Prime Infrastructure Holdings Limited
ABN 61 100 364 234
Prime Infrastructure RE Limited
ABN 67 099 717 638; AFSL 219673
as responsible entity of each of
Prime Infrastructure Trust
ARSN 100 375 479
Prime Infrastructure Trust 2
ARSN 108 288 204
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# ASX Announcement

25 February 2010

## Half Year Results In Line with Prospectus Forecasts

### Key Achievements

- Successfully completed a $1.8 billion recapitalisation to address corporate and asset level debt and establishing a sustainable capital structure for the business.
- Assets are performing well, in line with expectations and Prospectus forecast.
- Repayment of $1.1 billion of corporate debt and associated swaps.
- Significantly improved key financial metrics.
- Financial results are in line with expectations and Prospectus forecasts.
- Adoption and application of a new distribution policy and confirmation of the distribution for the March 2010 quarter of 7.5 cents per stapled security.
- Successfully completed the internalisation of management and rebranding of Prime Infrastructure.
- Several important corporate governance changes including the appointment of three Brookfield-nominated non-executive directors and one independent non-executive director.

### Summary of Proportional Financial Results

Prime Infrastructure (ASX: PIH) is pleased to announce its financial results for the six months ended 31 December 2009.

The proforma[1] proportionally consolidated EBITDA for the current period of $289.7 million is in line with the Prospectus forecasts and on a like for like basis is 9 per cent higher than the prior corresponding period.

[1] Proforma adjustment made to the current period to reflect the proportional ownership of assets post recapitalisation for the entire period

The proforma proportional consolidated Operating Cash Flow for the current period of $66 million is also in line with the Prospectus forecast and, as per the distribution policy, positions Prime Infrastructure to fund 100 percent of its forecast distribution from free cash flow.

Prime Infrastructure's Chief Executive Officer and Managing Director, Mr Jeff Kendrew said, "Prime Infrastructure's financial performance for the period is in line with expectations and the Prospectus forecast."

"This has been a significant period for Prime Infrastructure, a period in which we managed to recapitalise the business to achieve a more sustainable capital structure going forward, underpinned by a strong portfolio of assets and greatly improved financial metrics."

"With a strong balance sheet, Prime Infrastructure is well placed to capitalise on emerging organic opportunities especially in Australia."

"In particular we are seeing increased customer demand for heavy bulk commodities such as coal and iron ore, which may result in growth opportunities for DBCT and WestNet Rail."

## March 2010 Quarterly Distribution Confirmed

Prime Infrastructure confirms the distribution for the March 2010 quarter will be 7.5 cents per stapled security. Further details are provided in a separate market announcement issued today.

## Attachments

Attached is a copy of Prime Infrastructure's Appendix 4D Financial Reports. A separate Analyst Presentation will also, be released which provides further detail.

**ENDS**

### Further enquires

David Akers
Acting Investor Relations Manager
Prime Infrastructure
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# Prime Infrastructure Holdings Limited

## Consolidated Half-Year Report
## for the Half-Year ended 31 December 2009

# Appendix 4D



| | |
|---|---|
| **Name of Entity:** | **Prime Infrastructure Holdings Limited (formerly Babcock & Brown Infrastructure Limited)** |
| **ABN:** | **61 100 364 234** |

## 1. DETAILS OF THE REPORTING PERIOD

| | |
|---|---|
| **Current Period:** | 1 July 2009 - 31 December 2009 |
| **Previous Corresponding Period:** | 1 July 2008 - 31 December 2008 |

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | % Movement | 2009 $'000 | 2008 $'000 |
|---|---|---|---|
| 2.1 Revenues from ordinary activities | 161.9% | 646,465 | 246,870 |
| 2.2 Profit / (loss) from continuing operations after tax benefit attributable to members | 218.4% | 230,799 | (194,835) |
| 2.3 Loss for the period attributable to members | (197.7%) | (731,795) | (245,814) |

| | Amount per Security (cents) | Franked amount per Security (cents) |
|---|---|---|
| 2.4 Distributions | | |
| Interim distribution (FY2010) – per fully paid Stapled Security | Nil | Nil |
| Final distribution (FY2009) | Nil | Nil |
| Return of Capital – per fully paid Stapled Security | 4.00 | Nil |
| 2.5 Record date for determining entitlement to the Interim Distribution | Not applicable | |
| 2.6 Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood: | | |
| Refer to the attached Review of Operations within the Directors' Report. | | |

## 3. INCOME STATEMENT WITH NOTES

Refer to the condensed consolidated Income Statement in the attached Financial Statements.

## 4. BALANCE SHEET WITH NOTES

Refer to the condensed consolidated Balance Sheet in the attached Financial Statements.

## 5. CASH FLOW STATEMENT WITH NOTES

Refer to the condensed consolidated Cash Flow Statement in the attached Financial Statements.

## 6. DETAILS OF DISTRIBUTIONS

| | Record Date | Payment Date |
|---|---|---|
| 2009 Final Distribution | Nil | Not applicable |
| 2010 Interim Distribution | Nil | Not applicable |
| 2010 Capital Distribution [1] | 16 Nov 2009 | 25 Nov 2009 |

[1] As part of the recapitalisation that Prime Infrastructure undertook on 20 November 2009, a Capital Distribution in an aggregate amount of $103.7 million ($0.04 per Security) was made to registered Securityholders as at the Capital Distribution record date.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

## 7. DETAILS OF DISTRIBUTION REINVESTMENT PLAN

On 21 August 2008, Prime Infrastructure announced that as part of its capital management review it had determined to suspend the Distribution Reinvestment Plan until further notice. As at the date of this Report, the Distribution Reinvestment Plan has not been reinstated.

## 8. TOTAL ASSETS PER STAPLED SECURITY

| | Current Period | Previous Period |
|---|---|---|
| Total assets per Stapled Security [1] | $17.52 | $6.50 |

## 9. NET ASSETS PER STAPLED SECURITY

| | Current Period | Previous Period |
|---|---|---|
| Net asset backing per Stapled Security [1] | $7.07 | $1.00 |

## 10. NET TANGIBLE ASSETS PER STAPLED SECURITY

| | Current Period | Previous Period |
|---|---|---|
| Net tangible asset backing per Stapled Security [1] | $6.59 | $0.69 |

[1] It is difficult to compare the asset backed ratios between December 2009 and December 2008. This is due to the recapitalisation that took place during the current period (as disclosed in this report) that resulted in the disposal of certain assets, the change in classification of certain assets from consolidated to equity accounted and other assets being disclosed as held for sale. In addition, as part of the transaction, 4,433.0 million Securities were issued and a further 841.8 million Securities were issued in exchange for settlement of the BBI Exchangeable Preference Share liability. On 25 November 2009, Prime Infrastructure undertook a 1:15,000 consolidation of Stapled Securities. At the date of the recapitalisation on 20 November 2009, the issue price per Security was $5.08. This compares to the Security price as at 24 February 2010 of $3.51.

## 11. CONTROL GAINED OR LOST OVER ENTITIES DURING THE PERIOD

| | |
|---|---|
| 11.1 Name of entity (or group of entities) over which control was gained | Nil |
| 11.2 Name of entity (or group of entities) over which control was lost | 1. 28 July 2009 – Euroports Group<br>2. 20 November 2009 – PD Ports<br>3. 20 November 2009 – Dalrymple Bay Coal Terminal |

## 12. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

| | |
|---|---|
| 12.1 Name of entity (or group of entities) over which significant influence was gained | 1. Euroports Group<br>2. Dalrymple Bay Coal Terminal |
| 12.2 Date significant influence was gained | 1. 28 July 2009<br>2. 20 November 2009 |
| 12.3 Percentage economic interest in associates and joint ventures | 1. 66.1%<br>2. 50.1% |

## 13. OTHER SIGNIFICANT INFORMATION

Refer to the attached Financial Statements and commentary on results.

## 14. COMMENTARY ON RESULTS

Refer to the attached Review of Operations within the Directors' Report.

## 15. REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

This report is based on accounts which have been reviewed, refer to the attached Financial Statements.

## 16. QUALIFICATION OF REVIEW

Not applicable.

**Prime Infrastructure Holdings Limited**

**(formerly Babcock & Brown Infrastructure Limited)**

**ACN 100 364 234**

**Half-Year Report for the Half-Year Ended 31 December 2009**

# Prime Infrastructure Holdings Limited

## Consolidated Half-Year Report
## for the Half-Year ended 31 December 2009

The Directors of Prime Infrastructure Holdings Limited (Prime Infrastructure or the Company) (formerly Babcock & Brown Infrastructure Limited) submit herewith the financial report on the consolidated financial results of Prime Infrastructure and its controlled entities ('the Group') for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

## DIRECTORS

| | |
|---|---|
| • Hon Dr. D J Hamill AM | (Independent Chairman) |
| • Mr J Blidner | (Non-executive Director and Deputy Chairman) |
| • Mr L L Hall AM | (Independent Director) |
| • Mr J W Kendrew | (Managing Director) |
| • Mr B W Kingston | (Non-executive Director) |
| • Mr S Pollock | (Non-executive Director) |
| • Mr J C Sloman OAM | (Independent Director) |
| • Mr B R Upson | (Independent Director) |

The above named Directors held office during or since the end of the half-year except for:

| | |
|---|---|
| • Mr J Blidner | (appointed 20 November 2009) |
| • Mr B W Kingston | (appointed 20 November 2009) |
| • Mr S Pollock | (appointed 20 November 2009) |
| • Mr J C Sloman OAM | (appointed 9 February 2010) |

## REVIEW OF OPERATIONS

### Operating Performance

This year's half-year report covers the period from 1 July 2009 to 31 December 2009.

The first six months of the 2010 financial year was a period of significant challenge to Prime Infrastructure. Babcock & Brown Infrastructure, as it was then known, had $8.9 billion in total proportional debt, including $1.2 billion in corporate level debt as at 30 June 2009 and proportional gearing of 98%. Of this amount, Babcock & Brown Infrastructure had approximately $3.0 billion in proportional debt maturing in the 2010 and 2011 financial years, including $300.0 million of corporate debt requiring to be repaid in February 2010.

This led to the major recapitalisation of Prime Infrastructure that was completed on 20 November 2009. The recapitalisation resulted in offering investors a simpler capital structure, with internalised management and the support of a strong cornerstone investor.

The key components of the recapitalisation included:

- An equity raising of $1.5 billion;
- Brookfield Asset Management Inc., or its affiliates ('Brookfield') subscribed for Convertible Notes for $295.4 million and entered into a number of other agreements with Prime Infrastructure which conferred a 49.9% economic interest in Dalrymple Bay Coal Terminal;
- Brookfield acquired all of Prime Infrastructure's interests in PD Ports for nominal proceeds;
- Options to acquire the Australian Energy Transmission & Distribution and Cross Sound Cable assets for nominal proceeds have been granted in favour of the former BBI Exchangeable Preference Share holders and Brookfield respectively;
- Full repayment of Prime Infrastructure's corporate debt outstanding, excluding the New Zealand bonds and other asset level debt;
- Establishment of a $300.0 million 3 year corporate debt facility (currently undrawn);
- BBI Exchangeable Preference Shares ('BEPPA') were converted into Prime Infrastructure Stapled Securities and $48.0 million of accrued and deferred dividends were paid to EPS holders;
- Capital distribution of $103.7 million ($0.04 cents per Security) was paid to registered Securityholders;

## REVIEW OF OPERATIONS (CONTINUED)

### Operating Performance (continued)

- Internalisation of Prime Infrastructure's management, a process by which the management agreement with the external manager, Babcock & Brown Limited was cancelled and the existing management team were directly employed by Prime Infrastructure; and
- Babcock & Brown Infrastructure changed its name to Prime Infrastructure and undertook a Security consolidation and included Prime Infrastructure Trust 2 as a party to the Stapling Deed.

Revenue and other income from continuing operations for the half-year ended 31 December 2009 is $646.5 million, which represents an increase of $399.6 million from the prior year. Included within this amount is a gain of $392.4 million from the conversion of BEPPA into Prime Infrastructure Stapled Securities. These hybrid securities were carried on the books at an amount of $677.4 million and the fair value attributed to these liabilities upon conversion was $284.8 million. Excluding this one-off, non-cash gain, revenue and other income was $254.1 million which is an increase of $7.2 million over the prior period result. This increase can be attributed to the additional revenue recognised in WestNet Rail and Tas Gas Networks offset by the lower revenue recognised within IEG. This is a combination of lower revenue recognised relating to UK connections, warmer weather and the positive fuel price adjustments recorded in the prior period. In addition, the strengthening Australian dollar has negatively impacted revenue recognised.

EBITDA from continuing operations on a statutory basis (excluding equity accounted results and gain in relation to conversion of the BEPPA hybrid liability) for the half-year ended 31 December 2009 is $52.0 million compared to EBITDA of $56.9 million in the prior comparative period. Each of the assets has performed largely in line with forecasts with positive performances being driven by increases in EBITDA from WestNet Rail and Tas Gas Networks compared to the prior year whilst International Energy Group's (IEG) EBITDA is lower due to the reasons noted above. Corporate costs are slightly higher in the current six month period due to expenses incurred in relation to the separation from the external manager and other transaction related costs.

The net loss from continuing and discontinued operations for the half-year period ended 31 December 2009 is $731.8 million compared to a net loss of $245.8 million in the prior period. The reason for the significant loss in the current half-year period is due to the write-downs and losses recognised in relation to the recapitalisation of Prime Infrastructure as discussed above. These losses from discontinued operations included:

- Impairment charge against the Australian Energy & Transmission Distribution (AET&D) assets of $679.0 million as this asset is now held for sale at nominal proceeds;
- Mark to market adjustments to profit and loss ($39.1 million) on interest rate hedges that were previously hedge accounted. These hedges are no longer considered to be effective due to the AET&D and Cross Sound Cable assets being held for sale;
- Loss recognised on the disposal of PD Ports of $247.1 million as this asset was sold for nominal proceeds on 20 November 2009;
- Fair value write-down of $68.8 million relating to the partial disposal and subsequent equity accounting of Euroports This does not have a cashflow impact;
- Gain of $23.0 million on the disposal of 49.9% of the economic interests in Dalrymple Bay Coal Terminal;

The reported results for the half-year ended 31 December 2009 have been impacted by the movement against the Australian dollar during the current year. The table below demonstrated the movement in key currencies in which Prime Infrastructure operates:

| | New Zealand Dollar | Great British Pound | United States Dollar | Euro |
|---|---|---|---|---|
| Average rate financial half-year ending 31 December 2009 | 1.2428 | 0.5319 | 0.8711 | 0.5987 |
| Average rate financial half-year ending 31 December 2008 | 1.2049 | 0.4483 | 0.7797 | 0.5499 |

## REVIEW OF OPERATIONS (CONTINUED)

### Operating Performance (continued)

Movements in exchange rates do not have a major impact on Prime Infrastructure's operating cash flow as the Group hedges its expected distributions from its subsidiaries for up to a five year period on a rolling or progressive basis. In addition, Prime Infrastructure borrows to fund any growth opportunities in the currency of the local jurisdiction. This acts as a natural hedge to any foreign currency movement.

### Transport Infrastructure

Prime Infrastructure's Transport Infrastructure segment during the current period consisted of the following:

DBCT - 50.1% economic interest in Dalrymple Bay Coal Terminal (100% up to 20 November 2009), which is currently the largest coal export terminal in the world with customers including some of the world's largest mining companies.

WestNet Rail – 100% equity interest (96% up to 20 November 2009) which owns over 5,000km of rail track providing sole rail access to markets for south-west Western Australian minerals and grain businesses that underpin the Western Australian economy.

Euroports – 66.1% equity interest (disposed of 33.9% on 28 July 2009) in a portfolio of port concession businesses in key strategic locations throughout Europe.

### Dalrymple Bay Coal Terminal (DBCT):

The EBITDA result for DBCT for the half-year ended 31 December 2009 (100% basis) is $111.7 million compared to $70.1 million (100% basis) in the prior corresponding period. This positive variance is due to the full contribution in the current period from the Phase 2/3 expansion project and the back charge (to commencement of commercial operations date) associated with the increased Phase 1 expansion costs. This sign off on the back charge occurred earlier than anticipated by the regulator, the Queensland Competition Authority (QCA), on the Phase 1 expansion costs. From a statutory accounting perspective, Prime Infrastructure consolidated the revenue and expense of DBCT within discontinued operations up to 20 November 2009, and then equity accounted the results from the date of the transaction to 31 December 2009 in continuing operations.

During the 6 months ended 31 December 2009 DBCT shipped 32.1Mt of coal which, if annualised is significantly lower than the 85Mtpa capacity of the terminal. This shortfall is not due to any operational issues at the terminal and does not impact on the financial performance of the terminal, as all customers have 100% take or pay contracts. The operating performance for the half-year ended 31 December 2009 is a significant increase over the prior corresponding period (25.2 Mt) due to an increase in export coal seen in the market generally, combined with an increase in demand due to the strong Chinese demand cycle and also a return of demand from traditional markets such as Japan since September 2009 (as a result of improving global steel price).

In December 2009, DBCT negotiated a final settlement with the contractor who was engaged to perform the marine works and mechanical, structural and electrical works for the offshore outloading component of the 7X Expansion Project. This contractor had lodged claims over and above the contracted amount (totalling $26.8 million). This was disclosed as a contingent liability (and contingent asset) in the 30 June 2009 Annual report. The settlement of this claim was at an amount significantly lower than that disclosed at 30 June 2009 and it is expected that this amount will be included by the QCA in the regulated asset base for the Phase 2/3 expansion project (which was commissioned on 30 June 2009).

### WestNet Rail:

WestNet Rail's EBITDA contribution (on a 100% basis) for the half-year ended 31 December 2009 was $50.6 million, which was in line with expectations and was significantly ahead of the prior corresponding period ($41.0m). A solid grain harvest (in the 2008 calendar year) underpinned volumes leading into the 2010 financial year, together with a solid contribution from intermodal and resources volumes growth compared to the prior corresponding period. WestNet Rail's financial results are consolidated in the Prime Infrastructure's financial results for the six months ended 31 December 2009.

