

Australian Infrastructure Fund (AIX)

Results announcement

Total pages: 40

21 February 2013

Appendix 4D – Report for the half year ended 31 December 2012

Please find enclosed the following documents:

- A. Results for announcement to the market
- B. Commentary on the results
- C. Financial report for the half year ended 31 December 2012
- D. Independent auditor's review report

For further enquiries, please contact:

Jeff Pollock
Chief Executive Officer
Australian Infrastructure Fund
Tel: +61 3 8650 3600
Fax: +61 3 8650 3701
Email: investor_relations@hfm.com.au
Website: www.hfm.com.au/aix

Simon Ondaatje
Head of Investor Relations
Hastings Funds Management
Tel: +61 3 8650 3600
Fax: +61 3 8650 3701
Email: investor_relations@hfm.com.au
Website: www.hfm.com.au/aix



Jefferson Petch
Company Secretary
Australian Infrastructure Fund

A. Results for announcement to the market

	Change from previous corresponding period		Half year to 31 December 2012 (\$'000)	Half year to 31 December 2011 (\$'000)
Revenue from ordinary activities ⁽¹⁾	Up 194%	To	229,518	77,999
Revenue from ordinary activities other than gains and losses ⁽²⁾	Up 47%	To	43,160	29,439
Profit from ordinary activities after tax attributable to securityholders	Up 155%	To	175,508	68,835
Net profit for the period attributable to securityholders	Up 155%	To	175,508	68,835
Net cash flows from operating activities ⁽³⁾	-		(7,755)	20,212
Normalised net cash flows from operating activities ⁽⁴⁾	Up 50%	To	30,317	20,212

⁽¹⁾ Revenue from ordinary activities largely comprises income (being distributions, dividends and interest on shareholder loans) received by AIX from the assets in the portfolio and any unrealised gains and losses resulting from changes in the valuation of AIX assets.

⁽²⁾ Revenue from ordinary activities other than gains and losses largely represents distributions, dividends and interest on shareholder loans received by AIX from the assets in the portfolio.

⁽³⁾ Net cash flows from operating activities comprise distributions, dividends, interest on shareholder loans and other income, net of finance costs paid, operating expenses paid and income tax refunded / (paid); also includes performance fee for the period to 30 June 2012 of \$34.6 million (excluding GST), paid in December 2012, but excludes one-off strategic advisory costs. Please note: one-off strategic advisory costs have been reclassified from operating to investing cashflows for the half year to 31 December 2011.

⁽⁴⁾ Normalised net cash flows from operating activities comprises net cash flow from operating activities, excluding the performance fee for the period to 30 June 2012 of \$34.6 million (excluding GST) as well as one-off strategic advisory costs.

Refer to Section B for commentary on the results.

Distributions ⁽¹⁾	Amount per security	Franked amount per security at 30% tax	Tax-deferred amount
Distributions for the half year ended 31 December 2012			
Interim distribution – 31 December 2012 ⁽²⁾	5.50 cents	0.00 cents	0.00 cents
Distributions for the year ended 30 June 2012			
Final distribution – 30 June 2012	5.50 cents	0.64 cents	0.00 cents
Interim distribution – 31 December 2011	5.00 cents	2.33 cents	1.62 cents
Record date for determining entitlements to the distribution			31 December 2012
Distribution payment date			25 February 2013

⁽¹⁾ For tax purposes, please refer to the Annual Distribution Statement which will be distributed following the end of the 2013 financial year. This statement will provide more details of the tax components of the 2013 financial year distributions.

⁽²⁾ Interim distribution of 5.5 cents for the half year to 31 December 2012 will be in the form of a return of capital.

Note: AIX's Distribution Reinvestment Plan (DRP) remains suspended until further notice. All eligible securityholders will receive their distributions for the half year ended 31 December 2012 by way of cash payment.

Key performance indicators	Change from previous corresponding period	31 December 2012	31 December 2011
Net tangible asset backing	Up 11%	323.56 cents	291.51 cents
Stapled security price	Up 62%	311.00 cents	193.00 cents

B. Commentary on the results

AIX today announced its results for the half year to 31 December 2012.

On 24 August 2012, AIX announced that it had entered into a non-binding agreement for the sale of its assets to the Future Fund Board of Guardians (Future Fund), for a total of \$2 billion (subject to agreed adjustments). At an extraordinary general meeting on 15 January 2013, AIX securityholders voted in favour of the proposed sale of assets to the Future Fund and return of proceeds to securityholders. For the half year to 31 December 2012, the directors of AIFL and HFML have determined that the appropriate value for AIX's unlisted securities for financial reporting purposes at 31 December 2012 is \$2.0 billion, being the value offered by the Future Fund for those securities. On this basis, the net gain (realised and unrealised) in the value of AIX's unlisted securities for the six months to 31 December 2012 was \$186.3 million, which is primarily due to the premium offered by the Future Fund over the value of AIX's assets, as independently assessed by KPMG at 30 June 2012.

Revenue from ordinary activities, which includes unrealised gains (or losses) from the revaluation of AIX's unlisted securities, increased to \$229.5 million for the half year to 31 December 2012. In addition to the net gain of \$186.3 million on the value of AIX's unlisted securities, AIX realised the following revenues in the form of distributions, dividends and interest on shareholder loans:

Asset (\$m)	Half year to	Half year to
	31 December 2012	31 December 2011
	(\$m)	(\$m)
Perth Airport	14.9	10.4
APAC	8.8	8.8
QAL	9.4	1.2
NT Airports	4.0	4.1
HTAC	3.9	3.8
Bank interest and other	2.2	1.1
Total revenue excluding gains/(losses)	43.2	29.4

During this period, passenger movements through AIX's Australian airports were generally consistent with expectation, other than at Perth Airport, which continued to benefit from the strong resources sector. The international terminals benefited from the strong Australian dollar, which promoted outbound leisure travel, as well as the strength of the Chinese economy which supported inbound travel, particularly at Melbourne Airport. In contrast, passenger movements through AIX's European airports were subdued, following the continued uncertainty in economic conditions.

Of note, the increase in distributions from Perth Airport was due to strong operational performance, which generated additional revenues to the benefit of securityholders. The increase in distributions from QAL was due to a change in the distribution payment period, from annual to semi-annual from 1 July 2012.

Net profit after tax was \$175.5 million for the six months to 31 December 2012, compared to \$68.8 million in the prior corresponding period. The increase in net profit after tax was largely due to the increase in revenues, including both realised and unrealised gains, as discussed above.

