parties	2,231	2,091
	4,769	**2,340**
Non-current		
Unearned revenue	**4,987**	**5,134**

17. ISSUED CAPITAL AND RESERVE

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

Reconciliation of movements in capital

	2013 000	2012 000
Authorised shares		
On issue at 1 July – fully paid	681,887	681,887
On issue at 30 June – fully paid	**681,887**	**681,887**

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

Defined benefit superannuation fund deficit reserve

The defined benefit superannuation fund deficit reserve is used to recognise actuarial gains/(losses).

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 BACH 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 BACH. Dividends on performance shares are received by BACH based on the Consolidated entity reaching financial targets and sufficient Free Cash (as defined by the agreement).

Dividends

No dividends on ordinary shares were declared and paid in the current or prior financial year by the Consolidated entity.

Dividend franking account

	2013 $000	2012 $000
Tax franking credits available to shareholders of BACH for subsequent financial years	104,655	79,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. 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 its 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.

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

Risk management policies are established to identify and analyse the risks faced by the 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 activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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 creditworthiness 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 the possible requirement of bank guarantees or cash deposits of up to three to six months' rent plus outgoings.

Aeronautical customers are analysed individually for creditworthiness and where required, they provide an unconditional bank guarantee 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 may occur as the receivable begins to age.

The Consolidated entity has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Other

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

Exposure to credit risk

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

	Note	2013 $000	2012 $000
Cash and cash equivalents	6	73,032	142,620
Trade and other receivables	7	54,873	45,118
Finance lease receivable non-current	7	21,954	-
Derivative instruments		60,045	61,995
		209,904	**249,733**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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

	2013 $000	2012 $000
Aeronautical customers	28,607	25,486
Property (including retail) customers	22,897	18,211
Other	3,369	1,421
	54,873	**45,118**

The Consolidated entity's most significant customer accounted for 22% of the trade receivables carrying amount at 30 June 2013 (2012: 25%).

Impairment losses

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

	2013 $000 Gross	2013 $000 Impairment	2013 $000 Net
Not past due (0-30 days)	27,290	-	27,290
Past due (31-60 days)	11,648	-	11,648
Past due (61-90 days)	2,164	-	2,164
Past due (more than 90 days)	15,219	(1,448)	13,771
	56,321	**(1,448)**	**54,873**

	2012 $000 Gross	2012 $000 Impairment	2012 $000 Net
Not past due (0-30 days)	7,795	-	7,795
Past due (31-60 days)	19,114	-	19,114
Past due (61-90 days)	4,182	-	4,182
Past due (more than 90 days)	15,518	(1,491)	14,027
	46,609	**(1,491)**	**45,118**

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

	2013 $000	2012 $000
Balance at 1 July	(1,491)	(674)
Impairment gain/(loss) recognised	43	(817)
Balance at 30 June	**(1,448)**	**(1,491)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated entity 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 actively monitors cash flow requirements and optimises its return on investments to manage liquidity risk. Typically, the Consolidated entity 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 maintains in either cash on deposit or undrawn credit lines of between $100 million and $500 million (2012: $100 million and $500 million).

Funding

The Consolidated entity 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 Consolidated entity 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.

The following are the contractual maturities of financial liabilities:

2013	Note	Face value $000	6 months or less $000	1-2 years $000	2-5 years $000	More than 5 years $000
Bank loans floating	14	20,000	-	-	20,000	-
Bond issues:						
AUD floating rate 2013	14	350,000	350,000	-	-	-
AUD floating rate 2016	14	400,000	-	-	400,000	-
AUD floating rate 2017	14	300,000	-	-	300,000	-
AUD fixed rate 2019	14	200,000	-	-	-	200,000
USD fixed rate 2021	14	162,443	-	-	-	162,443
USD fixed rate 2022	14	50,900	-	-	-	50,900
AUD fixed rate 2022	14	30,000	-	-	-	30,000
USD fixed rate 2023	14	162,443	-	-	-	162,443
USD fixed rate 2024	14	64,977	-	-	-	64,977
AUD fixed rate 2026	14	98,863	-	-	-	98,863
USD fixed rate 2027	14	84,470	-	-	-	84,470
RPS	14	480,633	-	-	-	480,633
Trade and other payables	13	136,408	136,408	-	-	-
Derivatives		177,924	-	-	44,174	133,750