The 2009 calendar year grain harvest is confirmed to be slightly above average, with a strong shipping program anticipated in the first half of the 2010 calendar year (and possibly extending into the remainder of the 2010 financial year). The level to which this will translate into enhanced profits at WestNet Rail will depend largely on the modal balance of road versus rail with respect to delivering this grain to market.

## REVIEW OF OPERATIONS (CONTINUED)

### Operating Performance (continued)

### WestNet Rail (continued):

In early January 2010, WestNet Rail received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition by Prime Infrastructure. Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge its position. Notwithstanding Prime Infrastructure's intention to object to the assessment, a payment of this amount was made on 5 February 2010 as required by law.

The acquisition of WestNet Rail was completed in 2006 in conjunction with Queensland Rail as acquirer of the above rail ARG Group business (WestNet Rail acquired the below rail track infrastructure). As a consequence of this joint acquisition, a portion ($24.9 million) of the stamp duty assessment is contractually payable by Queensland Rail and these funds were received prior to the payment of the total stamp duty assessment noted above. Accordingly, if it is ultimately determined that WestNet Rail is liable for the stamp duty, the amount applicable to Prime Infrastructure would be $46.4 million. For further information refer to note 9 in the financial report.

The Western Australian State Government has provided written confirmation to WestNet Rail confirming that WestNet Rail is not liable for any of the re-sleepering projects associated with the uneconomic grain lines and that WestNet Rail has complied with all commercial and maintenance obligations for these lines. Furthermore the West Australian State Government announced in January 2010 the first tranche of the associated funding, with the West Australian State Government funding 50% of the total estimated costs of the project ($43.5m) and seeking Federal Government funding for the remaining portion of the Avon to Albany line re-sleepering project.

### Euroports:

Euroports underlying EBITDA performance (on a 100% basis for all ports excluding Rostock which is Euroports 50% proportionate interest) for the half-year period is €39.6 million which is slightly ahead of forecast and is marginally lower than the prior comparative period (€41.3 million). This decrease compared to the prior corresponding period is due to the fact that the full effect of the global financial crisis and the associated economic impacts in Europe was not experienced at Euroports until November 2008, therefore part way through the first half of 2009 financial year.

During the current period, lower than anticipated volumes were balanced by higher storage revenues and cost savings initiatives implemented by management throughout the Euroports group. Such cost savings initiatives can be demonstrated by the fact that volumes for the 6 months to 31 December 2009 were down 23% year on year but recurring EBITDA was only down 5% and ahead of expectations. The last quarter of the 2009 calendar year saw increasing volumes with a strong sugar season in northern Europe significantly benefiting Euroports' core Antwerp based terminals and the forestry products market improving.

Any recovery in Europe is expected to continue to be sporadic with monthly performance remaining volatile albeit backed by a slow and steady long term improvement of volumes back towards pre global financial crisis levels. This, coupled with the efficiency improvements and cost savings initiatives implemented by management during the global financial crisis, bodes well for the continued gradual improvement in profitability at Euroports over the duration of the 2010 calendar year. The diversity of Euroports' portfolio of 20 terminals throughout Europe will continue to provide downside protection against weakness in individual product segments, just as it has done throughout the recent economic crisis.

On 28 July 2009, Prime Infrastructure completed the sale of 33.89% of the equity interest in Euroports to Antin Infrastructure Partners and Arcus European Infrastructure Fund I. In addition, Antin holds a convertible bond, which if converted, would result in an additional 5.97% of equity, leaving Prime Infrastructure with a 60% holding. The proceeds from this transaction were used to repay a $60.9 million (€35.0 million) current liability. From a statutory accounting perspective, Prime Infrastructure consolidated the revenue and expense of Euroports within discontinued operations up to 28 July 2009, and then equity accounted the results from the date of the transaction to 31 December 2009 in continuing operations.

## REVIEW OF OPERATIONS (CONTINUED)

### Operating Performance (continued)

### Energy Transmission & Distribution

Prime Infrastructure's Energy, Transmission and Distribution segment during the current half-year period consisted of the following:

IEG – 100% equity interest in International Energy Group which is the second largest provider of 'last-mile' gas and electricity services in the United Kingdom and sole provider of natural gas and LPG in the Channel Islands and Isle of Man.

NGPL – 26.4% equity interest in Natural Gas Pipeline Company of America which is one of the largest natural gas pipeline and storage systems in the US and provides essential gas transportation and storage required to service the Chicago market.

Powerco – 42% equity interest in Powerco which is New Zealand's second largest provider of regulated electricity and gas distribution services.

Tas Gas Networks – 100% equity interest in Tas Gas Networks which is the only natural gas distributor in Tasmania, with approximately 730km of distribution pipe and 6,500 customers.

In the current period, the investments in Australian Energy Transmission & Distribution and Cross Sound Cable have been classified as held for sale and the results from their operations are included within discontinued operations.

### International Energy Group (IEG):

IEG's underlying EBITDA performance for the half-year ended 31 December 2009 was £12.2 million which was in line with expectations, although it was lower than the prior year by £1.3 million.  The reduced EBITDA is as a result of a lower level of developer contributions and lower trading results in Power On Connections (electricity connections business) due to the downturn in the UK housing market.  In addition, the current period result has been impacted by the milder weather in 2009 and fuel cost adjustments that were in force between August 2008 and December 2008 in the Islands businesses.  IEG's financial results are consolidated in Prime Infrastructure's financial results for the six months ended 31 December 2009.

The UK housing market, a key driver of growth in the UK gas and electricity connections businesses, remains severely depressed.  The NHBC statistics show new housing statistics for the 12 months to 30 June 2009 (i.e. trailing data) down 53% on the previous corresponding period. The continued tightening of the housing market in the UK and the increase in competition is negatively impacting sales volumes and margins in both the gas and electric "last-mile" connection businesses.  New connections are slightly behind expectations confirming this trend.  The UK electricity business has shown some signs of recovery compared to the 2009 financial year with enquiries, quotations and orders above budget.  The operating performance of Power On Connections is slightly lower than expectations due to phasing of major projects.

A slow recovery of the UK housing market is expected during the 2010 calendar year and the cold weather snap experienced in January combined with tariff increases implemented as a result of higher product costs should see the offshore islands performing in line with expectations for the full financial year.

### Natural Gas Pipeline Company of America (NGPL):

NGPL has performed broadly in line with expectations for the half-year ended 31 December 2009.  Underlying EBITDA for NGPL (100% basis) was US$306.2 million compared to EBITDA of US$347.7 million in the prior corresponding period.  The financial reported performance in the current period has been impacted by lower gas prices compared to the prior corresponding period.  This impacts the reported results as the gas inventory recorded by NGPL is recorded at the lower of cost or market value and as a result of the decrease in natural gas prices during the period, the value of inventory was reduced by US$23.2 million.  This is a non-cash mark to market adjustment.  These items contribute a majority of the variance in EBITDA from the current half-year period to the prior comparative period.  From a statutory accounting perspective, Prime Infrastructure equity accounts its investment in NGPL.

## REVIEW OF OPERATIONS (CONTINUED)

### Operating Performance (continued)

### Natural Gas Pipeline Company of America (NGPL) (continued):

On 19 November 2009, NGPL along with two other US interstate pipeline companies, were notified by the Federal Energy Regulatory Commission (FERC) of a separate proceeding against each interstate pipeline company pursuant to section 5 of the Natural Gas Act. The proceeding will set the matter for hearing and determine whether NGPL's current rates, which were approved by the FERC in NGPL's last rate case settlement, remain just and reasonable.

The FERC made no findings in its Order as to what would constitute just and reasonable rates or a reasonable return for NGPL.

As part of the Section 5 proceeding, FERC directed NGPL to file a Cost and Revenue Study within 45 days of the date the order was issued. Pursuant to a joint motion for a 30 day extension of time filed by NGPL, NGPL's Cost and Revenue Study based on current financial data was submitted on 4 February 2010.

The management of NGPL is working closely with its shareholders to comply with any and all requests for information made by the FERC in connection with such proceeding.

### Powerco:

Powerco's underlying EBITDA performance (on a 100% basis) for the half-year ended 31 December 2009 is NZ$112.5 million, which is in line with forecast. EBITDA in the prior comparative period was NZ$117.0 million (100% basis). The variance between periods is primarily due to the impact of the New Zealand Commerce Commission's decision in January 2009 to reduce gas prices by approximately 11% and also due to an increase in indirect costs relating to the recent regulatory, corporate and financing activities. From a statutory accounting perspective, Prime Infrastructure equity accounts its investment in Powerco.

In the next 12 to 18 months it is likely that Powerco's electricity regulatory environment will present an opportunity to choose a new regulatory regime (being the Customised Price Path) or stay with the current regulatory environment (the Default Price Path or DPP).

### Tas Gas Networks (TGN):

TGN's underlying EBITDA for the half-year ended 31 December 2009 was $3.9 million. This compares to the prior comparative period in which EBITDA of $1.7 million was generated. This is a significant improvement from the prior corresponding period and is in line with the increase in the number of connections and load on the network compared to the prior corresponding period. TGN's financial results are consolidated in the Prime Infrastructure's financial results for the six months ended 31 December 2009.

The total number of connections and work in progress as at 31 December 2009 was 7,494 of which 6,548 were consuming customers. New customers connected during the 6 months ended 31 December 2009 was 780 which was slightly ahead of forecast. New connections and volumes transported on the network are in line with expectations. There continues to be strong growth in the commercial sector.

### Financing

The recapitalisation of Prime Infrastructure in November 2009 resulted in profound changes to the Group's capital structure, including:

- A significant reduction in consolidated leverage through the repayment of certain corporate and non-recourse debt, the sale of PD Ports and the conferring of 49.9% of the economic interest in Dalrymple Bay Coal Terminal and classification of Australian Energy Transmission & Distribution assets and Cross Sound Cable as held for sale;
- The simplification of the capital structure through the conversion of the BEPPA;
- A lengthening of the debt maturity profile; and
- Ensuring the group has significant liquidity, in the form of cash and an undrawn $300.0 million term debt facility, going forward.

The above items established a sustainable capital structure for the group.

## REVIEW OF OPERATIONS (CONTINUED)

### Operating Performance (continued)

### Financing (continued)

As part of the transaction, all of Prime Infrastructure's corporate bank debt was repaid and associated interest rate swaps terminated. At the same time a $300.0 million three-year liquidity facility was established, which remains undrawn at the date of this report. Proceeds from the equity raising and the conferring of a 49.9% economic interest in Dalrymple Bay Coal Terminal were used to repay debt and terminate associated interest rate swaps, acquire the minority interest in WestNet Rail and pay transaction costs.

During the recapitalisation process, Prime Infrastructure had extensive discussions with WestNet Rail's lenders concerning amendments to, and the partial repayment and extension of the WestNet Rail facilities which are due for repayment in June 2011. At the time the transaction closed, these negotiations had not been finalised. The Group is continuing to work with the lenders with the aim of extending the maturity date of the facilities to January 2014.

Whilst some of the near term debt maturities were repaid (or liquidity held to enable the repayment of the maturing debt) as part of the recapitalisation of Prime Infrastructure, other non-recourse debt otherwise unaffected by the transaction is expected to be refinanced in the periods ahead.

## DISTRIBUTIONS

As part of the recapitalisation that Prime Infrastructure undertook on 20 November 2009, a Capital Distribution in an aggregate amount of $103.7 million ($0.04 per Security) was made to registered Securityholders as at the Capital Distribution record date being 16 November 2009.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

## SUBSEQUENT EVENTS

On 6 January 2010, Prime Infrastructure announced that WestNet Rail Holdings No.1 Pty Limited, a wholly-owned subsidiary of Prime Infrastructure Group received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition of the ARG Group by WestNet WA Rail Pty Limited (formerly Babcock & Brown WA Rail Pty Limited). Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge the assessment. Notwithstanding Prime Infrastructure's intention to object to the assessment, payment of this amount was made on 5 February 2010 in accordance with law.

WestNet WA Rail Pty Limited, the immediate parent of WestNet Rail Holdings No.1 Pty Limited, and also wholly owned by Prime Infrastructure Group, exercised its contractual rights of indemnity against Queensland Rail as acquirer of the above rail ARG Group business in 2006, to recover approximately $24.9 million and to use that amount to partially fund the liability of WestNet Rail Holdings No.1 Pty Limited under the assessment. Accordingly, if it is ultimately determined that WestNet Rail Holdings No.1 Pty Limited is liable for the stamp duty, the net duty required to be funded by the Prime Infrastructure Group would be $46.4 million.

As at 31 December 2009, this item has been disclosed as a contingent liability (refer note 9).

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 9 of the half-year financial report.

## ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Hon. Dr. D J Hamill AM
Director
Sydney, 25 February 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Prime Infrastructure Holdings Limited
Level 10, The Chifley Tower
2 Chifley Square,
SYDNEY NSW 2000

25 February 2010

Dear Board Members,

**Prime Infrastructure Holdings Limited**

In accordance with section 307C of the Corporations Act 2001, I provide the following declaration of independence to the directors of Prime Infrastructure Holdings Limited.

As lead audit partner for the review of the interim financial statements of Prime Infrastructure Holdings Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

Member of
**Deloitte Touche Tohmatsu**

Deloitte.

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# Independent Auditor's Review Report to the members of Prime Infrastructure Holdings Limited

We have reviewed the accompanying half-year financial report of Prime Infrastructure Holdings Limited, which comprises the condensed consolidated balance sheet as at 31 December 2009, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 40.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Infrastructure Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

*Auditor's Independence Declaration*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Infrastructure Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants
Sydney, 25 February 2010

# Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Hon. Dr. D J Hamill AM
Director
Sydney, 25 February 2010

# Condensed Consolidated Income Statement
## for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| Revenue | | 227,539 | 242,306 |
| Other income | | 418,926 | 4,564 |
| **Total income** | | **646,465** | **246,870** |
| Share of (losses) / profits from associates and jointly controlled entities accounted for using the equity method | | (4,187) | 13,935 |
| Employee benefit expense | | (39,106) | (32,313) |
| Transmission and direct costs | | (63,297) | (79,623) |
| Depreciation, amortisation and impairment charge | | (39,399) | (34,424) |
| Finance costs | | (108,239) | (142,919) |
| Operating and management charges | | (30,419) | (34,742) |
| Net hedge expense | | - | (150,844) |
| Other expenses | | (59,956) | (30,917) |
| **Total expense** | | **(344,603)** | **(491,847)** |
| **Profit / (loss) before income tax (expense) / benefit** | | **301,862** | **(244,977)** |
| Income tax (expense)/benefit | | (71,063) | 50,142 |
| **Profit / (loss) from continuing operations** | | **230,799** | **(194,835)** |
| Loss from discontinued operations | 2 | (962,594) | (50,979) |
| **Loss for the period** | | **(731,795)** | **(245,814)** |
| **Attributable to:** | | | |
| Equity holders of the parent entity | | (741,459) | (236,409) |
| Non-controlling interest | | 9,664 | (9,405) |
| | | **(731,795)** | **(245,814)** |
| **Loss per Security from continuing and discontinued operations** | | | |
| Basic and diluted (cents per Security) | 7 | (944.3) | (149,264.4) |
| **Profit / (loss) per Security from continuing operations** | | | |
| Basic and diluted (cents per Security) | 7 | 293.7 | (120,008.0) |

Notes to the Financial Statements are included on pages 20 to 40.

# Condensed Consolidated Statement of Comprehensive Income

## for the Half-Year ended 31 December 2009

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Loss for the period | (731,795) | (245,814) |
| **Other comprehensive income** | | |
| Exchange differences arising on translation of foreign operations | (68,389) | 122,166 |
| Transfer of reserves to profit or loss on disposal of operations | 77,393 | - |
| Loss on cash flow hedges taken to equity | 9,207 | (510,319) |
| Gain on cash flow hedges transferred to income | 42,660 | 8,707 |
| Other reserves recognised in the period | - | (87) |
| Share of other comprehensive income of associates | (33,959) | (42,863) |
| Income tax relating to components of other comprehensive income | 1,481 | 150,311 |
| **Other comprehensive income for the period** | **28,393** | **(272,085)** |
| **Total comprehensive income of the period** | **(703,402)** | **(517,899)** |
| **Total comprehensive income attributable to:** | | |
| Owners of the parent | (713,066) | (516,524) |
| Non-controlling interests | 9,664 | (1,375) |
| | **(703,402)** | **(517,899)** |

Notes to the Financial Statements are included on pages 20 to 40.