Net cashflows from operating activities were negative \$7.8 million for the half year to 31 December 2012, with AIX having paid a lump sum performance fee of \$34.6 million (excluding GST) for the period to 30 June 2012. When normalised for this expense, AIX's net cashflows from operating activities increased 50.0 percent on the prior corresponding period, from \$20.2 million to \$30.3 million in the half year to 31 December 2012, as follows:

Australian Infrastructure Fund

Appendix 4D

Report for the half year ended 31 December 2012

Asset (\$'000)		Half year to	Half year to
		31 December 2012	31 December 2011
		(\$'000)	(\$'000)
Cashflow from assets	32%	40,593	30,738
Less cashflow from assets in the form of capital returns		(2,145)	(2,047)
Management fees paid		(7,339)	(6,326)
Other expenses		(2,274)	(2,074)
Net interest received / (paid)		1,482	(79)
Performance fee paid		(38,072)	-
Net cashflows from operating activities	n/a	(7,755)	20,212
Add back performance fee paid		38,072	-
Normalised net cashflows from operating activities	50%	30,317	20,212

The change in net cashflows was largely attributed to the increase in distributions from Perth Airport and QAL. Management expenses also increased on the prior period following the increase in the AIX security price, which resulted in a higher management fee. However, the management fee was capped from 24 August 2012, being the date on which AIX announced that it had entered into a non-binding arrangement with the Future Fund for the sale of its assets, on the basis of the security price at close of trade on the prior day of \$2.65 per stapled security.

Other expenses increased when compared to the prior corresponding period, largely due to one-off strategic advisory costs relating to both the proposed internalisation of AIX's management and the sale of assets to the Future Fund. Net interest received increased for the half year as a result of the increased cash balance compared to the prior period, following the receipt of proceeds from the successful divestment of AIX's non-core assets in the first half of the 2012 calendar year.

On 10 December 2012, AIX provided distribution guidance for the half year ending 31 December 2012 of 5.5 cents per stapled security, being a total of \$34.1 million. The distribution will be paid on 25 February 2013.

Other key events for the half year ended 31 December 2012

On 24 August 2012, AIX announced that it had entered into a non-binding agreement for the sale of its assets to the Future Fund, for a total of \$2 billion (subject to agreed adjustments). At an extraordinary general meeting on 15 January 2013, AIX securityholders voted in favour of the proposed sale of assets to the Future Fund and return of proceeds to securityholders.

AIX is currently in the process of divesting its assets in accordance with the direction received from securityholders. Further details can be found in the explanatory booklet dated 7 December 2012, together with further announcements by AIX at www.hfm.com.au.

C. Financial report for the half year ended 31 December 2012

For personal use only

Australian Infrastructure Fund Limited

ABN 97 063 935 553

Australian Infrastructure Fund Trust

ARSN 089 889 761

**Consolidated Interim Financial Statements
for the Half Year ended 31 December 2012**

For personal use only

Directors' Report

The directors of Australian Infrastructure Fund Limited present their report together with the consolidated interim financial statements of Australian Infrastructure Fund Limited (AIFL or the Company) consisting of the Company and the entities it controlled at the end of, or during, the half year ended 31 December 2012.

Structure of consolidated interim financial statements

The ordinary shares issued by the Company are stapled to the securities issued by Australian Infrastructure Fund Trust (AIFT or the Trust). The combined entity of AIFL and AIFT and its controlled entities is known as the Australian Infrastructure Fund (AIX). On 6 March 1997, the stapled securities were listed on the Australian Stock Exchange (ASX) and have the ASX code of AIX.

The units and shares will only be unstapled in accordance with the determination of the Responsible Entity for AIFT and the Board of AIFL if:

- the unitholders of AIFT have approved the unstapling by special resolution; and
- the members of AIFL have approved the unstapling by special resolution.

At the meeting of 15 January 2013, securityholders approved the unstapling of the AIFT units from the AIFL shares, so to facilitate the distribution of proceeds from the Future Fund Offer. At this meeting, securityholders also approved an amendment to the constitution of AIFL to remove the requirement that AIFL shares and AIFT units be unstapled within three months of receiving securityholder approval.

Hastings Funds Management Limited (Hastings) is the manager of AIFL and the Responsible Entity of AIFT.

For the purpose of preparing the consolidated interim financial statements that combine the assets and liabilities of AIFL and AIFT, AIFL is identified as the parent entity.

The consolidated interim financial statements presented therefore comprise:

- **Consolidated AIFL (AIX):** Represents the entire AIX group, consisting of the Company, its controlled entities, and Consolidated AIFT; and
- **Consolidated AIFT:** Represents AIFT and its controlled entities.

The above consolidated interim financial statements are presented in adjacent columns in single financial statements in accordance with the option available under ASIC Class Order 05/642.

Directors

The names of the directors of the Company in office during the half year and up to the date of this report are:

Paul Espie - Chairman
James Evans
John Harvey
Robert Humphris
Michael Hutchinson
Robert Tsenin

Company secretaries

The company secretaries of the Company in office during the half year and up to the date of this report are Jane Frawley and Jefferson Petch.

Principal activities

The principal activity of AIX during the half year was to invest in, and to actively manage infrastructure investments so as to optimise total shareholder return. During the half year, AIX was invested in Perth Airport, Australian Pacific Airports Corporation (Melbourne and Launceston airports), Queensland Airports, HOCHTIEF AirPort Capital Group, Airport Development Group (NT Airports) and Statewide Roads (collectively, AIX's infrastructure assets).

On 26 November 2012, AIFL and Hastings announced that AIX had entered into a binding implementation agreement with the Future Fund Board of Guardians (Future Fund) for the proposed sale of all of AIX's infrastructure assets for total consideration of \$2 billion, to be adjusted if AIX received a distribution from any asset above an agreed amount or AIX contributed capital to any asset with the consent of the Future Fund (Future Fund Offer).

The sale of AIX's interests in Perth Airport, Australian Pacific Airports Corporation, Queensland Airports and Airport Development Group are subject to pre-emptive rights in favour of AIX's co-investors. Where Future Fund is unable to acquire any part of AIX's interests in these assets due to AIX's co-investors exercising their pre-emptive rights, AIX will pay a fee to Future Fund equal to 1% of the consideration received by AIX from its co-investors in that asset.

Directors' Report (continued)

Company information

The Company is incorporated and domiciled in Australia. The registered office of the Company is located at Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

At 31 December 2012 the Company had no employees, apart from non-executive directors of the Company (2011: nil).

Review and results of operations

The Company has continued to invest funds in accordance with its investment objectives and guidelines as set out in the current prospectus and in accordance with the provisions of the Company's Constitution.