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Funding (continued)

2012	Note	Face value $000	6 months or less $000	1-2 years $000	2-5 years $000	More than 5 years $000
Bank loans floating	14	200,000	-	-	200,000	-
Bond issues:						
AUD floating rate 2013	14	350,000	-	350,000	-	-
AUD floating rate 2016	14	400,000	-	-	400,000	-
AUD floating rate 2017	14	300,000	-	-	-	300,000
AUD fixed rate 2019	14	200,000	-	-	-	200,000
USD fixed rate 2021	14	147,289	-	-	-	147,289
USD fixed rate 2023	14	147,289	-	-	-	147,289
AUD fixed rate 2026	14	98,863	-	-	-	98,863
RPS	14	489,881	-	489,881	-	-
Trade and other payables	13	188,134	188,134	-	-	-
Derivatives		285,961	-	-	79,124	206,837

Interest payments (and receipts) on the Consolidated entity's floating interest instruments are paid quarterly, at the bank bill swap reference rate ('BBSW') or the bank bill swap bid rate ('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 six months.

(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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

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

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

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

Consolidated entity policy

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

Period	2013 %	2012 %
Years 1-3	75-100	80
Years 4-5	60-90	65
Years 6-10	30-70	50
Years 11-15	-	30

Minimum requirement under financing documents

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

- years 1-3 - 75%; and
- years 4-5 - 60% of actual debt levels on 1 July each year.

Profile

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

	2013 $000	2012 $000
Nominal fixed rate instruments		
Financial liabilities	**(1,334,729)**	**(1,267,590)**
Variable rate instruments		
Financial assets - cash and cash equivalents	73,032	142,620
Financial liabilities	(1,070,000)	(1,065,732)
Net financial liabilities	**(996,968)**	**(923,112)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Foreign exchange risk

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

Cross currency swaps are used to convert long term foreign currency borrowings into Australian currency to meet the principal and interest obligations under the swaps. These foreign currency borrowings have a maturity between 10 and 15 years.

Consolidated entity 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 had at the reporting date the following foreign exchange exposures which had been economically hedged back to Australian dollars for the duration of the issue:

	Currency	Annual nominal interest rate	Year of maturity	Face value 2013 USD $000
Secured international bond issue	USD	Fixed	2021	150,000
Secured international bond issue	USD	Fixed	2022	47,000
Secured international bond issue	USD	Fixed	2023	150,000
Secured international bond issue	USD	Fixed	2024	60,000
Secured international bond issue	USD	Fixed	2027	78,000
Total foreign exchange exposures				**485,000**
				2012 USD $000
Secured international bond issue	USD	Fixed	2021	150,000
Secured international bond issue	USD	Fixed	2023	150,000
Total foreign exchange exposures				**300,000**

Unrealised foreign exchange loss in the consolidated statement of profit or loss and other comprehensive income:

	2013 $000	2012 $000
Losses arising on translation of secured international bond issues	**49,353**	**14,546**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Foreign exchange risk (continued)

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

- 100 basis point increase and decrease in all relevant interest rates;
- 10% (2012: 10%) USD depreciation and USD appreciation; and
- sensitivity analysis is isolated for each risk. For example, the 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/(loss), and the Consolidated entity does not designate derivatives (interest rate swaps) as hedging instruments under a fair value accounting model. Therefore, a change in interest rates at the reporting date would not affect profit/(loss) for fixed rate instruments.

Analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by the amounts shown below. This analysis assumes that all variables remain constant. This analysis is performed on the same basis for 2012.