# Prime Infrastructure Holdings Limited

## Condensed Consolidated Balance Sheet

## as at 31 December 2009

| | Note | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 466,949 | 257,873 |
| Trade and other receivables | | 58,843 | 172,991 |
| Other financial assets | | 88,496 | 67,573 |
| Inventories | | 19,576 | 18,687 |
| Current tax receivables | | 10 | 10,356 |
| Other | | 13,089 | 16,590 |
| Non-current assets classified as held for sale | 2 | 1,869,047 | 2,223,734 |
| **Total current assets** | | **2,516,010** | **2,767,804** |
| **Non-current assets** | | | |
| Trade and other receivables | | 7,232 | 9,440 |
| Other financial assets | | 926,919 | 705,712 |
| Cash held on restricted deposit | | 24,440 | 104,316 |
| Investments accounted for using the equity method | 4 | 624,191 | 650,509 |
| Property, plant and equipment | | 1,713,699 | 3,876,533 |
| Investment property | | - | 174,672 |
| Goodwill | 5 | 163,198 | 378,563 |
| Other intangible assets | | 7,031 | 3,045,531 |
| Deferred tax assets | | 178,124 | 735,598 |
| Other | | 2,270 | 63,984 |
| **Total non-current assets** | | **3,647,104** | **9,744,858** |
| **Total assets** | | **6,163,114** | **12,512,662** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 156,503 | 332,189 |
| Borrowings | | 102,120 | 493,760 |
| Other financial liabilities | | 5,259 | 117,116 |
| Current tax payable | | 1,653 | 1,377 |
| Provisions | | 5,792 | 16,249 |
| Other | | 8,615 | 9,865 |
| Liabilities directly associated with non-current assets classified as held for sale | 2 | 1,884,567 | 1,907,155 |
| **Total current liabilities** | | **2,164,509** | **2,877,711** |
| **Non-current liabilities** | | | |
| Trade and other payables | | - | 3,290 |
| Borrowings | | 1,193,144 | 6,485,945 |
| Other financial liabilities | | 110,103 | 207,334 |
| Deferred tax liabilities | | 56,991 | 945,399 |
| Provisions | | 1,288 | 67,513 |
| Other | | 148,869 | 205,097 |
| **Total non-current liabilities** | | **1,510,395** | **7,914,578** |
| **Total liabilities** | | **3,674,904** | **10,792,289** |
| | | | |
| **Net assets** | | **2,488,210** | **1,720,373** |

# Prime Infrastructure Holdings Limited

## Condensed Consolidated Balance Sheet

## as at 31 December 2009

| | Note | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | 6 | 4,384,643 | 2,811,318 |
| Reserves | | (201,661) | (157,610) |
| Retained earnings | | (1,740,825) | (999,366) |
| Amounts recognised directly in equity to non-current assets classified as held for sale | | (17,052) | (36,810) |
| **Parent entity interest** | | **2,425,105** | **1,617,532** |
| Parent entity interest | | 2,425,105 | 1,617,532 |
| Non-controlling interest | | 63,105 | 102,841 |
| **Total equity** | | **2,488,210** | **1,720,373** |

Notes to the Financial Statements are included on pages 20 to 40.

## Prime Infrastructure Holdings Limited

## Condensed Consolidated Statement of Changes in Equity

## for the Half-Year ended 31 December 2009

| | Issued capital $'000 | Hedge reserve $'000 | Foreign currency translation reserve $'000 | Other reserve $'000 | General reserve $'000 | Retained earnings $'000 | Attributable to owners of the parent entity $'000 | Non controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | | | | |
| Balance at 1 July 2009 | 2,811,318 | (116,496) | (79,467) | 2,124 | (581) | (999,366) | **1,617,532** | 102,841 | **1,720,373** |
| Loss for the period | - | - | - | - | - | (741,459) | **(741,459)** | 9,664 | **(731,795)** |
| Amounts recognised in the current period | - | 9,207 | (68,389) | - | - | - | **(59,182)** | - | **(59,182)** |
| Income tax relating to components of other comprehensive income | - | 1,481 | - | - | - | - | **1,481** | - | **1,481** |
| Transferred to profit or loss | - | 42,660 | 77,393 | - | - | - | **120,053** | - | **120,053** |
| Share of reserves of associates | - | (12,897) | (59) | - | (21,003) | - | **(33,959)** | - | **(33,959)** |
| **Total comprehensive income for the period** | **-** | **40,451** | **8,945** | **-** | **(21,003)** | **(741,459)** | **(713,066)** | **9,664** | **(703,402)** |
| Securities issued during the period | 1,784,866 | - | - | - | - | - | **1,784,866** | - | **1,784,866** |
| Issue costs | (107,870) | - | - | - | - | - | **(107,870)** | - | **(107,870)** |
| Return of capital to stapled security holders | (103,671) | - | - | - | - | - | **(103,671)** | - | **(103,671)** |
| **Total** | **1,573,325** | **-** | **-** | **-** | **-** | **-** | **1,573,325** | **-** | **1,573,325** |
| Discounting and other impacts of loans with associates | - | - | - | (48,537) | (4,149) | - | **(52,686)** | - | **(52,686)** |
| Minority interests disposed of or acquired during the period | - | - | - | - | - | - | **-** | (45,172) | **(45,172)** |
| Dividends paid to minority interests | - | - | - | - | - | - | **-** | (4,228) | **(4,228)** |
| **Total equity at 31 December 2009** | **4,384,643** | **(76,045)** | **(70,522)** | **(46,413)** | **(25,733)** | **(1,740,825)** | **2,425,105** | **63,105** | **2,488,210** |

## Condensed Consolidated Statement of Changes in Equity
## for the Half-Year ended 31 December 2009



| | Issued capital $'000 | Hedge reserve $'000 | Foreign currency translation reserve $'000 | Other reserve $'000 | General reserve $'000 | Retained earnings $'000 | Attributable to owners of the parent entity $'000 | Non controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | | | | |
| Balance at 1 July 2008 | 2,790,483 | 70,213 | (98,619) | 13,822 | 220 | 13,926 | **2,790,045** | 170,230 | **2,960,275** |
| Loss for the period | - | - | - | - | - | (236,409) | **(236,409)** | (9,405) | **(245,814)** |
| Amounts recognised in the current period | - | (517,543) | 122,166 | - | - | (87) | **(395,464)** | 7,224 | **(388,240)** |
| Income tax relating to components of other comprehensive income | - | 149,505 | - | - | - | - | **149,505** | 806 | **150,311** |
| Transferred to profit or loss | - | 8,707 | - | - | - | - | **8,707** | - | **8,707** |
| Share of reserves of associates | - | (42,863) | - | - | - | - | **(42,863)** | - | **(42,863)** |
| **Total comprehensive income for the period** | - | **(402,194)** | **122,166** | **-** | **-** | **(236,496)** | **(516,524)** | **(1,375)** | **(517,899)** |
| Discounting and other impacts of loans with associates | - | - | - | (13,317) | (362) | - | **(13,679)** | - | **(13,679)** |
| Distributions paid from retained earnings | - | - | - | - | - | (59,393) | **(59,393)** | - | **(59,393)** |
| Dividends paid to minority interests | - | - | - | - | - | - | **-** | (5,170) | **(5,170)** |
| **Total equity at 31 December 2008** | **2,790,483** | **(331,981)** | **23,547** | **505** | **(142)** | **(281,963)** | **2,200,449** | **163,685** | **2,364,134** |

Notes to the Financial Statements are included on pages 20 to 40.

# Condensed Consolidated Cash Flow Statement for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 721,465 | 1,521,249 |
| Payments to suppliers and employees | | (451,637) | (1,017,314) |
| Interest received | | 33,933 | 41,695 |
| Interest and other costs of finance paid | | (359,754) | (292,800) |
| Income tax paid | | (7,151) | (3,443) |
| **Net cash (used in) / provided by operating activities** | | **(63,144)** | **249,387** |
| **Cash flows from investing activities** | | | |
| Payment for property, plant & equipment | | (118,788) | (436,724) |
| Proceeds from sale of trading assets | | 747 | 3,416 |
| Net proceeds from deposits | | 3,630 | 21,737 |
| Proceeds from sale of investments | | 129,371 | 1,160 |
| Payment for investments | | (22,294) | (12,054) |
| Payment for businesses | | - | (85,572) |
| Dividends received | | 23,857 | 26,019 |
| **Net cash provided by / (used in) investing activities** | | **16,523** | **(482,018)** |
| **Cash flows from financing activities** | | | |
| Distributions paid to Stapled Securityholders | | (103,671) | (59,393) |
| Dividends paid to minority interests | | (4,228) | (5,170) |
| Proceeds from issue of securities | | 1,500,000 | - |
| Security issue costs paid | | (107,870) | - |
| Proceeds from borrowings | | 75,203 | 1,090,014 |
| Repayment of borrowings | | (1,096,062) | (772,190) |
| **Net cash provided by financing activities** | | **263,372** | **253,261** |
| **Net increase in cash and cash equivalents** | | **216,751** | **20,630** |
| **Cash and cash equivalents at the beginning of the financial period** | | **344,034** | **298,479** |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (486) | 2,291 |
| **Cash and cash equivalents at the end of the financial period [1]** | | **560,299** | **321,400** |

[1] Cash and cash equivalents at the end of the financial period includes cash and cash equivalents from assets that are included within discontinued operations.

Notes to the Financial Statements are included on pages 20 to 40.

## Notes to the Condensed Consolidated Financial Statements for the Half-Year ended 31 December 2009

## 1. SIGNIFICANT ACCOUNTING POLICIES

Prime Infrastructure Holdings Limited ('the Company') is a company domiciled in Australia. The condensed consolidated half-year financial report of the Company as at and for the half-year ended 31 December 2009 consists of the consolidated Financial Statements of Prime Infrastructure Holdings Limited and its controlled entities, Prime Infrastructure Trust and its controlled entities and Prime Infrastructure Trust 2 and its controlled entity (together referred to as 'the consolidated entity').

### STATEMENT OF COMPLIANCE

The half-year financial report is a General Purpose Financial Report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed consolidated annual financial report of Prime Infrastructure Holdings Limited as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at Level 10, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000 or at www.primeinfrastructure.com

### BASIS OF PREPARATION

The condensed consolidated half-year financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 3 Business Combinations (revised)
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements (revised)
- AASB 127 Consolidated and Separate Financial Statements (revised)

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior periods:

<u>Changes in ownership interests of subsidiaries</u>

AASB 127 'Consolidated and Separate Financial Statements (2008)' has been adopted in the current period and applies prospectively. The revised Standard has resulted in changes to the Group's accounting policies regarding increases or decreases in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in the Australian Accounting Standards, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PREPARATION (CONTINUED)

appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under AASB 127 (2008), all increases or decreases in such interests are recognised directly in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In addition to the above, the adoption of the these new and revised Standards and Interpretations have resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements in the following areas:

- Presentation of the Financial Statements. As a consequence of the adoption of AASB 101 'Presentation of Financial Statements (2007)' and its associated amending Standards, the Group no longer presents a Statement of Recognised Income and Expense, but presents a Statement of Comprehensive Income and a Statement of Changes in Equity.
- Information about the Group's segments. The adoption of AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' has resulted in both a re-designation of the Group's reportable segments and amended segment disclosures (refer note 3 for further details).

### STAPLED SECURITY

The shares of Prime Infrastructure Holdings Limited (formerly Babcock & Brown Infrastructure Limited) and the units in Prime Infrastructure Trust (formerly Babcock & Brown Infrastructure Trust) and Prime Infrastructure Trust 2 (formerly BBI SPARCS Trust) (collectively 'the Trusts') are combined and issued as Tripled Stapled Securities in the Prime Infrastructure Group ('the Group'). The shares in the Company and the units of the Trusts cannot be traded separately and can only be traded as Stapled Securities.

Prime Infrastructure Trust 2 joined the Stapled Group as part of the recapitalisation of Prime Infrastructure in November 2009. The equity and reserves of Prime Infrastructure 2 have been included as part of the total equity of the consolidated group rather than being disclosed as a minority interest in order to maintain consistency with the Stapling treatment of the Company and the Trust.

### GROUP FORMATION AND TERMINATION

On 29 April 2002, the Company was incorporated and Prime Infrastructure Trust formed. On 18 June 2002, the units of the Trust and the shares of the Company were stapled (the Stapled Securities). On this date the Stapled Securities were issued to the public through an Initial Public Offering and were listed on the Australian Securities Exchange on 24 June 2002.

On 20 November 2009, as part of the recapitalisation of the Group, Prime Infrastructure Trust 2 became a party to the Stapling Deed, resulting in Prime Infrastructure becoming a Tripled Stapled Security listed on the Australian Securities Exchange.

The shares in the Company and the units of the Trusts will remain stapled until the earlier of the Company ceasing to exist or being wound up, or the Trusts being dissolved in accordance with the provisions of their Trust Constitution.

## 2. DISCONTINUED OPERATIONS

### EUROPORTS GROUP

On 28 July 2009, Prime Infrastructure announced that it had agreed revised terms to the Share Subscription Agreement pursuant to which a consortium of investors consisting of Antin Infrastructure Partners (Antin IP) and Arcus European Infrastructure Fund I (Arcus) agreed to invest in Euroports Holdings S.a.r.l (Euroports).

The agreed price under the Amended Share Subscription Agreement for the 40% interest was €141.5 million ($243.3 million). The agreed price included equity contribution, interest-bearing loans and non-share equity interests (debt). Furthermore, included within the 33.89% interest acquired to date is a convertible bond held by Antin IP (€8.05m), which if converted, would result in additional equity of 5.97% being issued. As at 31 December 2009 and to the date of this report, the bond had not been converted.

The amended Share Subscription Agreement includes a share equalisation process in years 2012 and 2013 based on the performance of Euroports through that time. Depending on Euroports performance, the aggregate equity owned by Antin IP and Arcus will be adjusted from the potential up-front 40% (including conversion of the convertible bond) holdings to an amended holding of between 34% and 65% (to be held between Antin IP and Arcus on the same proportional basis as the up-front holding assuming Antin IP converts its convertible bond into equity).

The net proceeds received from the share subscription agreement were used to repay $60.9 million of financial liabilities (€35.0m). A loss of $68.8 million was recognised on this disposal.

### DALRYMPLE BAY COAL TERMINAL

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Prime Infrastructure Trust issued Convertible Notes to Brookfield Asset Management Inc. (or its affiliates) ('Brookfield') for $295.4 million and entered into a number of agreements with Brookfield, which confer on it a 49.9% economic interest in Dalrymple Bay Coal Terminal.

The amount paid by Brookfield for the economic interest will be adjusted, and a corresponding payment made to or from Prime Infrastructure, once the final Regulated Asset Base (post stage 7 expansion) has been determined by the QCA (expected to be June 2010).

Prime Infrastructure will remain responsible for the outcome of the existing tax disputes with the Australian Taxation Office and any taxes, duties or other government imposed levies arising from Brookfield or its assignees electing to convert under the terms of the Convertible Notes, into shares and units in the relevant Dalrymple Bay Coal Terminal entities, and for other consent related costs (with the latter capped at $17.6 million).

In accordance with Accounting Standards, Prime Infrastructure is deemed to have joint control of Dalrymple Bay Coal Terminal, and therefore equity accounts its investment from the date at which control was lost (20 November 2009). The net proceeds of $295.4 million received from this transaction were used to repay corporate debt within the Group. The transaction resulted in a gain of $23.0 million being recognised which is included within discontinued operations.

### PD PORTS

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Brookfield acquired 100% of Prime Infrastructure's interests in PD Ports for nominal proceeds. As part of this transaction, Brookfield repaid the £100.0 million ($181.0 million) in term and acquisition facilities within PD Ports and the termination costs of associated swaps. This transaction resulted in Prime Infrastructure recognising a loss of $247.1 million which is included within discontinued operations.

### HELD FOR SALE ASSETS: AUSTRALIAN ENERGY TRANSMISSION & DISTRIBUTION GROUP AND CROSS SOUND CABLE

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Prime Infrastructure announced that it would classify its interests in AET&D and Cross Sound Cable as held for sale. Prime Infrastructure and Brookfield Asset Management will both use reasonable endeavours to effect a sale of the assets as soon as practicable. Prime Infrastructure has issued an option to the BEPPA holders to receive any proceeds in relation to the disposal of the AET&D assets, whilst a twelve month option (with an option in favour of Brookfield for a further two periods of twelve months each) has been issued to Brookfield to acquire Cross Sound Cable.

## 2. DISCONTINUED OPERATIONS (CONTINUED)

### HELD FOR SALE ASSETS: AUSTRALIAN ENERGY TRANSMISSION & DISTRIBUTION GROUP AND CROSS SOUND CABLE (CONTINUED)

Prime Infrastructure has written down its investment in AET&D to nil value and this has resulted in an impairment of $552.7 million being recognised in the current financial period. An additional impairment charge of $126.3 million was recognised within the underlying AET&D assets during the current period.

The combined results of the discontinued operations which have been included in the Income Statement are as follows (refer note 3 for further details of entities included within discontinued operations for the period):

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 [1] |
|---|---|---|
| **Loss from discontinued operations** | | |
| Revenue | 436,792 | 1,123,668 |
| Other income | 8,292 | 26,917 |
| **Total income** | **445,084** | **1,150,585** |
| | | |
| Share of profits / (losses) from associates and jointly controlled entities accounted for using the equity method | 6,583 | (861) |
| Employee benefits expense | (59,118) | (170,039) |
| Transmission and direct costs | (133,353) | (447,782) |
| Depreciation, amortisation and impairment expense | (728,446) | (135,334) |
| Finance costs | (122,571) | (204,121) |
| Operating and management charges | (46,944) | (151,622) |
| Net hedge expense | (26,061) | (105,048) |
| Other expenses | (10) | (11,717) |
| **Total expense** | **(1,109,920)** | **(1,226,524)** |
| **Loss before income tax expense** | **(664,836)** | **(75,939)** |
| Attributable income tax (expense) / benefit | (4,729) | 24,996 |
| **Loss after income tax (expense) / benefit** | **(669,565)** | **(50,943)** |
| Gain on disposal of operation | 22,968 | - |
| Loss on disposal of operation | (315,997) | (36) |
| **Loss from discontinued operations** | **(962,594)** | **(50,979)** |
| | | |
| **Attributable to:** | | |
| Equity holders of the parent entity | (972,058) | (46,338) |
| Non-controlling interest | 9,464 | (4,641) |
| | **(962,594)** | **(50,979)** |

[1] The comparative information disclosed includes the results from Powerco New Zealand and Gascan (a subsidiary of IEG). The 42% sale of Powerco was completed on 26 February 2009 and the 100% sale of Gascan was completed on 18 May 2009.