Results

The profit after income tax attributable to securityholders of AIX for the half year ended 31 December 2012 was \$175,508,000 (2011: \$68,835,000).

Distributions and dividends

An interim dividend and distribution of \$34,140,000 (5.50 cents per stapled security) was declared by AIX for the half year ended 31 December 2012 and will be paid on 25 February 2013 (six months to 31 December 2011 – 5.00 cents per stapled security).

Business strategies and prospects

Following approval of the Future Fund Offer by securityholders on 15 January 2013, AIX entered into separate and independent deeds of sale for each of its infrastructure assets with Future Fund for a total \$2 billion consideration (subject to adjustment, as described below).

As detailed in the AIX Explanatory Booklet dated 7 December 2012, the sale of the infrastructure assets is expected to complete by mid March 2013, following satisfaction of the pre-emptive requirements relevant to each asset.

The total consideration of \$2 billion that was offered by Future Fund will be adjusted if AIX receives a distribution from any asset above an agreed amount or if AIX contributes capital to any asset with the consent of the Future Fund. AIX will also pay a fee to Future Fund equal to 1% of the consideration received by AIX for any interests that are acquired other than by the Future Fund as a consequence of any of AIX's co-investors exercising their pre-emptive rights.

Following completion of all asset sales, AIX will distribute the net proceeds from the asset sales and all cash reserves to securityholders, after allowing for taxes, management and performance fees, transaction costs and residual liabilities. Monies are anticipated to be distributed by way of a main return in late April 2013 and a residual return in late June 2013. While the residual return may be delayed, it will be paid no later than 31 December 2013.

The wind up of AIX is not expected to commence until after 30 June 2013 and the process will take at least 12 months. As such, the interim consolidated financial statements have been prepared based on the going concern assumption.

Further information on AIX's business strategies and its prospects for future financial years is included in AIX's Annual Report, the explanatory booklet of 12 December 2012 and further announcements to the ASX.

Directors' Report (continued)

Matters subsequent to the end of the reporting period

Other than the events described under business strategies and prospects, no significant events have occurred since the end of the reporting period which would impact on the financial position of AIX disclosed in the Consolidated Statements of Financial Position as at 31 December 2012 or on the results and cash flows of AIX for the half year ended on that date.

Rounding

AIX is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the interim financial statements. Amounts in the Directors Report and consolidated interim financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Paul Espie
Chairman
21 February 2013



Auditor's Independence Declaration to the Directors of Australian Infrastructure Fund Limited

As lead auditor for the review of Australian Infrastructure Fund Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australian Infrastructure Fund Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'Simon Gray'.

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
21 February 2013

For personal use only

Directors' Report

The directors of Hastings Funds Management Limited (Hastings) as the Responsible Entity for Australian Infrastructure Fund Trust (AIFT or the Trust) present their report together with the consolidated interim financial statements of the Trust and the entities it controlled at the end of, or during, the half year ended 31 December 2012.

The ordinary shares issued by Australian Infrastructure Fund Limited (AIFL or the Company) are stapled to the units issued by the Trust. The combined entity of the Company and the Trust is known as the Australian Infrastructure Fund (AIX).

Responsible Entity

The Responsible Entity of the Trust is Hastings Funds Management Limited (ABN 27 058 693 388). The Responsible Entity's registered office is located at Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

Directors

The names of the directors of the Responsible Entity in office during the half year and up to the date of this report are:

Alan Cameron - Chairman
Andrew Day
James Evans
William Forde
Stephen Gibbs
James McDonald
Victoria Poole

Company secretaries

The company secretaries of the Responsible Entity in office during the half year and up to the date of this report are Jane Frawley and Jefferson Petch.

Principal activities

The principal activity of Consolidated AIFT during the half year was to invest in, and to actively manage infrastructure investments so as to optimise total shareholder return. During the half year, AIX was invested in Perth Airport, Australian Pacific Airports Corporation (Melbourne and Launceston airports), Queensland Airports, HOCHTIEF AirPort Capital Group and Airport Development Group (NT Airports) (collectively, Consolidated AIFT's infrastructure assets).

On 26 November 2012, AIFL and Hastings announced that AIX had entered into a binding implementation agreement with the Future Fund Board of Guardians (Future Fund) for the proposed sale of all of AIX's infrastructure assets for total consideration of \$2 billion, to be adjusted if AIX received a distribution from any asset above an agreed amount or AIX contributed capital to any asset with the consent of the Future Fund (Future Fund Offer).

The sale of Consolidated AIFT's interests in Perth Airport, Australian Pacific Airports Corporation, Queensland Airports and Airport Development Group are subject to pre-emptive rights in favour of AIX's co-investors. Where Future Fund is unable to acquire any part of AIX's interests in these assets due to AIX's co-investors exercising their pre-emptive rights, AIX will pay a fee to Future Fund equal to 1% of the consideration received by AIX from its co-investors in that asset.

Review and results of operations

The Trust has continued to invest funds in accordance with its investment objectives and guidelines as set out in the current prospectus and in accordance with the provisions of the Trust's Constitution.

Results

The profit after income tax attributable to securityholders of the Trust for the half year ended 31 December 2012 was \$162,758,000 (2011 - \$65,400,000).

Distributions

The AIX interim distribution of \$34,140,000 (5.50 cents per stapled security) for the six months ended 31 December 2012 will be paid on 25 February 2013. The Trust's interim distribution represents \$34,140,000 (2011 - \$26,537,000) of the total amount paid.

Directors' Report (continued)

Business strategies and prospects

On 15 January 2013, securityholders approved the Future Fund Offer and resolved that AIX enter into separate and independent deeds of sale for each of its infrastructure assets with Future Fund for a total \$2 billion consideration (subject to adjustment, as described below).

As detailed in the AIX Explanatory Booklet dated 7 December 2012, the sale of the infrastructure assets is expected to complete by mid March 2013, following satisfaction of the pre-emptive requirements relevant to each asset.

The total consideration of \$2 billion that was offered by Future Fund will be adjusted if Consolidated AIFT receives a distribution from any asset above an agreed amount or if Consolidated AIFT contributes capital to any asset with the consent of the Future Fund. Consolidated AIFT will also pay a fee to Future Fund equal to 1% of the consideration received by AIX for any interests that are acquired other than by Future Fund as a consequence of any of Consolidated AIFT's co-investors exercising their pre-emptive rights.