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

	Profit/(loss) before tax		Equity (before tax)	
Movement in interest rates	**2013 $000**	**2012 $000**	**2013 $000**	**2012 $000**
100 basis point increase in interest rates				
Variable rate instruments	(9,970)	(11,377)	-	-
Interest rate swap	160,191	200,658	-	-
Cross currency swap	(60,315)	(28,930)	-	-
Cash flow sensitivity (net)	**89,906**	**160,351**	**-**	**-**
100 basis point decrease in interest rates				
Variable rate instruments	9,970	11,377	-	-
Interest rate swap	(151,920)	(245,136)	-	-
Cross currency swap	36,717	28,957	-	-
Cash flow sensitivity (net)	**(105,233)**	**(204,802)**	**-**	**-**
10% movement in USD rates				
Depreciation	(23,716)	(14,338)	-	-
Appreciation	(2,682)	8,387	-	-

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value

Fair value versus carrying amounts

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

	Note	2013 $000 Carrying amount	2013 $000 Fair value	2012 $000 Carrying amount	2012 $000 Fair value
Assets carried at fair value					
Interest rate and cross currency swaps		60,045	60,045	61,995	61,995
		60,045	**60,045**	**61,995**	**61,995**
Assets carried at amortised cost					
Cash and cash equivalents	6	73,032	73,032	142,620	142,620
Trade and other receivables - current	7	54,873	54,873	45,118	45,118
Trade and other receivables - non-current	7	21,954	21,954	-	-
		149,859	**149,859**	**187,738**	**187,738**
Liabilities carried at fair value					
Interest rate and cross currency swaps		177,924	177,924	285,961	285,961
		177,924	**177,924**	**285,961**	**285,961**
Liabilities carried at amortised cost					
Secured bank loans	14	18,686	18,686	198,247	198,247
Secured domestic bond issues	14	1,245,388	1,248,526	1,243,793	1,271,299
Secured international bond issues	14	649,795	650,038	390,014	435,808
RPS	14	480,633	480,633	489,881	489,881
Trade and other payables	13	136,408	136,408	188,134	188,134
		2,530,910	**2,534,291**	**2,510,069**	**2,583,369**
Net liabilities		**2,498,930**	**2,502,311**	**2,546,297**	**2,619,597**

Fair value of financial instruments

The basis for determining fair values is disclosed at note 2. The Consolidated entity 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 2013 of derivative instruments that are held for liquidity management, which are the Consolidated entity's only financial instruments carried at fair value, was a net gain of $106.1 million (2012: net loss of $266.5 million) measured based on level 2 valuation techniques as defined in the fair value hierarchy shown in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Non-designated derivatives in the consolidated statement of profit or loss and other comprehensive income

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

	2013 $000	2012 $000
Change in fair value of financial instruments		
Interest rate derivatives	92,584	(333,588)
Foreign currency derivatives	13,503	67,074
Non-designated derivatives	**106,087**	**(266,514)**

(f) Capital management

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

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

Gearing

The 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 external non shareholder debt is held by BAC and covenants include that the DSCR must be a minimum of 1.1 times and gearing below 70%. The DSCR must be above 1.5 times to raise new senior debt and to make distributions to the parent entity, BACH.

The DSCR target is between 2.0 times and 2.5 times over the business/capital expenditure cycle. The average DSCR for the 12 months ended 30 June 2013 was 2.6 times (2012: 2.4 times).

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

19. CAPITAL AND OTHER COMMITMENTS

Capital expenditure commitments

	2013 $000	2012 $000
Contracted for but not provided for and payable:		
Within one year	99,219	119,162
One year or later and no later than five years	3,419	46,324
	102,638	**165,486**

19. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

Operating lease receivable commitments

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

	2013 $000	2012 $000
Within one year	166,669	135,093
One year or later and no later than five years	413,480	313,744
Later than five years	327,720	418,955
	907,869	**867,792**

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

Finance lease receivable

The finance lease receivable relates to an asset held under a finance lease recognised at its fair value.