## 2. DISCONTINUED OPERATIONS (CONTINUED)

The major classes of assets and liabilities comprising the businesses classified as held for sale at 31 December 2009 are as follows:

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 [1] |
|---|---|---|
| Cash and cash equivalents | 93,350 | 86,192 |
| Trade and other receivables | 44,657 | 163,881 |
| Other financial assets | 2,741 | 5,217 |
| Inventories | 996 | 1,946 |
| Current tax receivables | 9,731 | 1,219 |
| Other current assets | 5,307 | 39,451 |
| Cash held on restricted deposit | 9,103 | 22,535 |
| Investments accounted for using the equity method | 270,000 | 14,399 |
| Property, plant and equipment | 1,713,870 | 670,277 |
| Goodwill | 84,000 | 430,008 |
| Intangibles | 133,787 | 745,041 |
| Deferred tax assets | 34,348 | 41,785 |
| Other non-current assets | 19,863 | 1,783 |
| Impairment of AET&D business [2] | (552,706) | - |
| **Total assets classified as held for sale** | **1,869,047** | **2,223,734** |
| | | |
| Trade and other payables | (75,346) | (165,725) |
| Borrowings | (1,413,020) | (1,150,084) |
| Other financial liabilities | (41,802) | (66,477) |
| Current tax payable | (1,224) | (6,159) |
| Provisions | (70,046) | (69,908) |
| Deferred tax liabilities | (270,535) | (368,416) |
| Other liabilities | (12,594) | (80,386) |
| **Total liabilities associated with assets classified as held for sale** | **(1,884,567)** | **(1,907,155)** |
| | | |
| **Net (liabilities) / assets classified as held for sale** | **(15,520)** | **316,579** |

[1] The comparative information disclosed includes the Euroports business which was classified as held for sale as at 30 June 2009. The 33.89% sale of Euroports was completed on 28 July 2009.

[2] The net assets classified as held for sale of the AET&D business have been impaired to $1. The CSC business has net liabilities classified as held for sale of $15.5 million.

## 3. SEGMENT INFORMATION

The Group has adopted 'AASB 8 Operating Segments' and 'AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Management and the Board of Directors in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical). As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

### 3. SEGMENT INFORMATION (CONTINUED)

In prior years, segment information reported externally was based on either Transport Infrastructure or Energy, Transmission & Distribution. However, information reported by Executive Management to the Board of Directors and internally for the purposes of resource allocation and assessment of performance is more specifically focused on the individual assets within these two sectors. The principal assets within continuing operations include:

| **Continuing operations** | | **Discontinued operations** | |
|---|---|---|---|
| **Asset** | **Currency** | **Asset** | **Currency** |
| WestNet Rail | AUD | DBCT [1] | AUD |
| Powerco | NZD | Euroports [1] | EUR |
| IEG | GBP | AET&D [2] | AUD |
| Tas Gas Networks | AUD | Cross Sound Cable [2] | USD |
| NGPL | USD | PD Ports (disposed 20 November 2009) | GBP |
| | | Gascan (disposed 18 May 2009) | GBP |

[1] Prime Infrastructure conferred 49.9% of its economic interest in DBCT on 20 November 2009 to Brookfield and disposed of 33.89% of the economic interest in Euroports on 28 July 2009. The results of these assets have been included within discontinued operations up until the point they were equity accounted.

[2] The Australian Energy Transmission & Distribution and Cross Sound Cable businesses are classified as held for sale as at 31 December 2009.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform with the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

| | 31 Dec 2009 FC'000 | 31 Dec 2009 $'000 | 31 Dec 2008 FC'000 | 31 Dec 2008 $'000 |
|---|---|---|---|---|
| **Revenue – continuing operations** | | | | |
| WestNet Rail | 106,606 | 106,606 | 100,456 | 100,456 |
| IEG | 37,149 | 69,483 | 42,904 | 95,703 |
| Tas Gas Networks | 11,609 | 11,609 | 8,880 | 8,880 |
| Other eliminations and corporate [1] | | 413,085 | | 109 |
| | | **600,783** | | **205,148** |
| Investment revenue | | 45,682 | | 41,722 |
| **Total income** | | **646,465** | | **246,870** |
| | | | | |
| **Revenue – equity accounted investments** | | | | |
| Dalrymple Bay Coal Terminal [2] | 172,927 | 172,927 | 128,026 | 128,026 |
| Euroports [2] | 243,435 | 406,169 | 295,087 | 539,587 |
| Powerco [2] | 187,268 | 150,781 | 183,532 | 152,322 |
| Natural Gas Pipeline of America [2] | 430,497 | 494,330 | 481,260 | 634,551 |
| | | **1,224,207** | | **1,454,486** |

[1] Included within this balance is a non-cash gain of $392.4 million relating to the conversion of BEPPA into Prime Infrastructure Stapled Securities.

[2] The revenue and EBITDA shown for these assets represents 100% of the revenue and EBITDA for the six months ended 31 December 2009. Whilst Prime Infrastructure equity accounts these assets, the Executive Management and Board of Directors monitor the performance of these assets based on the 100% reported results.

## 3. SEGMENT INFORMATION (CONTINUED)

| | 31 Dec 2009 FC'000 | 31 Dec 2009 $'000 | 31 Dec 2008 FC'000 | 31 Dec 2008 $'000 |
|---|---|---|---|---|
| **Revenue – discontinued operations** | | | | |
| Australian Energy, Transmission & Distribution | 122,042 | 122,042 | 146,842 | 146,842 |
| Cross Sound Cable | 11,285 | 12,973 | 10,981 | 14,388 |
| PD Ports | 49,360 | 93,605 | 64,394 | 143,640 |
| Gascan | - | - | 7,163 | 15,978 |
| | | **228,620** | | **320,848** |
| **Consolidated revenue (excluding investment revenue)** | | **2,053,610** | | **1,980,482** |

| | 31 Dec 2009 FC'000 | 31 Dec 2009 $'000 | 31 Dec 2008 FC'000 | 31 Dec 2008 $'000 |
|---|---|---|---|---|
| **EBITDA – continuing operations** [1] | | | | |
| WestNet Rail | 50,554 | 50,554 | 41,049 | 41,049 |
| IEG | 12,256 | 23,078 | 13,594 | 30,322 |
| Tas Gas Networks | 3,892 | 3,892 | 1,730 | 1,730 |
| Corporate and eliminations [2] | | (29,758) | | (2,281) |
| | | **47,766** | | **70,820** |
| **EBITDA – equity accounted investments** | | | | |
| Dalrymple Bay Coal Terminal [3] | 111,665 | 111,665 | 70,055 | 70,055 |
| Euroports [3] | 39,560 | 66,114 | 41,280 | 75,069 |
| Powerco [3] | 112,521 | 90,651 | 116,968 | 96,854 |
| Natural Gas Pipeline of America [3] | 306,200 | 352,536 | 347,682 | 459,217 |
| | | **620,966** | | **701,195** |
| **EBITDA – discontinued operations** | | | | |
| Australian Energy, Transmission & Distribution | 66,135 | 66,135 | 56,258 | 56,258 |
| Cross Sound Cable | 8,437 | 9,712 | 8,165 | 10,471 |
| PD Ports [4] | 16,451 | 31,072 | 19,817 | 44,205 |
| Gascan | - | - | 2,696 | 6,015 |
| | | **106,919** | | **116,949** |
| **Total EBITDA** | | **775,651** | | **888,964** |

1 EBITDA from continuing operations represents Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and excludes profit and loss on sale of investments and fixed assets, foreign exchange gains and losses and mark to market movement in derivatives.

2 Corporate and elimination costs include corporate costs, results from equity accounted investments and other elimination entries within the Group from continuing operations.

3 The information disclosed relating to DBCT, Euroports, Powerco and NGPL represents the 100% of EBITDA. Prime Infrastructure equity accounts these investments for statutory account purposes. However, Executive Management and the Board of Directors monitor the performance of these assets based on the 100% of results.

4 PD Ports was sold on 20 November 2009. The results reported represent the period that it was a controlled subsidiary of Prime Infrastructure.

### 3. SEGMENT INFORMATION (CONTINUED)

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Total EBITDA | 775,651 | 888,964 |
| Less EBITDA relating to equity accounted investments | (620,966) | (701,195) |
| Add back EBITDA relating to equity accounted investments that were controlled entities for a period during the current financial period [1] | 102,794 | 241,978 |
| Add back share of profits/ (losses) from associates and jointly controlled entities accounted for using the equity method | 2,396 | 13,074 |
| **Adjusted EBITDA from controlled entities** | **259,875** | **442,821** |
| Add back interest revenue | 48,107 | 50,785 |
| Less finance expense | (230,811) | (347,040) |
| Less depreciation, amortisation and impairment costs | (767,845) | (169,758) |
| Less net hedge expense | (3,487) | (255,892) |
| Less foreign exchange loss | (57,716) | (28,296) |
| Add back other gains and losses not included in EBITDA [2] | 388,903 | (13,536) |
| Less loss on disposal of operation | (293,029) | (36) |
| **Loss before income tax from continuing and discontinued operations for the period** | **(656,003)** | **(320,952)** |
| Income tax (expense) / benefit from continuing and discontinued operations | (75,792) | 75,138 |
| **Loss for the period** | **(731,795)** | **(245,814)** |

[1] The add back of EBITDA relates to equity accounted investments that were controlled for part of the current period. DBCT was no longer consolidated following the conferring of 49.9% of the economic interest to Brookfield on 20 November 2009. From this date, Prime Infrastructure equity accounts its investment in DBCT. Prime Infrastructure sold 33.89% of Euroports on 28 July 2009. From this date, Prime Infrastructure no longer controlled Euroports and equity accounted its investment.

[2] Included within other gains and losses not recognised in EBITDA is the gain of $392.4 million relating to the conversion of BEPPA into Prime Infrastructure Stapled Securities.

## 3. SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the periods under review:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 31 Dec 2009 $'000 | 30 Jun 2009 $'000 | 31 Dec 2009 $'000 | 30 Jun 2009 $'000 |
| **Transport Infrastructure:** | | | | |
| WestNet Rail | 1,141,791 | 1,255,368 | 778,762 | 878,383 |
| Investments in associates [1] | 258,983 | 313 | - | - |
| Dalrymple Bay Coal Terminal [4] | - | 2,544,731 | - | 1,983,804 |
| Euroports [4] | - | 2,310,034 | - | 1,898,174 |
| | **1,400,774** | **6,110,446** | **778,762** | **4,760,361** |
| **Energy, Transmission & Distribution:** | | | | |
| IEG | 725,673 | 808,044 | 607,850 | 674,831 |
| Tas Gas Networks | 207,662 | 207,161 | 49,360 | 50,558 |
| Investments in associates [2] | 365,208 | 382,196 | - | - |
| | **1,298,543** | **1,397,401** | **657,210** | **725,389** |
| Other [3] | 1,869,047 | 2,569,341 | 1,884,567 | 1,921,297 |
| **Total segment assets and liabilities** | **4,568,364** | **10,077,188** | **3,320,539** | **7,407,047** |
| Unallocated assets and liabilities [5] | 1,594,750 | 2,435,474 | 354,365 | 3,385,242 |
| **Consolidated total assets and liabilities** | **6,163,114** | **12,512,662** | **3,674,904** | **10,792,289** |

1 The investments in associates within the Transport Infrastructure segment include the Group's 50.1% economic interest in DBCT and its 66.1% equity interest in Euroports.

2 The investments in associates within the Energy, Transmission & Distribution segments include the Group's 42% equity interest in Powerco New Zealand and 26.4% interest in NGPL.

3 Other includes Cross Sound Cable and AET&D which are held for sale as at 31 December 2009.

4 DBCT and Euroports were wholly-owned subsidiaries at 30 June 2009 and were therefore consolidated in the assets and liabilities of the Group.

5 Unallocated assets and liabilities include the assets and liabilities of the corporate entities such as cash at bank, intercompany loans with associates and tax balances.

For the purpose of monitoring segment performance and allocating resources between segments, Executive Management and the Board of Directors monitor the assets and liabilities of the Group, including investments accounted for using the equity method, attributable to each segment.

For the purpose of monitoring segment performance by the Executive Management and the Board of Directors, all liabilities apart from current and deferred tax liabilities and intercompany loans are allocated to reportable segments.

Other includes the assets and liabilities held by the corporate entities within the Prime Infrastructure Group and the assets that are classified as held for sale as at 31 December 2009.

## 3. SEGMENT INFORMATION (CONTINUED)

### Disclosure by reportable service

The following is an analysis of the Group's revenue and EBITDA by reportable services for the periods under review:

| | Revenue | | EBITDA | |
|---|---|---|---|---|
| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
| **Transport Infrastructure:** | | | | |
| Dalrymple Bay Coal Terminal [1] | 172,927 | 128,026 | 111,665 | 70,055 |
| WestNet Rail | 106,606 | 100,456 | 50,554 | 41,049 |
| Euroports [1] | 406,169 | 539,587 | 66,114 | 75,069 |
| PD Ports [2] | 93,605 | 143,640 | 31,072 | 44,205 |
| **Total Transport Infrastructure revenue** | **779,307** | **911,709** | **259,405** | **230,378** |
| | | | | |
| **Energy, Transmission & Distribution:** | | | | |
| Powerco [1] | 150,781 | 152,322 | 90,651 | 96,854 |
| IEG | 69,483 | 95,703 | 23,078 | 30,322 |
| Tas Gas Networks | 11,609 | 8,880 | 3,892 | 1,730 |
| Natural Gas Pipeline of America [1] | 494,330 | 634,551 | 352,536 | 459,217 |
| Australian Energy, Transmission & Distribution | 122,042 | 146,842 | 66,135 | 56,258 |
| Cross Sound Cable | 12,973 | 14,388 | 9,712 | 10,471 |
| Gascan [3] | - | 15,978 | - | 6,015 |
| **Total Energy, Transmission & Distribution** | **861,218** | **1,068,664** | **546,004** | **660,867** |

1 The information disclosed relating to DBCT, Euroports, Powerco and NGPL represents the 100% of revenue and EBITDA. Prime Infrastructure equity accounts these investments for statutory account purposes. However, Executive Management and the Board of Directors monitor the performance of these assets based on the 100% of results.

2 PD Ports was sold on 20 November 2009. The results reported represent the period that it was a controlled subsidiary of Prime Infrastructure.

3 On 18 May 2009, IEG completed the sale of its wholly-owned subsidiary Gascan Combustiveis S.A.

## 3. SEGMENT INFORMATION (CONTINUED)

### Other segment information

| | Cash interest paid [1] | | Maintenance capital expenditure | |
|---|---|---|---|---|
| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
| **Transport Infrastructure:** | | | | |
| Dalrymple Bay Coal Terminal | 50,035 | 40,666 | - | - |
| WestNet Rail | 27,900 | 21,441 | 8,821 | 14,013 |
| Euroports | 29,755 | 24,493 | 6,182 | 19,611 |
| PD Ports [2] | 33,195 | 31,341 | 2,483 | 4,316 |
| **Energy, Transmission & Distribution:** | | | | |
| Powerco | 34,654 | 38,670 | 11,952 | 11,248 |
| IEG | 16,871 | 16,211 | 4,336 | 5,464 |
| TasGas Networks | (26) | 4,491 | 333 | 1,683 |
| Natural Gas Pipeline of America [3] | 115,891 | 156,392 | 55,383 | 42,757 |
| Australian, Energy, Transmission & Distribution | 39,731 | 37,078 | 5,076 | 4,058 |
| Cross Sound Cable | 6,835 | 7,056 | 184 | - |
| | | | | |
| Corporate [4] | 172,555 | 44,524 | - | - |

1 The cash interest paid and capital maintenance expenditure for the above entities represents 100% of the total costs at the individual asset level. This is the method that Prime Infrastructure management reviews the operations.

2 The cash interest paid for PD Ports in 2009 includes the settlement of interest rate swaps as part of the recapitalisation of Prime Infrastructure that was completed on 20 November 2009.

3 The interest expense disclosed here relates to NGPL only.

4 Corporate cash interest paid in 2009 includes interest paid by Prime Infrastructure Networks (New Zealand) Limited (formerly BBI Networks (New Zealand) Limited and also includes settlement of interest rate swaps and payment of deferred dividends to BEPPA holders as part of the recapitalisation of Prime Infrastructure that was completed on 20 November 2009.

### Geographical information

The Group operates in four principal geographical areas – Australia, North America, Europe and New Zealand. The Group's EBITDA (based on 100%) before corporate expenses and total assets (on a statutory basis) by geographical areas are detailed below:

| | EBITDA (100% basis) | | Total assets (statutory) | |
|---|---|---|---|---|
| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 | 31 Dec 2009 $'000 | 30 Jun 2009 $'000 |
| Australia | 202,488 | 166,811 | 5,029,256 | 6,113,372 |
| North America | 362,248 | 469,688 | 822,246 | 1,176,035 |
| Europe | 120,264 | 155,611 | 130,846 | 4,790,058 |
| New Zealand | 90,651 | 96,854 | 180,766 | 433,197 |
| **Total** | **775,651** | **888,964** | **6,163,114** | **12,512,662** |

## 3. SEGMENT INFORMATION (CONTINUED)

### Geographical information (continued)

The information disclosed above relates to a 100% of the revenue and EBITDA relating to the assets in each geographical jurisdiction. This is the basis that Executive Management and the Board of Directors monitor the performance of these assets.

## 4. INVESTMENTS IN ASSOCIATES

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| **Non-current:** | | |
| Investments in associates | 623,763 | 650,196 |
| Investments in joint ventures | 428 | 313 |
| | **624,191** | **650,509** |
| Reconciliation of movement in investments accounted for using the equity method: | | |
| Balance at beginning of period | 650,509 | 778,042 |
| Share of profit for the period | 2,405 | 11,211 |
| Share of reserves for the period | (33,959) | (9,603) |
| Dividends | (13,154) | (24,871) |
| Additions [1, 2] | 323,316 | 59,871 |
| Capital returns on equity investments [3] | (10,703) | (44,560) |
| Impairment [4] | (16,549) | (106,352) |
| Transferred to held for sale [5] | (270,000) | (14,399) |
| Net foreign currency exchange differences | (7,674) | 1,170 |
| **Balance at end of financial period** | **624,191** | **650,509** |

1 The sale of 33.89% of Euroports completed on 28 July 2009. This resulted in this investment being equity accounted as it was deemed that Prime Infrastructure no longer had control over this business in accordance with Accounting Standards.

2 As part of the recapitalisation completed on 20 November 2009, Brookfield Asset Management agreed to subscribe for Convertible Notes for $295.4 million and enter into a number of other agreements with Prime Infrastructure which confer on Brookfield Asset Management a 49.9% economic interest in Dalrymple Bay Coal Terminal. As a result of this transaction, Prime Infrastructure no longer controls Dalrymple Bay Coal Terminal in accordance with Accounting Standards, and equity accounts its investment.