Following completion of all asset sales, Consolidated AIFT will distribute the net proceeds from asset sales and all cash reserves to securityholders, after allowing for taxes, management and performance fees, transaction costs and residual liabilities. Monies are anticipated to be distributed by way of a main return in late April 2013 and a residual return in late June 2013. While the residual return may be delayed, it will be paid no later than 31 December 2013.

The wind up of AIFT is not expected to commence until after 30 June 2013 and the process will take at least 12 months. As such, the interim consolidated financial statements have been prepared based on the going concern assumption.

Further information on Consolidated AIFT's business strategies and its prospects for future financial years is included in AIX's Annual Report, the explanatory booklet of 12 December 2012 and further announcements to the ASX.

Matters subsequent to the end of the reporting period

Other than the events described under business strategies and prospects, no significant events have occurred since the end of the reporting period which would impact on the financial position of Consolidated AIFT disclosed in the Consolidated Statements of Financial Position as at 31 December 2012 or on the results and cash flows of Consolidated AIFT for the half year ended on that date.

Rounding

The Trust is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the interim financial statements. Amounts in the Directors Report and consolidated interim financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Directors' Report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "James K. Evans", written over a horizontal line.

James Evans
Director

21 February 2013

For personal use only



Auditor's Independence Declaration to the Directors of Hastings Funds Management, as the Responsible Entity for Australian Infrastructure Fund Trust

As lead auditor for the review of Australian Infrastructure Fund Trust for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australian Infrastructure Fund Trust and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'Simon Gray'.

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
21 February 2013

For personal use only

Consolidated Statements of Comprehensive Income

	AIX	Consolidated AIFL		Consolidated AIFT	
		31 December	31 December	31 December	31 December
		2012	2011	2012	2011
Note	\$'000	\$'000	\$'000	\$'000	
Income					
Interest income	3	9,288	7,581	8,249	7,468
Dividend income	4	33,666	21,654	30,956	18,944
Distribution income	5	0	(119)	0	(72)
Net gain/(loss) - securities	6	186,346	48,533	164,012	44,656
Net gain/(loss) - cash and cash equivalents		2	152	1	152
Net gain/(loss) - other		10	(125)	10	(125)
Other income		206	323	206	323
Total income		229,518	77,999	203,434	71,346
Expenses					
Base management fees	7	8,418	5,995	7,545	5,332
Performance fees	7	55,350	0	49,610	0
Securityholder and investor relations expenses		436	316	218	159
Investment bid costs		247	554	247	459
Investment costs		13	182	8	175
Director fees		755	468	0	0
Director retirement expense		(10)	90	0	(722)
Board administration expenses		22	20	0	2
Other prudential expenses		327	401	110	269
Audit fees (internal and external)		34	47	26	31
Tax fees		36	34	26	25
Finance costs	8	904	802	932	1,061
Strategic initiatives costs	9	6,767	875	5,600	144
Other expenses		134	83	79	60
Total expenses		73,433	9,867	64,401	6,995
Net profit/(loss) before income tax for the half year		156,085	68,132	139,033	64,351
Income tax expense/(benefit)		(19,423)	(703)	(23,725)	(1,049)
Net profit/(loss) after income tax for the half year		175,508	68,835	162,758	65,400
Other comprehensive income/(loss) for the half year, net of tax		0	0	0	0
Total comprehensive income/(loss) for the half year		175,508	68,835	162,758	65,400

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

	AIX	Consolidated AIFL		Consolidated AIFT	
		31 December	31 December	31 December	31 December
		2012	2011	2012	2011
Earnings per security					
Basic earnings per security (cents)		28.27	11.09	26.22	10.54
Weighted average number of securities (000's)		620,734	620,734	620,734	620,734
Net profit after income tax (\$000's)		175,508	68,835	162,758	65,400

Diluted earning per security are no different from basic earning per security

Consolidated Statements of Financial Position

	AIX				
	Note	Consolidated AIFL		Consolidated AIFT	
		31 December 2012 \$'000	30 June 2012 \$'000	31 December 2012 \$'000	30 June 2012 \$'000
Assets					
Cash and cash equivalents		113,855	157,110	52,903	100,201
Receivables		6,266	2,851	5,962	2,839
Other assets		345	484	240	428
Current tax asset		568	304	4	4
Securities	10	2,000,000	1,813,811	1,829,267	1,665,449
Total assets		2,121,034	1,974,560	1,888,376	1,768,921
Liabilities					
Payables	11	40,291	71,102	39,415	63,105
Provisions	12	770	780	0	0
Other liabilities	13	55,350	0	49,610	0
Borrowings		0	0	0	11,358
Deferred tax liability		16,204	35,627	0	23,725
Total liabilities		112,615	107,509	89,025	98,188
Net assets		2,008,419	1,867,051	1,799,351	1,670,733
Equity					
Contributed equity	14	1,043,575	1,043,575	883,554	883,554
Reserves	15	(35,476)	(35,476)	(31,695)	(31,695)
Retained earnings	16	1,000,320	858,952	947,492	818,874
Total equity		2,008,419	1,867,051	1,799,351	1,670,733

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

AIX
Consolidated AIFL

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2011	1,043,575	0	728,156	1,771,731
Net profit/(loss) after income tax for the half year	0	0	68,835	68,835
Other comprehensive income/(loss) for the half year, net of tax	0	0	0	0
Total comprehensive income/(loss) for the half year	0	0	68,835	68,835
Transactions with owners in their capacity as owners:				
Dividends and distributions paid and payable to securityholders	0	0	(31,037)	(31,037)
Balance at 31 December 2011	1,043,575	0	765,954	1,809,529
Balance at 1 July 2012	1,043,575	(35,476)	858,952	1,867,051
Net profit/(loss) after income tax for the half year	0	0	175,508	175,508
Other comprehensive income/(loss) for the half year, net of tax	0	0	0	0
Total comprehensive income/(loss) for the half year	0	0	175,508	175,508
Transactions with owners in their capacity as owners:				
Dividends and distributions paid and payable to securityholders	0	0	(34,140)	(34,140)
Balance at 31 December 2012	1,043,575	(35,476)	1,000,320	2,008,419

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity (continued)

Consolidated AIFT	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2011	883,554	0	689,298	1,572,852
Net profit/(loss) after income tax for the half year	0	0	65,400	65,400
Other comprehensive income/(loss) for the half year, net of tax	0	0	0	0
Total comprehensive income/(loss) for the half year	0	0	65,400	65,400
Transactions with owners in their capacity as owners:				
Distributions paid and payable to securityholders	0	0	(26,537)	(26,537)
Balance at 31 December 2011	883,554	0	728,161	1,611,715
Balance at 1 July 2012	883,554	(31,695)	818,874	1,670,733
Net profit/(loss) after income tax for the half year	0	0	162,758	162,758
Other comprehensive income/(loss) for the half year, net of tax	0	0	0	0
Total comprehensive income/(loss) for the half year	0	0	162,758	162,758
Transactions with owners in their capacity as owners:				
Distributions paid and payable to securityholders	0	0	(34,140)	(34,140)
Balance at 31 December 2012	883,554	(31,695)	947,492	1,799,351