	2013 $000	2012 $000
No later than one year	72	-
Later than one year but not later than five years	378	-
Later than five years	21,576	-
	22,026	**-**

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2013 $000	2012 $000
Profit/(loss) for the year		**176,309**	**(53,999)**
Adjustments for:			
Depreciation and amortisation		76,288	66,036
Change in value of investment property	9	(66,695)	(85,400)
Change in fair value of non-designated derivatives	18	(106,087)	266,514
Unrealised foreign exchange loss		49,353	14,546
Amortisation of borrowing costs		2,610	6,714
Loss/(gain) on sale of property, plant and equipment		138	(15)
Income tax expense/(benefit)	5	74,927	(22,671)
Profit before changes in working capital and provisions		**206,843**	**191,725**
Change in trade and other receivables		(9,682)	3,453
Changes in inventories		70	(95)
Change in trade and other payables		48,374	50,997
Income taxes paid/(refunded)		129	(8,328)
Net cash from operating activities		**245,734**	**237,752**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

21. RELATED PARTIES

Directors and Key Management Personnel of the Consolidated entity at any time during the reporting year were the following:

Directors

William (Bill) Grant
Julieanne Alroe (CEO & Managing Director)
David Gray
Chris McArthur
Matina Papathanasiou
Thomas Parry
Jill Rossouw
Pieter Verboom
John Ward
John Allpass (Alternate Director)
Perry Clausen (Alternate Director)
Ross Israel (Alternate Director)

Key Management Personnel

Michael Bradburn	Chief Financial Officer, appointed 4 March 2013
Tim Rothwell	Chief Financial Officer, until 4 March 2013
Andrew Brodie	General Manager – Airline and Commercial Businesses
Cam Macphee	General Manager – Aviation Business Development, until 26 July 2013
Gwilym Davies	Head of People and Culture
Jenna Buckner	General Manager – Parking and Transport Services
Krishan Tangri	General Manager – Assets
Rachel Crowley	Head of Corporate Relations
Renaye Peters	General Manager – Property
Roel Hellemons	General Manager – Strategic Planning and Development
Sarah Thornton	General Counsel and Company Secretary
Stephen Goodwin	General Manager – Operations

Transactions with Key Management Personnel

In addition to the salaries of Key Management Personnel, 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 and certain Directors. In accordance with the terms of the defined benefit 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.

Executive Long Term Incentive Plans

Key Management Personnel also participate in BACH's Executive Long Term Incentive Plan.

The Executive 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 BACH and total shareholder returns. The plan is settled in cash.

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

21. RELATED PARTIES (CONTINUED)

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

The grant date under the Executive Long Term Incentive Plan 2 ('Plan 2') was 1 July 2007 with an initial base value of $2.26 per unit. At 30 June 2012, the value of the entitlements under Plan 2 was $239,726, which was recognised in full and paid in full during the 2013 reporting year. Plan 2 was terminated during the 2013 reporting year.

The Executive Long Term Incentive Plan 3 ('Plan 3') provided 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 unit. Total units issued under Plan 3 were 922,918. During the 2011 reporting year, 147,119 units were cancelled upon termination of employment of three participants and a further 35,342 were cancelled due to a resignation during the 2012 reporting year. Total units on issue at 30 June 2013 were 740,457. The value of entitlements under Plan 3 at 30 June 2012 was $307,202. The value of entitlements under Plan 3 at 30 June 2013 was $700,655.

The grant date of units for the Executive Long Term Incentive Plan 4 ('Plan 4') was 1 July 2011 with an initial base value of $4.07 per unit. Total units issued under Plan 4 were 1,026,573. The value of entitlements under Plan 4 at 30 June 2013 was $215,007.

Key Management Personnel compensation

No Key Management Personnel have entered into a material contract with the Consolidated entity since the beginning of the year and there were no material contracts involving Key Management Personnel interests subsisting at year end (2012: Nil).