3 Capital returns on equity investments relate to Myria Holdings Inc.

4 Impairment charge of $16.5 million within the investment in associates relates to an impairment charge relating to Multinet Gas Holdings and Dampier to Bunbury Natural Gas Pipeline within the AET&D business.

5 Prime Infrastructure has classified its investment in AET&D as held for sale as at 31 December 2009. Included within the portfolio of assets within AET&D is the equity accounted investments in Multinet Gas Holdings and Dampier to Bunbury Natural Gas Pipeline. Accordingly, these are no longer included within investments in associates, but rather as a current asset within Non-current assets classified as held for sale.

## 4. INVESTMENTS IN ASSOCIATES (CONTINUED)

### Assets included within Investment in Associates

| | Economic interest % 31 Dec 2009 | Economic interest % 30 June 2009 |
|---|---|---|
| Natural Gas Pipeline of America | 26.4 | 26.4 |
| Powerco | 42.0 | 42.0 |
| Dalrymple Bay Coal Terminal [1] | 50.1 | 100.0 |
| Euroports [1] | 66.1 | 100.0 |

[1] These entities were consolidated in the prior year. Euroports was classified as held for sale at 30 June 2009.

### Contingent liabilities within Investments in Associates

The Group's share of contingent assets and liabilities of associates and jointly controlled entities is disclosed in note 9.

## 5. GOODWILL

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| **Gross carrying amount:** | | |
| Balance at beginning of financial period | 726,979 | 1,369,777 |
| Amounts recognised as part of prior year business combinations | - | 8,594 |
| Amounts recognised from business combinations occurring during the period | - | 39,442 |
| Derecognition on disposal of subsidiary [1] | (147,675) | (112,878) |
| Transferred to held for sale [2] | (318,630) | (607,141) |
| Effects of foreign currency exchange differences | (41,691) | 28,961 |
| Other movements | - | 224 |
| **Balance at end of financial period** | **218,983** | **726,979** |
| | | |
| **Accumulated impairment losses:** | | |
| Balance at beginning of financial period | (348,416) | - |
| Impairment losses for the period | (193,000) | (525,549) |
| Derecognition on disposal of subsidiary [1] | 147,675 | - |
| Transferred to held for sale [2] | 318,630 | 177,133 |
| Effects of foreign currency exchange differences | 19,326 | - |
| **Balance at end of financial period** | **(55,785)** | **(348,416)** |
| | | |
| **Net book value at the beginning of the financial period** | **378,563** | **1,369,777** |
| **Net book value at the end of the financial period** | **163,198** | **378,563** |

[1] This amount related to the sale of PD Ports on 20 November 2009 as part of the recapitalisation of Prime Infrastructure. The goodwill relating to the acquisition was fully impaired as at 30 June 2009.

[2] This amount relates to the AET&D business which has been classified as held for sale as at 31 December 2009. The goodwill relating to this business has been fully impaired as at 31 December 2009.

## 5. GOODWILL (CONTINUED)

### Continuing operations:

The carrying amount of goodwill (other than goodwill classified as held for sale) was allocated to the following cash-generating units.

| | IEG $'000 | WestNet Rail $'000 | AET&D $'000 | Total $'000 |
|---|---|---|---|---|
| 31 December 2009 | 153,683 | 9,515 | - | 163,198 |
| 30 June 2009 | 176,048 | 9,515 | 193,000 | 378,563 |

### Impairment tests of goodwill:

Goodwill within the Prime Infrastructure Group relates to IEG, WestNet Rail and AET&D and the cash-generating units applicable within each of these entities. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. A trigger event was determined to have occurred within the AET&D business given that Prime Infrastructure decided to dispose of the AET&D business for nominal proceeds as part of the wider recapitalisation of the Group that was completed in November 2009.

As a result of the detailed assessment, an impairment charge of $193.0 million was recognised against goodwill within the AET&D business. The impairment charge of goodwill loss relating to AET&D is included within discontinued operations as at 31 December 2009, as the business is classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

## 6. ISSUED CAPITAL

| | 31 Dec 2009 Number '000 | 30 June 2009 Number '000 | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|---|
| 351,776,795 fully paid ordinary shares (30 June 2009: 2,591,766,809) | 351,777 | 2,591,767 | 4,384,643 | 2,811,318 |

## 6. ISSUED CAPITAL (CONTINUED)

| | Date | Number '000 | Issue price per Security ($) | $'000 |
|---|---|---|---|---|
| **Fully Paid Ordinary Securities** | | | | |
| Balance at beginning of financial period | | 2,591,767 | | 2,811,318 |
| Conversion of BBINNZ SPARCS to Prime Infrastructure Stapled Securities | 17 Nov 2009 | 789 | 0.0371 | 29 |
| Equity issued as consideration for transfer of BBI Exchangeable Preference Shares | 20 Nov 2009 | 841,790,304 | 0.0003 | 284,837 |
| Securities issued as part of the recapitalisation of Prime Infrastructure | 20 Nov 2009 | 4,433,014,153 | 0.0003 | 1,500,000 |
| Return of capital to Stapled Securityholders | 20 Nov 2009 | | | (103,671) |
| Security issue costs | 20 Nov 2009 | | | (107,870) |
| Consolidation of Stapled Securities (1:15,000) | 25 Nov 2009 | (5,277,045,236) | - | - |
| Balance at end of financial period | | **351,777** | | **4,384,643** |

## 7. LOSS PER SECURITY

| | 31 Dec 2009 Cents per Security | 31 Dec 2008 Cents per Security (restated) | 31 Dec 2008 Cents per Security (as previously reported) |
|---|---|---|---|
| Basic and diluted profit / (loss) per Stapled Security: | | | |
| From continuing operations | 293.7 | (120,008.0) | (8.0) |
| From discontinued operations | (1,238.0) | (29,256.4) | (2.0) |
| **Total basic and diluted loss per Stapled Security** | **(944.3)** | **(149,264.4)** | **(10.0)** |

The prior year cents per Stapled Security has been restated for the impact of the consolidation of Stapled Securities.

The loss and weighted average number of ordinary securities used in the calculation of basic and diluted loss per Security are as follows:

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Loss for the period | (741,459) | (236,409) |
| Profit / (loss) from continuing operations | 230,599 | (190,071) |

| | 31 Dec 2009 Number '000 | 31 Dec 2008 Number '000 |
|---|---|---|
| Weighted average number of ordinary Securities for the purposes of basic and diluted loss per Security | 78,519 | 158 |

### 7. LOSS PER SECURITY (CONTINUED)

The weighted average number of Securities has changed significantly from the prior period due to the consolidation of Stapled Securities that took place on 25 November 2009. This consolidation of Stapled Securities following the conversion of BBI Exchangeable Preference Shares was on a 1:15,000 basis. The impact of this consolidation has been factored into the calculation of the weighted average number of ordinary Securities as if the recapitalisation had taken place at the beginning of the period.

Profit / (loss) used in the calculation of total basic and diluted loss per Security and basic and diluted losses per Security from continuing operations reconciles to net loss in the Income Statement as follows:

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Net loss | (741,459) | (236,409) |
| Loss used in the calculation of basic and diluted loss per Security | (741,459) | (236,409) |
| Adjustments to exclude profit for the period from discontinued operations | 972,058 | 46,338 |
| **Profit used in the calculation of basic and diluted loss per Security from continuing operations** | **230,599** | **190,071** |

The Group has on issue hybrid securities in the form of SPARCS. These may be convertible to equity under specific circumstances. However, they have not been included in the calculation of dilutive loss per security as they have an anti-dilutive impact.

### 8. DISTRIBUTIONS

| | 31 Dec 2009 | | 31 Dec 2008 | |
|---|---|---|---|---|
| | Cents per Stapled Security | Total $'000 | Cents per Stapled Security | Total $'000 |
| **Recognised amounts** | | | | |
| Fully paid securities | | | | |
| Final distribution: | | | | |
| Paid from retained earnings | - | - | 2.50 | 59,393 |
| Paid from contributed equity [1] | 4.00 | 103,671 | - | - |
| | **4.00** | **103,671** | **2.50** | **59,393** |
| **Unrecognised amounts** | | | | |
| Fully paid securities | | | | |
| Interim distribution: | | | | |
| Paid from retained earnings | - | - | - | - |
| | - | - | - | - |
| **Total distributions – recognised and not recognised** | **4.00** | **103,671** | **2.50** | **59,393** |

[1] As part of the recapitalisation that Prime Infrastructure undertook on 20 November 2009, a Capital Distribution in an aggregate amount of $103.7 million ($0.04 per Security) was made to registered Securityholders as at the Capital Distribution record date (being 16 November 2009).

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected 31 May 2010.

## 9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| **Contingent liabilities** | | |
| Incentive fee to Babcock & Brown Limited as Responsible Entity incentive fee for the year ended 30 June 2005 [1] | - | 7,106 |
| Disputes with taxation authorities [2] | 195,000 | 145,300 |
| Letters of credit [3] | 6,690 | 13,552 |
| Bank and other guarantees [4] | 31,419 | 45,547 |
| Acquisition earn-outs [5] | 5,720 | 8,694 |
| Claim by contractor [6] | - | 26,800 |
| Claim by excise and customs [7] | - | 4,347 |
| **Contingent assets** | | |
| Claim by contractor [6] | - | 26,800 |
| Acquisition earn-outs [5] | 5,720 | 8,694 |
| Letters of credit [3] | 502 | 823 |
| Insurance/litigation proceeds in respect of incident at DBCT [8] | 2,137 | 11,766 |
| DBCT revenue [9] | 3,618 | 8,636 |
| Other | 286 | 328 |

1. Previously, pursuant to the governing documents of the Group and the Management Agreements, Prime Infrastructure may have become liable for the payment of the third installment of the Responsible Entity Incentive Fee calculated for the year ended 2005. With the termination of the Management Agreement, Prime Infrastructure is no longer potentially liable to incur this liability.

2. Prime Infrastructure operates in many countries, each with separate taxation authorities and differing regulations which results in significant complexity. Prime Infrastructure is involved in discussions with taxation authorities in numerous jurisdictions at any given time and is currently involved in a dispute with the Australian Taxation Office (ATO) which may result in material taxation liabilities.

   The dispute with the ATO involves the deductibility of certain payments made in relation to the long term lease of DBCT. Some of the payments in dispute are ongoing. The ATO has issued amended assessments to Prime Infrastructure for the years ended 30 June 2002 to 2008 and is expected to issue an amended assessment for the year ended 30 June 2009 when the income tax return is lodged. The amended assessments are for primary tax of $101.9 million plus interest of $46.7 million (calculated to 31 December 2009). Based on the projected tax loss of the Prime Infrastructure Limited tax consolidated group, no additional primary tax payable would arise in respect of the period ending 31 December 2009 if the ATO's position were upheld.

   Prime Infrastructure has paid 50% of the primary tax and interest in order to mitigate interest accruing on the disputed liability. Prime Infrastructure is confident that its position will be upheld in the Federal Court. If Prime Infrastructure is successful, the deposit will be refunded with interest. This deposit is recognised as a financial asset.

   On 6 January 2010, WestNet Rail Holdings No.1 Pty Limited, a wholly-owned subsidiary of Prime Infrastructure Group received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition of the ARG Group by WestNet WA Rail Pty Limited. Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge it. Notwithstanding Prime Infrastructure's intention to object to the assessment, payment of $46.4 million (being Prime Infrastructure's share) was made on 5 February 2010 in accordance with law.

## 9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

WestNet WA Rail Pty Limited, the immediate parent of WestNet Rail Holdings No.1 Pty Limited, and also wholly owned by Prime Infrastructure Group, exercised its contractual rights of indemnity against Queensland Rail as acquirer of the above rail ARG Group business in 2006 to recover approximately $24.9 million and to use that amount to partially fund the potential liability of WestNet Rail Holdings No.1 Pty Limited under the assessment. Accordingly, if it is ultimately determined that WestNet Rail Holdings No.1 Pty Limited is liable for the stamp duty, the net duty required to be funded by the Prime Infrastructure Group would be $46.4 million. This amount has been included above as a contingent liability.

3. As at 31 December 2009, the Group has provided letters of credit totalling $6.7 million (30 June 2009: $13.6 million). The Group has received letters of credit totaling $0.5 million (30 June 2009: $0.8 million).

4. As at 31 December 2009, the Group had bank and customs guarantees outstanding to third parties totalling $31.4 million (30 June 2009: $45.5 million). These guarantees are supported by cash on deposit with banks.

5. An acquisition earn-out is payable to the vendor of Rauma Stevedoring in the situation where Euroports Finland receives a binding option right to operate in a proposed new container terminal in Europe for between 15 and 30 years. The amount payable would be $8.7 million and would be recognised as an asset. Prime's proportionate share of this is $5.7 million.

6. A contractor was engaged by DBCT Management Pty Limited to perform marine works and mechanical, structural and electrical work for the offshore outloading component of the 7X Expansion Project at the Dalrymple Bay Coal Terminal. These claims were settled in the current financial period. Provided that DBCT Management Pty Limited has managed the contract prudently, these costs paid to the contractor will be included by the QCA in the regulated asset base for Dalrymple Bay Coal Terminal.

7. A claim has been made by the Ministry of Finance/Regional Director of Customs and Excise (Antwerp, Belgium) against two subsidiaries of Euroports Belgium, being Westerlund Distribution NV and Westerlund Corporation NV for allegedly failing to pay customs duties and excise due on goods in 2004. Subsequent to half-year end, a full and final settlement was agreed with the Customs and Excise.

   As part of the acquisition of Westerlund in December 2007, the previous owners (sellers) made extensive representations to BPH Westerlund NV (the acquirer) in the Share Purchase Agreements in connection to the companies and activities. As a result of these representations, the sellers have agreed to indemnify the acquirer for all amounts except for €2.0 million, which shall be settled by Euroports Belgium. Euroports Belgium have provided for this amount in full as at 31 December 2009. Accordingly, no contingent liability has been recognised at 31 December 2009.

8. On 15 February 2004, one of the dedicated reclaiming machines (RL1) at DBCT collapsed due to the failure of a weld, which could not have been prevented by ordinary maintenance and did not reflect inadequate maintenance. DBCT Management Pty Limited and Prime Infrastructure had both material damage and business interruption insurance in place. The insurers denied DBCT's insurance claim. DBCT sought a declaration from the Queensland Supreme Court that the insurance policy responds to the claim. DBCT was successful in this litigation and subsequent appeals with the High Court of Australia rejecting the insurer's appeal. There are no further avenues of appeal available to the insurers.

   As at the date of this financial report, ongoing negotiations between DBCT and the insurers are taking place regarding the quantum of the claim. The insurers had paid $8.4 million as at 31 December 2008 and a further $7.5 million was paid in August 2009. The remaining balance of $4.3 million has been recognised as a receivable by DBCT. However, it is expected that any final settlement is likely to be greater than the amount recognised to date. Prime Infrastructure has disclosed their proportionate share of the balance of the total claim as a contingent asset as at 31 December 2009.

9. DBCT is entitled to commence earning revenue on its expansion of DBCT from the first day of the month following commissioning of an expansion. DBCT is currently invoicing its customers on the basis of an Annual Revenue Requirement (ARR) approved by the QCA based on forecast costs and forecast economic parameters. Once the total costs for each phase of the project have been finalised, which based on current estimates will exceed the approved forecast costs, these will be submitted to the QCA which, if approved, would result in a catch up of revenue being due to DBCT. This revenue would be backdated to the first day of the month following commissioning. The amount due, should all Phase 2/3 costs be approved, has been calculated as $7.2 million as at 31 December 2009. Prime Infrastructure has disclosed $3.6 million as a contingent asset as at 31 December 2009.

### 9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

10. TasGas Networks Pty Limited has entered into a Deed of Settlement with the Tasmanian Government indemnifying the Government against any losses or damages on the constructed gas network for a period of 10 years. The extent to which an outflow or cash will be required cannot be determined in relation to this indemnity.

11. On 31 August 2007, Prime Infrastructure was part of a consortium that acquired the Alinta Limited business. As part of this transaction, Prime Infrastructure is party to the Amended Umbrella Agreement (amended 30 August 2007). This agreement states that Prime Infrastructure is responsible in its proportionate percentage for any unallocated liabilities which do not relate specifically to a consortium business. Any known liabilities in relation to unallocated liabilities have been recognised as at 31 December 2009.

12. Prior to Prime Infrastructure's acquisition of certain Alinta Limited businesses in 2007, Alinta Limited and Alinta 2000 Limited agreed to guarantee the obligations of various companies within the Alinta group. Following the Scheme of Arrangement under which a consortium including Prime Infrastructure acquired the Alinta businesses, Prime Infrastructure acquired the guaranteeing entities, while some of the subsidiaries being guaranteed were acquired by Alinta Energy Limited (formerly Babcock & Brown Power).

    Whilst Alinta Limited and Alinta 2000 Limited are guaranteeing obligations of an Alinta Energy subsidiary, as part of the consortium arrangements relating to the acquisition of Alinta Limited, Alinta Energy has agreed to indemnify Prime Infrastructure against, among other things all losses sustained to the extent that such losses relate to Alinta Energy's assets. Accordingly, to the extent that Prime Infrastructure sustains any losses pursuant to the guarantee, Alinta Energy has agreed to indemnify Prime Infrastructure for such loss.

13. An associate of Prime Infrastructure has established an environmental provision of $0.9 million at 31 December 2009 (30 June 2009: $1.1 million) to address remediation issues with four projects. The associate is subject to a variety of federal, state and local laws that regulate permitted activities relating to air and water quality, waste disposal and other matter environmental matters. After consideration of provisions established, Prime Infrastructure believes that costs for environmental remediation and ongoing compliance with these laws will not have a material adverse impact on the Group. However, there can be no assurances that future events, such as changes in existing laws, new laws or the development of new facts or conditions will not cause significant costs to be incurred.