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	Inflows/ (outflows)	Inflows/ (outflows)	Inflows/ (outflows)	Inflows/ (outflows)
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Interest received	7,497	6,472	6,457	6,359
Dividends received	33,050	21,654	30,340	18,944
Distributions received	0	1,708	0	760
Other income received	97	120	97	120
Finance costs paid	(714)	(1,337)	(714)	(1,337)
Other expenses paid	(9,349)	(8,042)	(7,380)	(6,050)
Performance fee paid	(38,072)	0	(34,014)	0
Income tax paid	(264)	(363)	0	0
Net cash inflow/(outflow) from operating activities	(7,755)	20,212	(5,214)	18,796
Cash flows from investing activities				
Payments for purchase of unlisted securities	0	(1,487)	0	(1,487)
Payments for unlisted security loan advances	0	(13,381)	0	(13,381)
Payments for stapled entity loan advances	0	0	(11,388)	(2,974)
Payments for unlisted securities disposal costs	(1,765)	0	(1,562)	0
Proceeds from repayment of unlisted loan securities	2,145	2,047	2,145	2,047
Net cash inflow/(outflow) from investing activities	380	(12,821)	(10,805)	(15,795)
Cash flows from financing activities				
Internalisation costs paid	(1,742)	(875)	(1,141)	(731)
Dividends and distributions paid	(34,140)	(31,037)	(30,140)	(28,037)
Net cash inflow/(outflow) from financing activities	(35,882)	(31,912)	(31,281)	(28,768)
Net increase/(decrease) in cash and cash equivalents	(43,257)	(24,521)	(47,300)	(25,767)
Cash and cash equivalents at the beginning of the half year	157,110	79,237	100,201	71,158
Effects of foreign exchange rate movements on cash and cash equivalents	2	152	2	152
Cash and cash equivalents at the end of the half year	113,855	54,868	52,903	45,543

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

1 General Information

Australian Infrastructure Fund Limited (AIFL or the Company) was incorporated in Australia under the Constitution dated 14 November 2007.

Australian Infrastructure Fund Trust (AIFT or the Trust) was established in Australia under the Constitution dated 24 January 1997 (as amended). AIFT was registered as a managed investment scheme with ASIC on 4 November 1999.

Hastings Funds Management Limited (Hastings) is the manager of AIFL and the Responsible Entity of AIFT.

The registered office of AIFL and Responsible Entity is located at Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

As at 31 December 2012 AIFL and AIFT had nil employees, apart from the non-executive directors of AIFL (2011: nil employees).

Structure of consolidated interim financial statements

The ordinary shares issued by AIFL are stapled to the securities issued by AIFT. The combined entity of AIFL and AIFT and its controlled entities is known as the Australian Infrastructure Fund (AIX). On 6 March 1997, the stapled securities were listed on the Australian Stock Exchange (ASX) and have the ASX code of AIX.

The units and shares will only be unstapled in accordance with the determination of the Responsible Entity for AIFT and the Board of AIFL if:

- the unitholders of AIFT have approved the unstapling by special resolution;
- the members of AIFL have approved the unstapling by special resolution; and
- the unstapling period commences within three months after the later of the dates on which the approval of unitholders and members is obtained.

For the purpose of preparing consolidated interim financial statements that combine the assets and liabilities of AIFL and AIFT and its controlled entities, AIFL is identified as the parent entity.

The consolidated interim financial statements presented therefore comprise:

- **Consolidated AIFL (AIX):** Represents the entire AIX group, consisting of the Company, its controlled entities, and Consolidated AIFT; and
- **Consolidated AIFT:** Represents AIFT and its controlled entities.

The above consolidated interim financial statements are presented in adjacent columns in single financial statements in accordance with the option available under ASIC Class Order 05/642.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These have been consistently applied to all reporting periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AIFT's Constitutions, the requirements of Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements have been prepared on the going concern assumption (refer to Note 20).

The consolidated interim financial statements for the half year ended 31 December 2012 do not include all notes of the type normally included in the annual financial statements. Accordingly, these consolidated interim financial statements should be read in conjunction with the annual financial statements of AIX for the year ended 30 June 2012 and any public announcements made by AIFL and AIFT during the half year ended 31 December 2012 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated interim financial statements have been prepared on a historical cost basis, except where otherwise stated.

Compliance with AASB 134 *Interim Financial Reporting* ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

For the purpose of preparing the consolidated interim financial statements, the half year has been treated as a discrete reporting period.

The functional and presentation currency of AIFL and AIFT and its subsidiaries is Australian dollars.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Consolidated Statements of Financial Position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

The consolidated interim financial statements of AIX and Consolidated AIFT for the half year ended 31 December 2012 were authorised for issue in accordance with a resolution of directors of AIFL and the directors of the Responsible Entity for AIFT. The directors of AIFL and the directors of the Responsible Entity for AIFT have the power to amend and reissue the consolidated interim financial statements.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2012 reporting period. The directors' assessment of the impact of these new standards (to the extent relevant to AIX) and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010- 7 *Amendments to Australian Accounting Standards arising AASB 9* (effective from 1 January 2015)

AASB 9 *Financial Instruments* (AASB 9) addresses the classification and measurement of financial assets and financial liabilities.

AASB 9 *Financial Instruments* requires all financial assets to be:

- classified on the basis of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset;
- initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and
- subsequently measured at amortised cost or fair value.

The requirements for derecognition of financial assets and financial liabilities under AASB 9 remain the same as those of AASB 139 *Financial Instruments: Recognition and Measurement*.

AIX will apply the new standard and amendments from 1 July 2015. AIX is yet to fully assess the impact of adopting the new standard and amendments.

- (ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 *Consolidated Financial Statements* (AASB 10) replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While AIX does not expect the new standard to have a significant impact on how it currently accounts for its investees, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 *Joint Arrangements* (AASB 11) replaces AASB 131 *Interests in Joint Ventures* and introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As AIX is not party to any joint arrangements, this standard will not have any impact on its consolidated financial statements.