Key Management Personnel compensation

The Key Management Personnel compensation was as follows:

	2013 $	2012 $
Short term employee benefits	5,575,598	4,734,547
Post-employment benefits	534,739	647,483
Other long term benefits	61,278	25,357
Total compensation	**6,171,615**	**5,407,387**

The terms and conditions of transactions with Key Management Personnel were no more favourable than those available or which might reasonably be expected to be available, on similar transactions 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 in relation to their services rendered to the Consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

21. RELATED PARTIES (CONTINUED)

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

Related entity	% share in BACH as at 30 June 2013	Directors and Alternate Directors	Transactions	2013 Value of transactions $	2012 Value of transactions $
Schiphol Australia Pty Limited and its related entities	18.72%		Technical services, IP agreement and miscellaneous expenses	3,757,000	3,525,000
		P Verboom	Board fees and travel	700	500
		W Grant	Board fees and travel	173,000	172,500
Colonial First State Investments Limited and CFS Asset Management Australia	16.98%	C McArthur *	Board fees and travel	134,500	119,000
		P Clausen	Board fees and travel	600	-
Queensland Investment Corporation	25.0%	D Harrison	Board fees and travel	-	98,000
		M Papathanasiou *	Board fees and travel	138,000	102,000
		R Israel	Board fees and travel	-	-
J.P. Morgan Nominees Australia Limited as Nominee of the Custodian of the Trustee of IFM Infrastructure Funds	13.84%	J Rossouw *	Board fees and travel	134,500	127,000
Gateway Investments Corporation	-	T Parry	Board fees and travel	134,000	-
-	-	J Allpass	Board fees and travel	113,000	111,000
-	-	J Ward	Board fees and travel	112,000	111,000
-	-	D Gray	Board fees and travel	100,000	94,000

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

21. RELATED PARTIES (CONTINUED)

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

	2013 $	2012 $
Trade payables and accruals	3,221,220	3,191,000

Technical Services Agreement

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

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

Intellectual Property Agreement

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

Australia TradeCoast Limited

The Consolidated entity, together with the Port of Brisbane Corporation, the Queensland Government and the Brisbane City Council are members in Australia TradeCoast Limited, a corporatised alliance, to promote development in the Brisbane Airport/Port region. BACH provided financial support of $50,000 (2012: $100,000) to Australia TradeCoast Limited during the year.

Related entities

BACH has a related party relationship with its controlled entities. BACH has a loan receivable from BACH No. 2 for $286,494,200 (2012: $286,494,200) which in turn is owed the same amount under the same terms and conditions from BAC (2012: $286,494,200).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

22. PARENT ENTITY DISCLOSURES – BAC HOLDINGS LIMITED

	2013 $000	2012 $000
Results of the parent entity		
Profit for the year	29,294	28,767
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**29,294**	**28,767**
Financial position of the parent entity at the reporting date		
Current assets	103,993	89,004
Non-current assets	940,472	950,788
Total assets	**1,044,465**	**1,039,792**
Current liabilities	114,264	129,637
Non-current liabilities	480,633	489,881
Total liabilities	**594,897**	**619,518**
Net assets	**449,568**	**420,274**
Total equity of the parent entity comprising of:		
Issued capital	470,494	470,494
Accumulated losses	(20,926)	(50,220)
Total equity	**449,568**	**420,274**

23. EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial year and the date of this report, the BAC Board has approved, subject to contract, entry into arrangements to commence the dredging element of the first phase of the New Parallel Runway. The first phase is estimated to be $524 million. The dredge costs comprise a large part of this phase. Apart from these arrangements, there has not arisen any transaction or event of a material or unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated entity, the results of those operations or the state of the affairs of the Consolidated entity, in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of BAC Holdings Limited:

(a) the financial statements and notes set out in pages 52 to 99 are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of BACH and the Consolidated entity's financial position as at 30 June 2013 and of its 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 statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b); and

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

Signed in accordance with a resolution of the Directors:

Bill Grant
Director

Brisbane
27 September 2013

Julieanne Alroe
Director

Brisbane
27 September 2013

INDEPENDENT AUDITOR'S REPORT

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 2013, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 23 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.