14. The Group is defendant in various lawsuits arising from the day-to-day operations of its businesses. Although no assurance can be given, the Directors believe, based on experience to date, that the ultimate resolution of such matters will not have a material adverse impact on the Prime Infrastructure business, cash flows, financial position or results of operations.

### 10. SUBSEQUENT EVENTS

On 6 January 2010, Prime Infrastructure announced that WestNet Rail Holdings No.1 Pty Limited, a wholly-owned subsidiary of Prime Infrastructure Group received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition of the ARG Group by WestNet WA Rail Pty Limited. Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge the assessment. Notwithstanding Prime Infrastructure's intention to object to the assessment, payment of this amount was made on 5 February 2010 in accordance with law.

WestNet WA Rail Pty Limited, the immediate parent of WestNet Rail Holdings No.1 Pty Limited, and also wholly owned by Prime Infrastructure Group, exercised its contractual rights of indemnity against Queensland Rail as acquirer of the above rail ARG Group business in 2006 to recover approximately $24.9 million and to use that amount to partially fund the liability of WestNet Rail Holdings No.1 Pty Limited under the assessment. Accordingly, if it is ultimately determined that WestNet Rail Holdings No.1 Pty Limited is liable for the stamp duty, the net duty required to be funded by the Prime Infrastructure Group would be $46.4 million.

As at 31 December 2009, this item was disclosed as a contingent liability (refer note 9).

### 11. ADDITIONAL COMPANY INFORMATION

Prime Infrastructure is a listed Stapled Security. The Company and the Trusts were incorporated in Australia and are operating in Australia, New Zealand, Europe and the United States of America.

**Registered office**

Level 10
The Chifley Tower
2 Chifley Square
Sydney, New South Wales 2000
Telephone: (02) 9229 1800

**Principal place of business**

Level 10
The Chifley Tower
2 Chifley Square
Sydney, New South Wales 2000
Telephone: (02) 9229 1800

# Prime Infrastructure Trust

## Consolidated Half-Year Report

## For the Half-Year Ended 31 December 2009

# Appendix 4D

| | |
|---|---|
| **Name of entity:** | **Prime Infrastructure Trust (formerly Babcock and Brown Infrastructure Trust)** |
| **ARSN:** | **100 375 479** |

## 1. DETAILS OF THE REPORTING PERIOD

| | |
|---|---|
| **Current Period:** | 1 July 2009 - 31 December 2009 |
| **Previous Corresponding Period:** | 1 July 2008 - 31 December 2008 |

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | % Movement | 2009 $'000 | 2008 $'000 |
|---|---|---|---|---|
| 2.1 | Revenues from ordinary activities | (81.2%) | 10,617 | 56,499 |
| 2.2 | (Loss)/profit from continuing operations after tax benefit attributable to unitholders | (226.0%) | (68,865) | 54,666 |
| 2.3 | (Loss)/profit for the period attributable to unitholders | (254.3%) | (150,247) | 97,373 |

| | | Amount per Security (cents) | Franked amount per Security (cents) |
|---|---|---|---|
| 2.4 | Distributions | | |
| | Interim distribution (FY 2010) – per fully paid Stapled Security | Nil | Nil |
| | Final distribution (FY 2009) – per fully paid Stapled Security | Nil | Nil |
| | Return of Capital – per fully paid Stapled Security | 4.00 | Nil |
| 2.5 | Record date for determining entitlement to the Interim Distribution | Not applicable | |

2.6 Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the attached Review of Operations within the Directors' Report.

## 3. INCOME STATEMENT WITH NOTES

Refer to the condensed consolidated Income Statement in the attached Financial Statements.

## 4. BALANCE SHEET WITH NOTES

Refer to the condensed consolidated Balance Sheet in the attached Financial Statements.

## 5. CASH FLOW STATEMENT WITH NOTES

Refer to the condensed consolidated Cash Flow Statement in the attached Financial Statements.

## 6. DETAILS OF DISTRIBUTIONS

| | Record Date | Payment Date |
|---|---|---|
| 2009 Final Distribution | Nil | Not applicable |
| 2010 Interim Distribution | Nil | Not applicable |
| 2010 Capital Distribution [1] | 16 Nov 2009 | 25 Nov 2009 |

[1] As part of the recapitalisation that Prime Infrastructure undertook on 20 November 2009, a Capital Distribution in an aggregate amount of $103.7 million ($0.04 per Security) was made to registered Securityholders as at the Capital Distribution record date.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

## 7. DETAILS OF DISTRIBUTION REINVESTMENT PLAN

On 21 August 2008, Prime Infrastructure announced that as part of its capital management review it had determined to suspend the Distribution Reinvestment Plan until further notice. As at the date of this Report, the Distribution Reinvestment Plan has not been reinstated.

## 8. TOTAL ASSETS PER UNIT

| | Current Period | Previous Period |
|---|---|---|
| Total assets per Unit [1] | $7.51 | $1.30 |

## 9. NET ASSETS PER UNIT

| | Current Period | Previous Period |
|---|---|---|
| Net assets backing per Unit [1] | $7.24 | $0.80 |

## 10. NET TANGIBLE ASSETS PER UNIT

| | Current Period | Previous Period |
|---|---|---|
| Net tangible asset backing per Unit [1] | $7.24 | $0.75 |

[1] It is difficult to compare the asset backed ratios between December 2009 and December 2008. This is due to the recapitalisation that took place during the current period (as disclosed in this report) that resulted in the disposal of certain assets, the change in classification of certain assets from consolidated to equity accounted and other assets being disclosed as held for sale. In addition, as part of the transaction, 4,433.0 million Securities were issued and a further 841.8 million Securities were issued in exchange for settlement of the BBI Exchangeable Preference Share liability. On 25 November 2009, Prime Infrastructure undertook a 1:15,000 consolidation of Stapled Securities. At the date of the recapitalisation on 20 November 2009, the issue price per Security was $5.08. This compares to the Security price as at 24 February 2010 of $3.51.

## 11. CONTROL GAIN OR LOST OVER ENTITIES DURING THE PERIOD

| | | |
|---|---|---|
| 11.1 | Name of entity (or group of entities) over which control was gained | Nil |
| 11.2 | Name of entity (or group of entities) over which control was lost | Prime NGPL Trust<br>DBCT Trust |

## 12. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

| | | |
|---|---|---|
| 12.1 | Name of entity (or group of entities) over which significant influence was gained | DBCT Trust |
| 12.2 | Date significant influence was gained | 20 November 2009 |
| 12.3 | Percentage economic interest in associates or joint ventures | 50.1% |

## 13. OTHER SIGNIFICANT INFORMATION

Refer to the attached Financial Statements and commentary on results.

## 14. ACCOUNTING STANDARDS USED BY FOREIGN ENTITIES

Not applicable.

## 15. COMMENTARY ON RESULTS

Refer to the attached Review of Operations within the Directors' Report.

## 16. REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

This report is based on accounts which have been reviewed, refer to the attached Financial Statements.

## 17. QUALIFICATION OF REVIEW

Not applicable.

# Prime Infrastructure Trust

## (formerly Babcock & Brown Infrastructure Trust)

## ABN 26 927 271 067

## Half-Year Report for the

## Half-Year Ended 31 December 2009

# Prime Infrastructure Trust

## Consolidated Half-Year Report

## For the Half-Year Ended 31 December 2009

# Directors' Report

The Directors of Prime Infrastructure RE Limited, (formerly Babcock & Brown Investor Services) the Responsible Entity of Prime Infrastructure Trust ('PIT' or 'the Trust'), submit herewith the financial report on the condensed consolidated financial results of Prime Infrastructure Trust and its controlled entities ('the Group') for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Responsible Entity during or since the end of the half-year are:

## DIRECTORS

| | |
|---|---|
| • Hon. Dr D J Hamill AM | (Independent Chairman) |
| • Mr J Blidner | (Non-executive Director and Deputy Chairman) |
| • Mr L L Hall AM | (Independent Director) |
| • Mr B W Kingston | (Non-executive Director) |
| • Mr S Pollock | (Non-executive Director) |
| • Mr J Sloman OAM | (Non-executive Director) |
| • Mr B R Upson | (Independent Director) |

The above named Directors held office during or since the end of the half-year except for:

| | |
|---|---|
| • Mr J Blidner | appointed 20 November 2009 |
| • Mr B W Kingston | appointed 20 November 2009 |
| • Mr S Pollock | appointed 20 November 2009 |
| • Mr J Sloman OAM | appointed 9 February 2010 |

## REVIEW OF OPERATIONS

The financial report covers the half-year ended 31 December 2009.

In the current half-year period, the Trust has made a net loss after discontinued operations of $150.2 million. This compares to a net profit of $97.4 million after discontinued operations in the prior period. The loss in the current period is due to the discounting expense of $71.8 million relating to intercompany loans. This discounting expense occurs due to the repayment of non-interest bearing long term intercompany loans. The discounting expense does not have a cash flow impact and eliminates on consolidation at the Prime Infrastructure Group level. In the prior financial period, the Trust recognised a gain of $56.4 million from the unwinding of discount on intercompany loans.

## DISTRIBUTIONS

As part of the recapitalisation of Prime Infrastructure group that was completed in November 2009, the Trust made a capital distribution to Securityholders of 4.0 cents per Stapled Security. Distributions in the prior period were 2.5 cents per Stapled Security.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

## SUBSEQUENT EVENTS

There has not been any matter, event or circumstance occurring subsequent to the end of the half-year period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 3 of the half-year Financial Report.

## ROUNDING OFF OF AMOUNTS

Pursuant to ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors of the Responsible Entity

Hon. Dr. D J Hamill AM
Director
Sydney, 25 February 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Prime Infrastructure RE Limited
Responsible Entity – Prime Infrastructure Trust
Level 10, The Chifley Tower
2 Chifley Square,
SYDNEY NSW 2000

25 February 2010

Dear Board Members,

**Prime Infrastructure Trust**

In accordance with section 307C of the Corporations Act 2001, I provide the following declaration of independence to the directors of Prime Infrastructure RE Limited as responsible entity for Prime Infrastructure Trust.

As lead audit partner for the review of the interim financial statements of Prime Infrastructure Trust for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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# Independent Auditor's Review Report to the members of Prime Infrastructure Trust

We have reviewed the accompanying half-year financial report of Prime Infrastructure Trust, which comprises the condensed consolidated balance sheet as at 31 December 2009, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 18.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Infrastructure Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Member of
Deloitte Touche Tohmatsu

Deloitte.

*Auditor's Independence Declaration*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Infrastructure Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants
Sydney, 25 February 2010

# Directors' Declaration

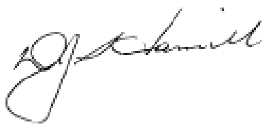
The Directors of Prime Infrastructure RE Limited, the Responsible Entity of Prime Infrastructure Trust declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors of the Responsible Entity



Hon. Dr. D J Hamill AM
Director
Sydney, 25 February 2010

## Condensed Consolidated Income Statement
## for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| Finance income | | 10,617 | 93 |
| Unwinding of discount | | - | 56,406 |
| **Total income** | | **10,617** | **56,499** |
| | | | |
| Share of profit from associates accounted for using the equity method | 3 | 3,408 | - |
| Unwinding of discount expense | | (71,791) | - |
| Operating and management charges | | (8,336) | (503) |
| Other expenses | | (2,763) | (1,330) |
| **Total expense** | | **(79,482)** | **(1,833)** |
| **(Loss) / profit from continuing operations before income tax** | | **(68,865)** | **54,666** |
| Income tax expense | | - | - |
| **(Loss) / profit from discontinued operations** | **2** | **(81,382)** | **42,727** |
| **(Loss) / profit for the period** | | **(150,247)** | **97,393** |
| | | | |
| **(Loss) / earnings per unit** | | | |
| **From continuing and discontinued operations:** | | | |
| Basic and diluted (cents per unit) | | **(191.4)** | **61,492.2** |
| | | | |
| **From continuing operations:** | | | |
| Basic and diluted (cents per unit) | | **(87.7)** | **34,515.1** |

## Condensed Consolidated Statement of Comprehensive Income
## for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| (Loss) / profit for the period | | (150,247) | 97,393 |
| **Total comprehensive income for the period** | | **(150,247)** | **97,393** |

Notes to the Financial Statements are included on pages 11 to 18.

# Prime Infrastructure Trust

## Condensed Consolidated Balance Sheet

## as at 31 December 2009

| | Note | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 406,227 | 736 |
| Trade and other receivables | | 7,703 | 7,743 |
| Other financial assets – related party loans | | 34,829 | 38,901 |
| Prepayments | | 392 | 1,180 |
| **Total current assets** | | **449,151** | **48,560** |
| **Non-current assets** | | | |
| Cash held on restricted deposit | | - | 21,377 |
| Investments accounted for using the equity method | 3 | 189,182 | - |
| Other receivables | | 836 | - |
| Other financial assets – related party loans | | 2,003,595 | 2,887,025 |
| Intangible assets | | - | 115,400 |
| **Total non-current assets** | | **2,193,613** | **3,023,802** |
| **Total assets** | | **2,642,764** | **3,072,362** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 16,860 | 8,047 |
| Other financial liabilities – related party loans | | 79,338 | - |
| **Total current liabilities** | | **96,198** | **8,047** |
| **Non-current liabilities** | | | |
| Borrowings | | - | 1,105,828 |
| **Total non-current liabilities** | | **-** | **1,105,828** |
| **Total liabilities** | | **96,198** | **1,113,875** |
| | | | |
| **Net assets** | | **2,546,566** | **1,958,487** |
| | | | |
| **Equity** | | | |
| Unitholders funds | 6 | 3,975,111 | 2,765,420 |
| Reserves | | (1,580,120) | (1,108,755) |
| Retained earnings | | 151,575 | 301,822 |
| **Total equity** | | **2,546,566** | **1,958,487** |

Notes to the Financial Statements are included on pages 11 to 18.

# Condensed Consolidated Statement of Changes in Equity
## for the Half-Year ended 31 December 2009

| | Unitholders funds $'000 | Other reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2008 | 2,746,412 | (1,108,755) | 217,640 | 1,855,297 |
| Profit for the period | - | - | 97,393 | 97,393 |
| **Total comprehensive income for the period** | **-** | **-** | **97,393** | **97,393** |
| Distributions paid from retained earnings | - | - | (59,393) | (59,393) |
| **Closing balance at 31 December 2008** | **2,746,412** | **(1,108,755)** | **255,640** | **1,893,297** |
| | | | | |
| Balance at 1 July 2009 | 2,765,420 | (1,108,755) | 301,822 | 1,958,487 |
| Loss for the period | - | - | (150,247) | (150,247) |
| **Total comprehensive income for the period** | **-** | **-** | **(150,247)** | **(150,247)** |
| Amounts recognised in the current period | - | (471,365) | - | (471,365) |
| Return of capital distribution | (103,671) | - | - | (103,671) |
| Units issued (net of issue costs) | 1,313,362 | - | - | 1,313,362 |
| **Closing balance at 31 December 2009** | **3,975,111** | **(1,580,120)** | **151,575** | **2,546,566** |

Notes to the Financial Statements are included on pages 11 to 18.

# Prime Infrastructure Trust

## Condensed Consolidated Cash Flow Statement
## for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (9,462) | (1,782) |
| Interest received | | 43,541 | 51,635 |
| Interest and other costs of finance paid | | (78,550) | (19,087) |
| **Net cash (used in) / provided by operating activities** | | **(44,471)** | **30,766** |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of interest in subsidiaries (net of cash disposed) | | 219,612 | - |
| Loan advanced to related party | | (730,807) | (37,693) |
| Loan repaid by related party | | - | 66,966 |
| **Net cash (used in) / provided by investing activities** | | **(511,195)** | **29,273** |
| **Cash flows from financing activities** | | | |
| Distributions paid to Unitholders | | - | (59,393) |
| Proceeds from issue of units | | 1,130,447 | - |
| Capital return to Unitholders | | (102,305) | - |
| Unit issue costs paid | | (66,874) | - |
| Loan establishment costs paid | | - | (28) |
| **Net cash provided by / (used in) financing activities** | | **961,268** | **(59,421)** |
| **Net increase in cash and cash equivalents** | | **405,602** | **618** |
| **Cash and cash equivalents at the beginning of the financial period** | | **625** | **507** |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | - | (389) |
| **Cash and cash equivalents at the end of the financial period** | | **406,227** | **736** |

Notes to the financial statements are included on pages 11 to 18.

# Notes to the Condensed Consolidated Financial Statements for the Half-Year ended 31 December 2009

| Note | Contents |
|---|---|
| 1 | Significant accounting policies |
| 2 | Discontinued operations |
| 3 | Investments in associates |
| 4 | Distributions |
| 5 | Segment information |
| 6 | Unitholders funds |
| 7 | Loss per unit |
| 8 | Additional Trust information |

# Notes to the Condensed Consolidated Financial Statements for the Half-Year ended 31 December 2009

## 1. SIGNIFICANT ACCOUNTING POLICIES

Prime Infrastructure Trust is a trust domiciled in Australia. The condensed consolidated half-year financial report of the Trust as at and for the half-year ended 31 December 2009 comprises the Trust and its subsidiaries (together referred to as the 'Consolidated Entity').

### STATEMENT OF COMPLIANCE

The half-year financial report is a General Purpose Financial Report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year Financial Report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The consolidated annual financial report of Prime Infrastructure Trust as at and for the year ended 30 June 2009 is available upon request from the Responsible Entity's registered office at Level 10, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000 or at www.primeinfrastructure.com.

### BASIS OF PREPARATION

The condensed consolidated half-year financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Trust is of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Trust's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Entity include:

- AASB 3 Business Combinations (revised)
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements (revised)
- AASB 127 Consolidated and Separate Financial Statements (revised)

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current period:

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PREPARATION (CONTINUED)

Changes in ownership interests of subsidiaries

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Accounting Standard (AASB 127) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss of control in respect of the percentage ownership disposed of, is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

The following new and revised accounting standards, whilst adopted, have not resulted in any changes to the Consolidated Entity's amounts reported in current or prior periods, or resulted in changes to the Consolidated Entity's disclosures:

- AASB 8 Operating Segments; and
- AASB 3 Business Combinations.