AASB 12 *Disclosure of Interests in Other Entities* (AASB 12) sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements found in the superseded AASB 128 *Investments in Associates*. Application of this standard by AIX will not affect any of the amounts recognised in the consolidated financial statements, but will impact the type of information disclosed in relation to AIX's investments.

AASB 127 *Consolidated and Separate Financial Statements* is renamed AASB 127 *Separate Financial Statements* (AASB 127) and is now a standard dealing solely with separate financial statements. Application of this standard by AIX will not affect any of the amounts recognised in the consolidated financial statements.

AASB 128 *Investments in Associates* is renamed AASB 128 *Investments in Associates and Joint Ventures* (AASB 128). Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. As AIX does not have any associates, this standard does not have any impact on its consolidated financial statements.

AIX will apply the new and revised standards and amendments from 1 July 2013.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 *Fair Value Measurement* (AASB 13) was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. AIX has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the consolidated financial statements. However, application of the new standard and amendments will impact the type of information disclosed in the notes to the consolidated financial statements. AIX will apply the new standard and amendments from 1 July 2013.

(iv) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from the reporting period beginning 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(c) Basis of consolidation

In accordance with AASB 3 *Business Combinations*, for the purpose of preparing consolidated interim financial statements that combines the assets and liabilities of AIFL and AIFT and its subsidiaries, AIFL is identified as the parent entity.

The consolidated interim financial statements of AIFL incorporate the assets and liabilities of all subsidiaries of AIFL (or parent entity), being AIFT and its subsidiaries, as at 31 December 2012 and the results of all subsidiaries for the half year ended 31 December 2012. AIFL and its subsidiaries together are referred to in these consolidated interim financial statements as Consolidated AIFL or AIX.

The consolidated interim financial statements of AIFT incorporate the assets and liabilities of all subsidiaries of AIFT, being Australian Infrastructure Fund International 1 Trust and its subsidiaries, as at 31 December 2012 and the results of all subsidiaries for the half year ended 31 December 2012. AIFT and its subsidiaries together are referred to in these consolidated interim financial statements as Consolidated AIFT.

Subsidiaries are those entities (including special purpose entities) over which AIFL or AIFT has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether AIFL or AIFT controls another entity.

2 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to AIFL or AIFT. They are de-consolidated from the date the control ceases.

All transactions (including gains and losses) and balances between entities in AIX and Consolidated AIFT are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The financial statements of subsidiaries are prepared for the same reporting period as AIFT, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(d) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Hastings (acting in its capacity as the Responsible Entity for AIFT), which makes strategic decisions.

AIX has one reportable operating segment being the investment in unlisted infrastructure securities.

(e) Securities

Securities comprise unlisted securities.

Securities are recorded at fair value through the profit or loss upon initial recognition. Costs incidental to the acquisition of securities and subsidiaries are recognised in the profit or loss when incurred.

After initial recognition, securities are measured at fair value as they are managed and their performance evaluated on a fair value basis in accordance with AIX's investment strategy.

Unrealised gains or losses on securities are recognised through profit or loss and represent:

- Movements in the fair value of securities which are held as at the end of the reporting period. Unrealised gains or losses on securities which are held as at the end of the reporting period are calculated as the difference between the fair value at the end of current reporting period and the fair value at the end of previous reporting period or the date the securities are acquired.
- Reversal of any life-to-date unrealised gains or losses as at the previous reporting period in connection with any securities that have been sold, restructured, settled or terminated in the current reporting period.

Realised gains or losses on securities are recognised through profit or loss upon the sale, restructure, settlement or termination of securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

Purchases and sales of securities that require delivery of securities within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that AIX commits to purchase or sell the securities.

Unlisted securities

Unlisted securities comprise ordinary shares, ordinary units, preference shares, shareholder loans and accrued interest income.

At 31 December 2012 the fair value of unlisted securities has been determined by the Directors of AIFL and Hastings to be the \$2 billion consideration that has been offered by the Future Fund for AIX's infrastructure assets and that was approved by security holders on 15 January 2013. Following approval of the Future Fund Offer by securityholders on 15 January 2013, AIX entered into separate and independent deeds of sale for each of its infrastructure assets with the Future Fund.

At 30 June 2012 the fair value of unlisted securities was determined by an appropriately qualified independent valuer, KPMG Corporate Finance (KPMG), primarily by projecting future cash flows and then discounting these cash flows back to their present value using a post-tax, risk adjusted discount rate. The independent valuations assume unlisted securities are not being sold and if they were to be realised then the price achieved may differ from the value as determined by the independent valuer. There may also be potential capital gains tax implications for AIX or securityholders depending on the structure of any disposal. Discount rates used were developed on an individual unlisted security basis as determined by the independent valuer. KPMG calculates the relevant discount rate applied to the cash flows of each asset using the Capital Asset Pricing Model method, whereby a premium is added to the risk free rate. The premium takes into account the risk of comparable companies and also incorporates firm specific risk. KPMG uses a 10 year government bond rate in the relevant country as a proxy for the risk free rate.

Further information relating to unlisted securities is provided in Note 10.

2 Summary of significant accounting policies (continued)

(f) Income and expense recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to AIX and the income can be reliably measured.

Expenses are recognised in the Consolidated Statements of Comprehensive Income when AIX has a present obligation (legal or constructive) as a result of a past event that can be reliably measured and where the expenses do not produce future economic benefits that qualify for recognition in the Consolidated Statements of Financial Position.

The following specific recognition criteria must also be met before income and expenses are recognised:

Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend and distribution income

Dividend and distribution income is recognised when there is control over the right to receive the dividend or distribution payment.

Manager and Responsible Entity base management fees

Information in relation to Manager and Responsible Entity base management fees payable to Hastings is provided in Note 7.

Hastings is also entitled under the AIFT Constitution and the AIFL management agreement to be reimbursed for certain expenses incurred in administering AIX. The basis on which the expenses are reimbursed is defined in the AIFT Constitution and the AIFL management agreement.

Manager and Responsible Entity performance fees

Information in relation to Manager and Responsible Entity performance fees payable to Hastings is provided in Note 7.

The performance fee arrangement in place with Hastings is required to be accounted for under AASB 2 *Share Based Payments* as it is a share-based payment transaction in which the terms of the arrangement provide AIX and Consolidated AIFT with a choice of settlement in either cash or AIX stapled securities.

Current Period

In the current period, AIX and Consolidated AIFT have a present obligation to settle the performance fee in cash, as supported by AIFL's determination to cash settle the performance fee for the year ended 30 June 2012. As a consequence, AIX and Consolidated AIFT must account for any performance fee transaction in accordance with the requirements of AASB 2 applying to cash settled share-based payment transactions.