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

INDEPENDENT AUDITOR'S REPORT
(continued)

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 2013 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

Matthew McDonnell
Partner

Brisbane

27 September 2013

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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

To: the directors of BAC Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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

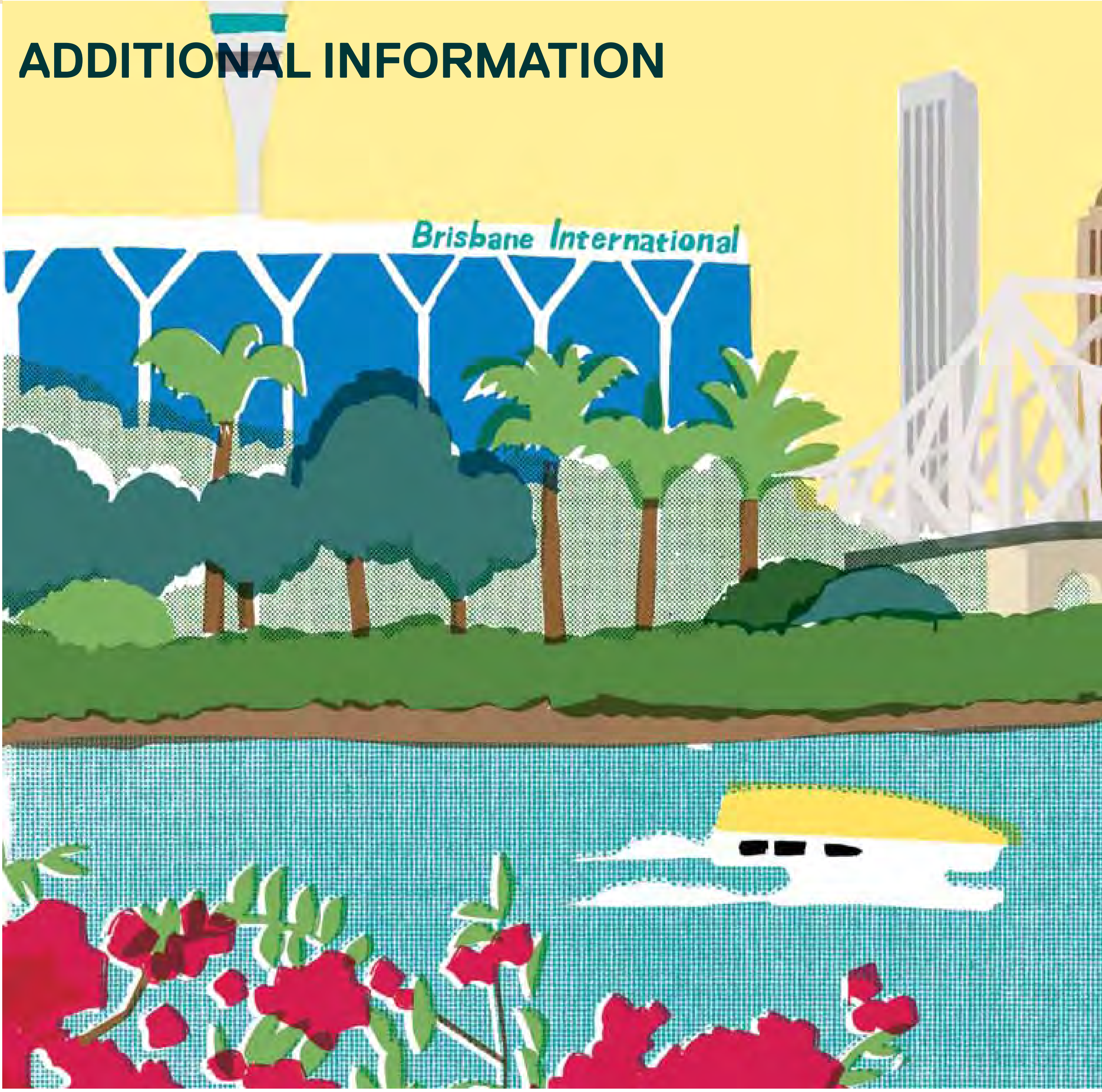
(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Matthew McDonnell
Partner