### STAPLED SECURITY

The shares of Prime Infrastructure Holdings Limited (formerly Babcock & Brown Infrastructure Limited) and the units in Prime Infrastructure Trust (formerly Babcock & Brown Infrastructure Trust) and Prime Infrastructure Trust 2 (formerly BBI SPARCS Trust) (collectively 'the Trusts') are combined and issued as Tripled Stapled Securities in the Prime Infrastructure Group. The shares in the Company and the units of the Trusts cannot be traded separately and can only be traded as Stapled Securities. Prime Infrastructure Trust 2 joined the Stapled Group as part of the recapitalisation of the Prime Infrastructure Group on 20 November 2009.

### GROUP FORMATION AND TERMINATION

On 29 April 2002, the Company was incorporated and the Trust formed. On 18 June 2002, the units of the Trust and the shares of the Company were stapled ('the Stapled Securities'). On this date the Stapled Securities were issued to the public through an Initial Public Offering and were listed on the Australian Securities Exchange on 24 June 2002.

On 20 November 2009, as part of the recapitalisation of the Group, Prime Infrastructure Trust 2 became part of the Stapling Deed, resulting in Prime Infrastructure becoming a Tripled Stapled Security listed on the Australian Securities Exchange.

The shares in the Company and the units of the Trusts will remain stapled until the earlier of the Company ceasing to exist or being wound up, or the Trusts being dissolved in accordance with the provisions of their Trust Constitution.

## 2. DISCONTINUED OPERATIONS

### DISPOSAL OF DALRYMPLE BAY COAL TERMINAL

As part of the recapitalisation of Prime Infrastructure completed on 20 November 2009, Prime Infrastructure Trust issued Convertible Notes to Brookfield Asset Management ('Brookfield') for $295.4 million and entered into a number of agreements with Brookfield which confer on it a 49.9% economic interest in Dalrymple Bay Coal Terminal.

The amount paid by Brookfield for the economic interest will be adjusted, and a corresponding payment made to or from Prime Infrastructure, once the final Regulated Asset Base (post stage 7 expansion) has been determined by the Queensland Competition Authority (expected to be June 2010).

Prime Infrastructure will remain responsible for the outcome of the existing tax disputes with the Australian Taxation Office and any taxes, duties or other government imposed levies arising from Brookfield or its assignees electing to convert under the terms of the Convertible Notes into shares and units in the relevant Dalrymple Bay Coal Terminal entities and for other consent related costs (with the latter capped at $17.6 million).

In accordance with Accounting Standards, Prime Infrastructure is no longer deemed to 'control' DBCT Trust, and therefore the Trust has equity accounted its investment. A loss of $47.8 million was recognised on this transaction within the Trust. The net proceeds received from this transaction were used to repay Corporate Debt within Prime Infrastructure.

### DISPOSAL OF PRIME NGPL TRUST

On 20 November 2009, as part of the recapitalisation of Prime Infrastructure, the Trust disposed of its interest in Prime NGPL Trust (formerly BBI NGPL Trust) to Prime Infrastructure Trust 2, a related party of the Trust. The transaction was undertaken as part of the broader restructure and recapitalisation of the Prime Infrastructure Group, which was approved by Securityholders of the Prime Infrastructure Group on the same date. The Prime NGPL Trust was disposed for $1. A gain of $45.3 million was recognised on this transaction within other reserves.

The combined results of the discontinued operations which have been included in the Income Statement are as follows:

| | 31 Dec 2009<br>$'000 | 31 Dec 2008<br>$'000 |
|---|---|---|
| **Loss from discontinued operations** | | |
| Finance income | 44,430 | 82,760 |
| **Total income** | **44,430** | **82,760** |
| | | |
| Amortisation expense | (1,511) | (1,356) |
| Finance costs | (25,346) | (38,287) |
| Net hedge loss | (51,125) | - |
| Other expenses | (17) | (390) |
| **Total expense** | **(77,999)** | **(40,033)** |
| **(Loss) / profit before disposal of operations** | **(33,569)** | **42,727** |
| Net loss on disposal of operations | (47,813) | - |
| **(Loss) / profit from discontinued operations** | **(81,382)** | **42,727** |
| | | |
| **Attributable to:** | | |
| Equity holders of the parent entity | (81,382) | 42,727 |
| Minority interest | - | - |
| | **(81,382)** | **42,727** |

## 3. INVESTMENTS IN ASSOCIATES

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| **Non-current:** | | |
| Investments in associates | 189,182 | - |
| | **189,182** | **-** |
| Reconciliation of movement in investments accounted for using the equity method: | | |
| Balance at beginning of period | - | - |
| Share of profit for the period | 3,408 | - |
| Balance at end of financial period | **3,408** | **-** |
| | | |
| Distributions | - | - |
| Additions [1] | 185,774 | - |
| Balance at end of financial period | **189,182** | **-** |

1 As part of the recapitalisation completed on 20 November 2009, Brookfield agreed to subscribe for convertible notes for $295.4 million and enter into a number of other agreements with Prime Infrastructure which confer on Brookfield a 49.9% economic interest in Dalrymple Bay Coal Terminal. As a result of this transaction, Prime Infrastructure no longer controls Dalrymple Bay Coal Terminal in accordance with Accounting Standards, and as a result equity accounts its investment.

### Assets included within Investment in Associates

| | Economic interest % |
|---|---|
| Dalrymple Bay Coal Terminal | 50.1 |

### Contingent liabilities within Investments in Associates

The Group's share of contingent assets and liabilities of associates and jointly controlled entities as at 31 December 2009 was nil.

## 4. DISTRIBUTIONS

| | 31 Dec 2009 | | 31 Dec 2008 | |
|---|---|---|---|---|
| | Cents per Security | Total $'000 | Cents per Security | Total $'000 |
| **Recognised amounts** | | | | |
| Fully paid units | | | | |
| Final distribution: | | | | |
| Paid from retained earnings | - | - | 2.50 | 59,393 |
| Paid from contributed equity | 4.00 | 103,671 | - | - |
| | **4.00** | **103,671** | **2.50** | **59,393** |
| Unrecognised amounts | | | | |
| Fully paid units | | | | |
| Interim distribution: | | | | |
| Paid from retained earnings | - | - | - | - |
| Paid from contributed equity | - | - | - | - |
| | **-** | **-** | **-** | **-** |
| Total distributions – recognised and not recognised | **4.00** | **103,671** | **2.50** | **59,393** |

Prime Infrastructure paid a final distribution of 2.50 cents per Stapled Security in September 2008.

On 20 November 2009, as part of the recapitalisation of Prime Infrastructure, the Trust paid a capital distribution to Securityholders of 4.00 cents per Stapled Security.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

## 5. SEGMENT INFORMATION

The Group has one primary business and operates predominately in one geographical region, Australia. Its principal activity is an equity accounted investment in DBCT Trust, which in turn provides loans and leases, to a related entity, DBCT Management Pty Limited, which is located at the port of Hay Point, south of Mackay in Queensland.

## 6. UNITHOLDERS FUNDS

| | 31 Dec 2009 Number '000 | 30 June 2009 Number '000 | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|---|
| 351,776,795 fully paid ordinary units (30 June 2009: 2,591,766,809) | **351,777** | **2,591,767** | **3,975,111** | **2,765,420** |

| | Date | Number '000 | Issue price per Security ($) | $'000 |
|---|---|---|---|---|
| **Fully Paid Ordinary Securities** | | | | |
| Balance at beginning of financial period | | 2,591,767 | | 2,765,420 |
| Conversion of BBINNZ SPARCS to Prime Infrastructure Stapled Securities | 17 Nov 2009 | 789 | 0.0342 | 27 |
| Equity issued as consideration for transfer of BBI Exchangeable Preference Shares | 20 Nov 2009 | 841,790,304 | 0.0003 | 264,899 |
| Securities issued as part of the recapitalisation of Prime Infrastructure | 20 Nov 2009 | 4,433,014,153 | 0.0003 | 1,130,447 |
| Return of capital to Stapled Securityholders | 20 Nov 2009 | | | (103,671) |
| Security issue costs | 20 Nov 2009 | | | (82,011) |
| Consolidation of Stapled Securities (1:15,000) | 25 Nov 2009 | (5,277,045,236) | | - |
| Balance at end of financial period | | **351,777** | | **3,975,111** |

## 7. LOSS PER UNIT

| | 31 Dec 2009 cents per unit | 31 Dec 2008 cents per unit (restated) | 31 Dec 2008 cents per unit (as previously reported) |
|---|---|---|---|
| Basic and diluted (loss) / profit per unit: | | | |
| From continuing operations | (87.7) | 34,515.1 | 2.3 |
| From discontinued operations | (103.7) | 26,977.1 | 1.8 |
| **Total basic and diluted loss per Stapled Security** | **(191.4)** | **61,492.2** | **4.1** |

The prior year cents per unit has been restated for the impact of the consolidation of Stapled Securities.

The loss and weighted average number of ordinary units used in the calculation of basic and diluted loss per unit are as follows:

### 7. LOSS PER UNIT (CONTINUED)

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| (Loss) / profit for the period | (150,247) | 97,393 |
| (Loss) / profit from continuing operations for the period | (68,865) | 54,666 |

| | 31 Dec 2009 Number '000 | 31 Dec 2008 Number '000 |
|---|---|---|
| Weighted average number of ordinary units for the purposes of basic and diluter loss per Security | 78,519 | 158 |

The weighted average number of units has changed significantly from the prior period due to the consolidation of Stapled Securities that took place on 25 November 2009. This consolidation of Stapled Securities following the conversion of BBI Exchangeable Preference Shares was on a 1:15,000 basis. The impact of this consolidation has been factored into the calculation of the weighted average number of ordinary units as if the recapitalisation had taken place at the beginning of the period.

Profit / (loss) used in the calculation of total basic and diluted loss per Security and basic and diluted losses per Security from continuing operations reconciles to net loss in the Income Statement as follows:

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Net (loss) / profit | (150,247) | 97,393 |
| (Losses) / profits used in the calculation of basic and diluted loss per unit | (150,247) | 97,393 |
| Adjustments to exclude loss / (profit) for the period from discontinued operations | 81,382 | (42,727) |
| **(Loss) / profit used in the calculation of basic and diluted loss per unit from continuing operations** | **(68,865)** | **54,666** |

The Group has on issue hybrid securities in the form of SPARCS. These may be convertible to equity under specific circumstances. However, they have not been included in the calculation of dilutive loss per security as they have an anti-dilutive impact.

### 8. ADDITIONAL TRUST INFORMATION

Prime Infrastructure Trust was formed and is operating in Australia.

**Registered office**
Level 10
The Chifley Tower
2 Chifley Square
Sydney, New South Wales 2000
Telephone: (02) 9229 1800

**Principal place of business**
Level 10
The Chifley Tower
2 Chifley Square
Sydney, New South Wales 2000
Telephone: (02) 9229 1800

# Consolidated Half-Year Report
# for the Half-Year ended 31 December 2009

`

# Appendix 4D

| | |
|---|---|
| **Name of Entity:** | **Prime Infrastructure Trust 2 (formerly BBI SPARCS Trust)** |
| **ARSN:** | **ARSN 108 288 204** |

## 1. DETAILS OF THE REPORTING PERIOD

| | |
|---|---|
| **Current Period:** | 1 July 2009 - 31 December 2009 |
| **Previous Corresponding Period**: | 1 July 2008 - 31 December 2008 |

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | % Movement | 2009 $'000 | 2008 $'000 |
|---|---|---|---|---|
| 2.1 | Revenues from ordinary activities | 100 | 19,561 | - |
| 2.2 | Profit from continuing operations after tax expense attributable to unitholders | 100 | 12,751 | - |
| 2.3 | Profit for the period attributable to unitholders | 100 | 12,751 | - |

| | | Amount per Security (cents) | Franked amount per Security (cents) |
|---|---|---|---|
| 2.4 | Distributions | | |
| | Interim distribution (FY2010) – per fully paid Stapled Security | Nil | Nil |
| | Final distribution (FY2009) – per fully paid Stapled Security | Nil | Nil |
| 2.5 | Record date for determining entitlement to the Interim Distribution | Not applicable | |
| 2.6 | Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood: | | |
| | Refer to the attached Review of Operations within the Directors' Report. | | |

# Consolidated Half-Year Report
# for the Half-Year ended 31 December 2009

## 3. INCOME STATEMENT WITH NOTES

Refer to the condensed consolidated Income Statement in the attached Financial Statements.

## 4. BALANCE SHEET WITH NOTES

Refer to the condensed consolidated Balance Sheet in the attached Financial Statements.

## 5. CASH FLOW STATEMENT WITH NOTES

Refer to the condensed consolidated Cash Flow Statement in the attached Financial Statements.

## 6. DETAILS OF DISTRIBUTIONS

| | Record Date | Payment Date |
|---|---|---|
| 2009 Final Distribution | Nil | Not applicable |
| 2010 Interim Distribution | Nil | Not applicable |

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

## 7. DETAILS OF DISTRIBUTION REINVESTMENT PLAN

On 21 August 2008, Prime Infrastructure announced that as part of its capital management review it had determined to suspend the Distribution Reinvestment Plan until further notice. As at the date of this Report, the Distribution Reinvestment Plan has not been reinstated.

## 8. TOTAL ASSETS PER UNIT

| | Current Period | Previous Period |
|---|---|---|
| Total assets per Unit | $1.69 | - |

## 9. NET ASSETS PER UNIT

| | Current Period | Previous Period |
|---|---|---|
| Net asset backing per Unit | $0.72 | - |

## 10. NET TANGIBLE ASSETS PER UNIT

| | Current Period | Previous Period |
|---|---|---|
| Net tangible asset backing per Unit | $0.71 | - |

## 11. CONTROL GAINED OR LOST OVER ENTITIES DURING THE PERIOD

| | | |
|---|---|---|
| 11.1 | Name of entity (or group of entities) over which control was gained | Prime NGPL Trust |
| 11.2 | Name of entity (or group of entities) over which control was lost | Nil |

## 12. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

| | | |
|---|---|---|
| 12.1 | Name of entity (or group of entities) over which significant influence was gained | Nil |
| 12.2 | Date significant influence was gained | Nil |
| 12.3 | Percentage holding in the associate | N/A |

## 13. OTHER SIGNIFICANT INFORMATION

Refer to the attached Financial Statements and commentary on results.

## 14. ACCOUNTING STANDARDS USED BY FOREIGN ENTITIES

Not applicable.

## 15. COMMENTARY ON RESULTS

Refer to the attached Review of Operations within the Directors' Report.

## 16. REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

This report is based on accounts which have been reviewed, refer to the attached Financial Statements.

## 17. QUALIFICATION OF REVIEW

Not applicable.

# Prime Infrastructure Trust 2
# (formerly BBI SPARCS Trust)
# ARSN 108 288 204

## Half-Year Report for the
## Half-Year Ended 31 December 2009

# Prime Infrastructure Trust 2

## Consolidated Half-Year Report
## for the Half-Year ended 31 December 2009

# Directors' Report

The Directors of Prime Infrastructure RE Limited (formerly Babcock & Brown Investor Services Limited), the Responsible Entity of Prime Infrastructure Trust 2 (formerly BBI SPARCS Trust) (the Trust) submit herewith the financial report on the consolidated financial results of Prime Infrastructure Trust 2 and its controlled entity (the consolidated entity), for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Responsible Entity during or since the end of the half-year are:

## DIRECTORS

| | |
|---|---|
| • Hon Dr. D J Hamill AM | (Independent Chairman) |
| • Mr J Blidner | (Non-executive Director and Deputy Chairman) |
| • Mr L L Hall AM | (Independent Director) |
| • Mr B W Kingston | (Non-executive Director) |
| • Mr S Pollock | (Non-executive Director) |
| • Mr J Sloman OAM | (Independent Director) |
| • Mr B R Upson | (Independent Director) |

The above named directors held office during or since the end of the half-year except for:

| | |
|---|---|
| • Mr J Blidner | appointed 20 November 2009 |
| • Mr B W Kingston | appointed 20 November 2009 |
| • Mr S Pollock | appointed 20 November 2009 |
| • Mr J Sloman OAM | appointed 9 February 2010 |

## REVIEW OF OPERATIONS

The financial report covers the half-year ended 31 December 2009.

In the current period, the consolidated entity earned revenues of $19.6 million (2008: nil) and made a profit of $12.8 million (2008: nil). In the prior period, the consolidated entity was dormant.

On 20 November 2009, the Prime Infrastructure Stapled Group, consisting of Prime Infrastructure Holdings Limited (formerly Babcock & Brown Infrastructure Limited) and Prime Infrastructure Trust (formerly Babcock & Brown Infrastructure Trust) entered into a significant recapitalisation and restructuring transaction, in order to establish a sustainable capital structure ('recapitalisation transaction'). The terms of the recapitalisation transaction, as approved by security holders, are contained in the Product Disclosure Statement, as lodged with the Australian Securities Exchange, dated 8 October 2009.

The key elements of the recapitalisation transaction, as they impact the Prime Infrastructure Trust 2, were as follows:

- The Trust's units became stapled on 20 November 2009 to the securities (Stapled Securities) of Prime Infrastructure Holdings Limited and Prime Infrastructure Trust, creating a Triple-Stapled group (together 'Prime Infrastructure');
- The Trust acquired Prime NGPL Trust (formerly BBI NGPL Trust) from Prime Infrastructure Trust, a related party, for consideration of $1. The Prime NGPL Trust has one significant asset, being an interest bearing loan of US$440.0 million receivable from Myria Holdings Inc., a related party of the Prime Infrastructure Stapled Group. Prime NGPL Trust also had an external interest-bearing loan payable of US$440.0 million; and
- The Trust issued units and obtained loans from the Prime Infrastructure Trust to repay the US$440.0 million loan payable to external borrowers.