Applying AASB 2 in this regard, for cash settled share-based payment transactions, AIX and Consolidated AIFT are required to measure the performance fee obligation and the liability incurred at the fair value of the performance fee liability. Until the liability is settled, AIX and Consolidated AIFT are required to re-measure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the Income Statement for the period.

This approach results in the fair value assessment of the AIX performance fee liability position being conducted at 31 December 2012.

Prior Period

In the prior period, because AIX and Consolidated AIFT did not have a present obligation to settle in cash, as supported by a past practice or a stated policy of settling in cash, AIX and Consolidated AIFT were required to account for any performance fee transaction in accordance with the requirements of AASB 2 applying to equity settled share-based payment transactions. Applying the AASB 2 for equity settled share-based payment transactions, the fair value of the performance fee obligation was determined at the beginning of the financial year (1 July 2011) and was recognised as a performance fee expense and an increase in a security-based payment reserve in AIX and Consolidated AIFT's Statement of Financial Position on a progressive basis throughout the year ended 30 June 2012.

2 Summary of significant accounting policies (continued)

(f) Income and expense recognition (continued)

In accordance with AASB 2 at the end of the prior financial year the following accounting was required to take place:

- If no performance fee is ultimately levied, no further accounting entries are processed.
- If a performance fee is levied and is to be settled by way of the issue of AIX stapled securities, no further accounting entries are processed, however, upon the issue of the AIX stapled securities, the performance fee entitlement amount that was charged to the security-based payment reserve is reallocated to contributed equity in AIX and Consolidated AIFT's Statement of Financial Position.
- If a performance fee is levied and is settled in cash, the differential between the cash settlement amount and the amount recognised as the performance fee expense for the year is charged against a security-based payment reserve in AIX and Consolidated AIFT's Statement of Financial Position.

(g) Rounding of amounts

AIFL and AIFT are entities of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(h) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current half year disclosures.

3 Interest income

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2,196	1,258	1,157	1,145
Unlisted securities	7,092	6,323	7,092	6,323
Total interest income	9,288	7,581	8,249	7,468

4 Dividend income

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Unlisted securities	33,666	21,654	30,956	18,944
Total dividend income	33,666	21,654	30,956	18,944

5 Distribution income

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Unlisted securities	0	(119)	0	(72)
Total distribution income	0	(119)	0	(72)

6 Net gain/(loss) - securities

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) - unlisted securities				
Net gain/(loss) - unrealised	186,581	48,618	164,210	44,741
Net gain/(loss) - realised	(235)	(85)	(198)	(85)
Total net gain/(loss) - unlisted securities	186,346	48,533	164,012	44,656
Total net gain/(loss) - securities	186,346	48,533	164,012	44,656

7 Manager and Responsible Entity fees

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Base management fees	8,418	5,995	7,545	5,332
Performance fees	55,350	0	49,610	0
Total Manager and Responsible Entity fees	<u>63,768</u>	<u>5,995</u>	<u>57,155</u>	<u>5,332</u>

Base Management Fees

In accordance with the AIFL management agreement and the AIFT Constitution, Hastings as Manager and Responsible Entity is entitled to a base management fee.

The AIFL management agreement and the AIFT Constitution provides for the management fee to be calculated at the rate of 1% per annum of AIX's market capitalisation, based on the volume weighted average traded price over the 20 business days prior to the calculation date multiplied by the stapled securities outstanding. The management fee accrues daily and is payable monthly in arrears.

The management fee was varied following execution of a facilitation deed on 23 November 2012 between Hastings in its personal capacity, Hastings Management Pty Ltd, AIFL and Hastings as Responsible Entity for AIFT (Facilitation Deed). For the period commencing on 24 August 2012 (being the date that AIX announced the indicative offer that it had received from the Future Fund) and ending on the date on which all AIFT units except those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL) are cancelled, the management fee for each month or part thereof will be the lesser of:

- \$1,342,933, being 1% of AIX's market capitalisation on 24 August 2012, divided by 12 months; and
- 1% of AIX's market capitalisation on the last day of each calendar month occurring after 24 August 2012, divided by 12 months.

The variation to the management fee is subject to:

- the sale of each of AIX's investments to the Future Fund (or another person pursuant to the Future Fund Transaction); and
- the cancellation of all AIFT units aside from those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL).

For the period from the date on which all AIFT units except those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL) are cancelled until AIX is wound-up, Hastings will receive a management fee of \$1 million for its services as trustee and manager of AIFT and AIFL.

7 Manager and Responsible Entity fees (continued)

Performance Fees

AIX performance fees are payable at the conclusion of each year ended 30 June where there is a positive performance position relative to benchmark for the year ended 30 June after taking into account any previous shortfall.

Specifically, under the AIFL Management Agreement and the AIFT Consolidated Constitution, at the end of each year Hastings is entitled to a performance fee equal to 10% of the out-performance of AIX's total return (growth in security price plus reinvested distributions) against the ASX 200 Industrials Accumulation Index return (Benchmark Return), after taking into account any carried forward performance deficit (previous shortfall). If the calculation of the AIX total return for a year is less than the benchmark return for that year, the shortfall is carried forward and taken into account in calculating whether the AIX total return exceeds the benchmark return in subsequent years.

The AIFL Management Agreement (section 5) and the AIFT Consolidated Constitution (sections 48 and 71) are silent as to the precise form in which the performance fees are to be settled. However the AIFT Consolidated Constitution (section 71) does provide AIFL the discretion to determine the form of settlement. At the 2010 AIX Annual General Meeting (AGM) held on 17 November 2010 securityholders approved the resolution that that if performance fees are payable to Hastings then the AIFL Board would be entitled to require Hastings to be paid some or all of the performance fee in either cash or AIX securities. This approval is in place for a period of three years from the date of the AGM, that is, until 17 November 2013.

The performance fee for the period 1 July 2012 was varied following execution of the Facilitation Deed. For the period commencing on 1 July 2012 and ending on the date which all of the AIFT units are cancelled (other than those held by AIFL or a wholly owned subsidiary of AIFL), a performance fee of \$54 million will be payable subject to:

- the sale of each of AIX's investments to the Future Fund (or another person pursuant to the Future Fund Transaction); and
- the cancellation of all AIFT units aside from those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL).

Current period

In accordance with AASB 2 *Share Based Payments*, the fair value of the performance fee as at 31 December 2012 has been assessed as being \$54 million for AIX and \$48 million for Consolidated AIFT (exclusive of GST).