Brisbane
27 September 2013

ADDITIONAL INFORMATION



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

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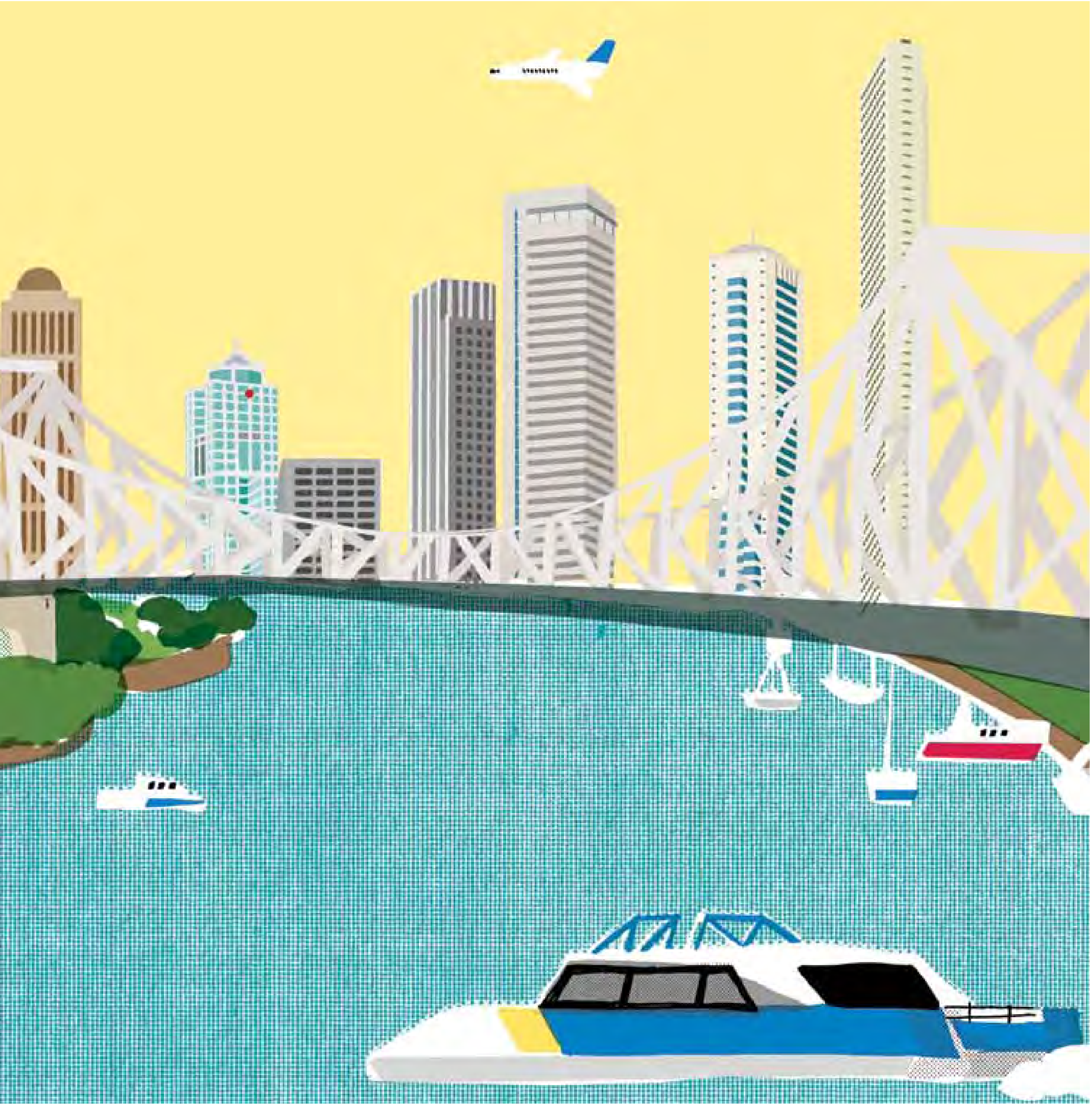

This Annual Report is printed with the environment in mind.