## PRINCIPAL ACTIVITY

Prior to acquiring Prime NGPL Trust, the Trust was dormant.

Subsequent to the acquisition of Prime NGPL Trust, the consolidated entity's principal activity is the provision of an interest-bearing loan to a related party of the Prime Infrastructure Group.

### DISTRIBUTIONS

No distributions were paid or declared during the half year ended 31 December 2009.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

### SUBSEQUENT EVENTS

There has not been any matter, event or circumstance occurring subsequent to the end of the half-year period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 3 of the half-year financial report.

### ROUNDING OFF OF AMOUNTS

Pursuant to ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors of the Responsible Entity

Hon. Dr. D J Hamill AM
Director
Sydney, 25 February 2010

Deloitte Touche Tohmatsu
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The Board of Directors
Prime Infrastructure RE Limited
Responsible Entity – Prime Infrastructure Trust 2
Level 10, The Chifley Tower
2 Chifley Square,
SYDNEY NSW 2000

25 February 2010

Dear Board Members,

**Prime Infrastructure Trust 2**

In accordance with section 307C of the Corporations Act 2001, I provide the following declaration of independence to the directors of Prime Infrastructure RE Limited as responsible entity for Prime Infrastructure Trust 2.

As lead audit partner for the review of the interim financial statements of Prime Infrastructure Trust 2 for the period ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

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# Independent Auditor's Review Report to the members of Prime Infrastructure Trust 2

We have reviewed the accompanying half-year financial report of Prime Infrastructure Trust 2, which comprises the condensed consolidated balance sheet as at 31 December 2009, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 22.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Infrastructure Trust 2, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

*Auditor's Independence Declaration*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Infrastructure Trust 2 is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants
Sydney, 25 February 2010

# Directors’ Declaration

The Directors of Prime Infrastructure RE Limited, the Responsible Entity of the Prime Infrastructure Trust 2, declare that:

(a) in the Directors’ opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable; and

(b) in the Directors’ opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors of the Responsible Entity

Hon. Dr. D J Hamill AM
Director
Sydney, 25 February 2010

## Condensed Consolidated Income Statement
## for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| Revenue | 3 | 7,451 | - |
| Other income | 3 | 12,110 | - |
| **Total income** | | **19,561** | **-** |
| Depreciation and amortisation charge | 3 | (126) | - |
| Finance costs | 3 | (5,180) | - |
| Operating and management charges | | (1,504) | - |
| **Total expenses** | | **(6,810)** | **-** |
| **Profit from continuing operations before income tax** | | **12,751** | **-** |
| Income tax expense | | - | **-** |
| **Profit for the period** | | **12,751** | **-** |
| **Earnings per unit from continuing operations** | | | |
| Basic and diluted (cents per unit) | 12 | **4.31** | - |

## Condensed Consolidated Statement of Comprehensive Income
## for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| Profit for the period | | 12,751 | - |
| Other comprehensive income for the period | | - | - |
| **Total comprehensive income for the period** | | **12,751** | **-** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 12,751 | - |
| Non-controlling interests | | - | - |
| | | **12,751** | **-** |

Notes to the Financial Statements are included on pages 11 to 22.

# Condensed Consolidated Balance Sheet

## as at 31 December 2009

| | Note | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 194 | - |
| Trade and other receivables | 4 | 8,041 | - |
| Other | | 19 | - |
| **Total current assets** | | **8,254** | **-** |
| **Non-current assets** | | | |
| Other financial assets | 5 | 490,579 | - |
| Other intangible assets | 7 | 1,880 | - |
| **Total non-current assets** | | **492,459** | **-** |
| **Total assets** | | **500,713** | **-** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 8 | 1,677 | - |
| **Total current liabilities** | | **1,677** | **-** |
| **Non-current liabilities** | | | |
| Other financial liabilities | 9 | 286,169 | - |
| **Total non-current liabilities** | | **286,169** | **-** |
| **Total liabilities** | | **287,846** | **-** |
| | | | |
| **Net assets** | | **212,867** | **-** |
| | | | |
| **Equity** | | | |
| Unitholders funds | 10 | 245,519 | - |
| Reserves | | (45,403) | |
| Retained earnings | 11 | 12,751 | - |
| **Total equity** | | **212,867** | **-** |

Notes to the Financial Statements are included on pages 11 to 22.

# Condensed Statement of Changes in Equity
## for the Half-Year ended 31 December 2009

| | Unitholders funds $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2008 | - | - | - | - |
| Profit for the period | - | - | - | - |
| **Closing balance at 31 December 2008** | **-** | **-** | **-** | **-** |
| | | | | |
| Balance at 1 July 2009 | - | - | - | - |
| Profit for the period and total comprehensive income | - | - | 12,751 | 12,751 |
| Amounts recognised in the period | - | (45,403) | - | (45,403) |
| Units issued | 245,519 | - | - | 245,519 |
| **Closing balance at 31 December 2009** | **245,519** | **(45,403)** | **12,751** | **212,867** |

Notes to the Financial Statements are included on pages 11 to 22.

# Condensed Consolidated Cash Flow Statement
# for the Half-Year ended 31 December 2009

| | Note | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers | | (1,274) | - |
| Interest received | | 14,339 | - |
| Interest and other costs of finance paid | | (5,499) | - |
| **Net cash provided by operating activities** | | **7,566** | **-** |
| **Cash flows from investing activities** | | | |
| Purchase of business (net of cash acquired) | 6 | 111 | - |
| **Net cash from investing activities** | | **111** | **-** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of securities | | 264,553 | - |
| Proceeds from related party borrowings | | 206,433 | - |
| Repayment of borrowings | | (478,469) | - |
| **Net cash used in financing activities** | | **(7,483)** | |
| **Net increase in cash and cash equivalents** | | **194** | **-** |
| **Cash and cash equivalents at the beginning of the financial period** | | **-** | **-** |
| **Cash and cash equivalents at the end of the financial period** | | **194** | **-** |

Notes to the Financial Statements are included on pages 11 to 22.

# Notes to the Condensed Consolidated Financial Statements for the Half-Year ended 31 December 2009

| Note | Contents |
|---|---|
| 1 | Significant accounting policies |
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# Notes to the Condensed Consolidated Financial Statements for the Half-Year ended 31 December 2009



## 1. SIGNIFICANT ACCOUNTING POLICIES

Prime Infrastructure Trust 2 ('the Trust') is a trust domiciled in Australia. The condensed consolidated half-year financial report of the Trust as at and for the half-year ended 31 December 2009 comprises the Trust and its subsidiary (together referred to as 'the consolidated entity').

### STATEMENT OF COMPLIANCE

The half-year financial report is a General Purpose Financial Report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

A copy of the most recent annual report, as at and for the year ended 30 June 2009 is available upon request from the Responsible Entity's registered office at Level 10, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

### BASIS OF PREPARATION

The condensed consolidated Financial Statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Trust is of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Trust's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the consolidated entity include:

- AASB 3 Business Combinations (revised)
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements (revised)
- AASB 127 Consolidated and Separate Financial Statements (revised)

The impact of these changes in accounting policies is discussed in Note 1(o).

### STAPLED SECURITY

The shares of Prime Infrastructure Holdings Limited, and the units in Prime Infrastructure Trust (PIT) and Prime Infrastructure Trust 2 (the Trust) are combined and issued as Tripled Stapled Securities in the Prime Infrastructure Group. The shares in the Company and the units of the Trusts cannot be traded separately and can only be traded as Stapled Securities. Prime Infrastructure Trust 2 joined the Stapled Group as part of the re-capitalisation of the Prime Infrastructure Group on 20 November 2009.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### GROUP FORMATION AND TERMINATION

On 29 April 2002, Prime Infrastructure Holdings Limited was incorporated and Prime Infrastructure Trust was formed. On 18 June 2002, the units of Prime Infrastructure Trust and the shares of Prime Infrastructure Holdings Limited were stapled (the Stapled Securities). On this date the Stapled Securities were issued to the public through an Initial Public Offering and were listed on the Australian Securities Exchange on 24 June 2002.

On 20 November 2009, as part of the recapitalisation of Prime Infrastructure Group, Prime Infrastructure Trust 2 became part of the Stapling Deed, resulting in Prime Infrastructure becoming a Tripled Stapled Security listed on the Australian Securities Exchange.

The shares in Prime Infrastructure Holdings Limited (the Company), the units of Prime Infrastructure Trust and the units of the Trust (collectively the Trusts) will remain stapled until the earlier of the Company ceasing to exist or being wound up, or the Trusts being dissolved in accordance with the provisions of their Trust Constitution.

### (a) Principles of Consolidation

The condensed consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of Prime Infrastructure Trust 2 as at 31 December 2009 and the results of all subsidiaries for the half-year then ended.

Subsidiaries are all those entities (including special purpose entities) controlled by the Trust (its subsidiaries) (referred to as 'the consolidated entity' in these Financial Statements). Control is achieved where the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are amended where required to ensure consistency with the policies of the consolidated entity.

Investments in subsidiaries are accounted for at cost in the individual Financial Statements of the Trust.

### (b) Revenue recognition

Revenue from interest-bearing loans and deposits are recognised on a time proportionate basis that takes into account the effective yield of the financial asset.

### (c) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority,
- it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Goods and services tax (continued)

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (e) Foreign currency

The individual Financial Statements of each group entity are presented in its functional currency, being the currency of the primary economic environment in which the entity operates. For the purpose of the condensed consolidated Financial Statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Prime Infrastructure Trust 2 and the presentation currency for the condensed consolidated Financial Statements.

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the period which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve.

### (f) Income tax

Income tax has not been brought to account in the Financial Statements of the economic entity as under the terms of the Trust Deed and pursuant to the provisions of current tax legislation, the Trust and its subsidiaries are not liable to income tax provided that its taxable income (including assessable realised capital gains) is fully distributed.

### (g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (h) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Trust Financial Statements.

Where applicable, other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets (continued)

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

*Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Derecognition of financial assets*

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all this risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

### (i) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

### (j) Impairment of long-lived assets excluding goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Impairment of long-lived assets excluding goodwill (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (k) Trade and other payables

Trade and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

### (l) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (m) Contributed equity

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (n) Distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the Financial Year but not distributed at balance date.

### (o) Adoption of New and Revised Accounting Standards

The adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's presentation of, or disclosure in, its half-year financial statements in the following areas:

- Presentation of the Financial Statements. As a consequence of the adoption of AASB 101 'Presentation of Financial Statements (2007) (revised)' and its associated amending Standards, the Group no longer presents a Statement of Recognised Income and Expenses, but presents a Statement of Comprehensive Income and a Statement of Changes in Equity.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Adoption of New and Revised Accounting Standards (continued)

The following new and revised accounting standards, whilst adopted, have not resulted in any changes to the consolidated entity's amounts reported in current or prior periods, or resulted in changes to the consolidated entity's disclosures:

- AASB 3 Business Combinations (revised);
- AASB 8 Operating Segments; and
- AASB 127 Consolidated and Separate Financial Statements (revised).

## 2. SEGMENT INFORMATION

The consolidated entity has one reportable segment. Its principal activity is the provision of a loan to a related entity, Myria Holdings Inc., which earns interest on normal commercial terms.

## 3. PROFIT FROM OPERATIONS

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| **(A) REVENUE** | | |
| Interest revenue – related parties | 7,451 | - |
| **(B) OTHER INCOME** | | |
| Foreign exchange gains | 12,110 | - |
| **Total income** | **19,561** | - |
| **(C) PROFIT BEFORE TAX** | | |
| Profit has been arrived at after charging the following continuing expenses: | | |
| **Finance costs** | | |
| Interest on loans | 627 | - |
| Interest on related party loans | 4,553 | - |
| | **5,180** | - |
| Amortisation of non-current assets | 126 | - |

## 4. TRADE AND OTHER RECEIVABLES

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| Interest receivable from related party | 6,613 | - |
| GST receivable | 1,428 | - |
| | **8,041** | - |

## 5. OTHER FINANCIAL ASSETS

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| Interest-bearing loan advanced to related party | **490,579** | **-** |

The consolidated entity has a US$440.0 million loan receivable from Myria Holdings Inc., a related party of Prime Infrastructure. The loan earns interest at a fixed interest rate of 12%, is unsecured and is repayable in February 2018.

## 6. ACQUISITION OF SUBSIDIARY

On 20 November 2009, the Trust acquired a 100% interest in Prime NGPL Trust (formerly BBI NGPL Trust) from Prime Infrastructure Trust, a related party of the Trust. The transaction was undertaken as part of the broader restructure and recapitalisation of the Prime Infrastructure Group, which was approved by Securityholders of the Prime Infrastructure Group on the same date.

The Prime NGPL Trust was acquired for $1, which was also the consideration transferred.

**Assets acquired and liabilities assumed at the date of acquisition**

| | $'000 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 111 |
| Trade and other receivables [1] | 13,501 |
| **Non-current assets** | |
| Other financial assets [2] | 470,639 |
| Other intangible assets | 2,006 |
| **Current liabilities** | |
| Trade and other payables | (61,021) |
| **Non-current liabilities** | |
| Borrowings | (470,639) |
| **Fair value of assets and liabilities acquired at the date of acquisition** [3] | **(45,403)** |

1 Trade and other receivables acquired with a fair value of $13,501,000, which was the same value as gross contractual amounts expected to be received.

2 Other financial assets acquired with a fair value of $470,639,000, which was the same value as gross contractual amounts expected to be received.

3 The fair value of the net liabilities acquired has been taken to reserves as the transaction occurs between stapled entities.

## 6. ACQUISITION OF SUBSIDIARY (CONTINUED)

**Net cash inflow arising on acquisition**

| | $'000 |
|---|---|
| Cash and cash equivalent balances acquired | 111 |
| Less: Consideration paid in cash [1] | - |
| Net cash inflow arising on acquisition | **111** |

1 Consideration paid was $1.

**Impact of acquisition on the results of the consolidated entity**

Included in the profit for the interim period is $12,751,000 attributable to Prime NGPL Trust. Revenue for the period includes $7,451,000 in respect of Prime NGPL Trust.

Had the acquisition of Prime NGPL Trust been effected at 1 July 2009, the revenue of the consolidated entity for the six months ended 31 December 2009 would have been $29,528,000, and the loss for the period for the six months ended 31 December 2009 would have been $27,821,000. The Directors of the Responsible Entity of the Trust consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future periods.

## 7. OTHER INTANGIBLE ASSETS

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| **Software and Licenses** | | |
| GROSS CARRYING AMOUNT | | |
| Opening balance | - | - |
| Acquisitions through business combinations | 2,006 | - |
| Closing balance | **2,006** | - |
| | | |
| ACCUMULATED AMORTISATION | | |
| Opening balance | - | - |
| Amortisation | (126) | - |
| Closing balance | **(126)** | - |
| Net book value | **1,880** | **-** |

## 8. TRADE AND OTHER PAYABLES

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| Trade payables | 1,266 | - |
| Payables to other related parties | 411 | - |
| | **1,677** | - |

## 9. BORROWINGS

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| Interest-bearing loan to other related party | **286,169** | **-** |

The consolidated entity has an interest-bearing loan owed to the Prime Infrastructure Trust, with a fixed interest rate of 15% which matures in November 2019. The loan is unsecured.

During the period, the consolidated entity repaid the US$440.0 million Corporate Facility, which was acquired as part of the transaction in acquiring Prime NGPL Trust.

## 10. UNITHOLDERS FUNDS

| | 31 Dec 2009 Number '000 | 30 June 2009 Number '000 | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|---|---|
| 295,534,277 fully paid ordinary units (30 June 2009: nil) | 295,534 | - | 245,519 | - |

| | Date | Number '000 | Issue price per Security ($) | $'000 |
|---|---|---|---|---|
| **Fully paid ordinary units** | | | | |
| Balance at beginning of financial period | 1 July 2009 | - | - | - |
| Issuance of new units | 20 Nov 2009 | 295,534 | 0.895 | 264,553 |
| Less: issue costs | | | | (19,034) |
| Balance at end of financial period | | **295,534** | | **245,519** |

### FULLY PAID UNITS

Fully paid units entitle the holder to vote, to participate in distributions, and the proceeds on winding up the Trust in proportion to the number of and amounts paid on the units.

## 11. RETAINED EARNINGS

| | 31 Dec 2009 $'000 | 30 June 2009 $'000 |
|---|---|---|
| Opening balance | - | - |
| Profit for the period | 12,751 | - |
| Closing balance | **12,751** | **-** |

## 12. EARNINGS PER UNIT

| | 31 Dec 2009 cents per unit | 31 Dec 2008 cents per unit |
|---|---|---|
| Basic and diluted earnings per unit: | | |
| From continuing operations | 4.31 | - |
| Total basic and diluted earnings per unit | **4.31** | **-** |

The profit and weighted average number of ordinary units used in the calculation of basic and diluted earnings per unit are as follows:

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Profit for the period | 12,751 | - |
| Profit from continuing operations | **12,751** | **-** |

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Weighted average number of units for the purposes of basic and diluted earnings per unit * | **295,534** | **-** |

* The consolidated entity commenced trading on 20 November 2009. As the consolidated entity only commenced earning income from that date, the number of units issued has not been weighted.

Profit used in the calculation of total basic and diluted earnings per unit reconciles to net profit in the condensed consolidated Income Statement as follows:

| | 31 Dec 2009 $'000 | 31 Dec 2008 $'000 |
|---|---|---|
| Net profit | 12,751 | - |
| Adjustments | - | - |
| Earnings used in the calculation of basic and diluted earnings per unit from continuing operations | **12,751** | **-** |

## 13. DISTRIBUTIONS

No distributions were paid or declared during the half-year ended 31 December 2009.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010 with a payment date expected at the end of May 2010.

# Notes to the Condensed Consolidated Financial Statements for the Half-Year ended 31 December 2009

## 14. SUBSEQUENT EVENTS

There has not been any matter, event or circumstance occurring subsequent to the end of the half-year period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

## 15. ADDITIONAL TRUST INFORMATION

Prime Infrastructure Trust 2 was formed and is operating in Australia.

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