This amount represents the performance fee that has been agreed to be paid to Hastings under the Facilitation Deed in consideration for the performance of Hastings for its services for the period commencing 1 July 2012 and ending on the date on which all AIFT units except those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL) are cancelled. The performance fee will be payable upon the cancellation of all AIFT units aside from those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL), which is expected to occur by 30 April 2013.

Prior period

In accordance with AASB 2 *Share Based Payments*, the fair value of the performance fee obligation was assessed at the beginning of the financial year, being 1 July 2011. At this date the fair value of the performance fee obligation was determined to be \$Nil and hence no performance fee expense was recognised for the 6 months to 31 December 2011.

8 Finance costs

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Interest expense - stapled entity - AIFL	0	0	30	259
Other borrowing costs	897	796	897	797
Bank fees	7	6	5	5
Total finance costs	904	802	932	1,061

9 Strategic initiatives costs

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Internalisation costs	3,778	875	2,955	144
Future Fund offer costs	2,989	0	2,645	0
Total strategic initiatives costs	6,767	875	5,600	144

Internalisation costs

On 29 June 2012, the boards of AIFL and Hastings announced that they had entered into a non-binding agreement on the key terms upon which the management of AIX could be internalised. It was intended that the in-principle agreement would be developed into a detailed implementation agreement following which, if appropriate terms were agreed, the approval of securityholders would be sought.

Internalisation costs reflect costs incurred to date in connection with the internalisation process, specifically, the negotiation of the non-binding in-principle internalisation agreement and the development of a detailed implementation agreement. Of this, \$2 million (excluding GST) was paid to Credit Suisse (Australia) Limited for financial advice provided in connection with the proposed internalisation of management.

Future Fund Offer costs

On 24 August 2012, AIFL and Hastings announced that AIX had received a proposal from the Future Fund to acquire all of AIX's infrastructure assets, and had entered into a conditional and non-binding memorandum of understanding with the Future Fund.

On 26 November 2012, AIFL and Hastings announced that AIX had entered into a binding implementation agreement with the Future Fund (Future Fund Offer) for the proposed sale of AIX's infrastructure assets. The approval of securityholders to the Future Fund Offer and to the distribution of the net proceeds was sought, and received, on 15 January 2013, following which binding sale agreements were entered into for all of AIX's infrastructure assets.

Future Fund Offer costs reflect costs incurred to date in relation to the proposed sale of AIX's infrastructure assets, advice in connection with the distribution of net sale proceeds to securityholders and costs incurred to ensure on-going management arrangements.

10 Securities

	AIX											
	Consolidated AIFL						Consolidated AIFT					
	Level 2 ⁽¹⁾		Level 3 ⁽¹⁾		Total		Level 2 ⁽¹⁾		Level 3 ⁽¹⁾		Total	
	31 December 2012 \$'000	30 June 2012 \$'000										
Unlisted securities at fair value	2,000,000	0	0	1,813,811	2,000,000	1,813,811	1,829,267	0	0	1,665,449	1,829,267	1,665,449
Total securities	2,000,000	0	0	1,813,811	2,000,000	1,813,811	1,829,267	0	0	1,665,449	1,829,267	1,665,449

⁽¹⁾ Fair value hierarchy of financial instruments measured at fair value through profit or loss

AASB 7 Financial Instruments: Disclosure requires financial instruments measured at fair value to be classified in the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As a result of AIX entering into a binding implementation agreement with Future Fund for the proposed sale of all of AIX's unlisted securities, all unlisted securities have been reclassified from Level 3 securities to Level 2 securities.

As at 31 December 2012 the fair value of unlisted securities has been determined by the Directors of AIFL and Hastings to be the \$2 billion consideration that was offered by Future Fund for AIX's infrastructure assets which was approved by securityholders on 15 January 2013. Following approval of the Future Fund Offer by securityholders on 15 January 2013, AIX entered into separate and independent deeds of sale for each of its infrastructure assets with the Future Fund for a total \$2 billion consideration (less any adjustment for any distributions received by AIX from any asset above an agreed amount or if AIX contributes capital to any asset with the consent of the Future Fund).

At 30 June 2012 the fair value of unlisted securities was determined by an appropriately qualified independent valuer, KPMG Corporate Finance (KPMG).

11 Payables

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
	\$'000	\$'000	\$'000	\$'000
Payable - the Responsible Entity	2,290	36,688	2,038	32,778
Distribution and dividend payable	34,140	34,141	34,140	30,140
Other payables	3,861	273	3,237	187
	<u>40,291</u>	<u>71,102</u>	<u>39,415</u>	<u>63,105</u>

12 Provisions

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
	\$'000	\$'000	\$'000	\$'000
Provision for directors' retirement benefit	770	780	0	0
	<u>770</u>	<u>780</u>	<u>0</u>	<u>0</u>
Movement in the provision for directors' retirement benefit:				
Opening balance	780	722	0	722
Charged/(credited) to the profit or loss	(10)	58	0	(722)
Closing balance	<u>770</u>	<u>780</u>	<u>0</u>	<u>0</u>

13 Other liabilities

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
	\$'000	\$'000	\$'000	\$'000
Performance fee liability	55,350	0	49,610	0
	<u>55,350</u>	<u>0</u>	<u>49,610</u>	<u>0</u>

For further information regarding the performance fee liability refer to Note 7.

14 Contributed equity

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December 2012 No. '000	30 June 2012 No. '000	31 December 2012 No. '000	30 June 2012 No. '000
(a) Issued securities (number)				
Opening balance	620,734	620,734	620,734	620,734
Closing balance	<u>620,734</u>	<u>620,734</u>	<u>620,734</u>	<u>620,734</u>
(b) Issued securities (dollars)				
	\$'000	\$'000	\$'000	\$'000
Opening balance	1,043,575	1,043,575	883,554	883,554
Closing balance	<u>1,043,575</u>	<u>1,043,575</u>	<u>883,554</u>	<u>883,554</u>

(c) Terms and conditions of issued securities

The securities are stapled securities being shares in AIFL and units in AIFT.

Stapled securityholders have various rights under AIFL's and AIFT's Constitutions, including the right to:

- receive dividends and income distributions;
- attend and vote at meetings of stapled securityholders; and
- participate in the termination and winding up of AIFL and AIFT.

The rights, obligations and restrictions attached to each stapled security are identical in all respects.

15 Reserves

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
	\$'000	\$'000	\$'000	\$'000
Security-based payment reserve	(35,476)	(35,476)	(31,695)	(31,695)
Total reserves	<u>(35,476)</u>	<u>(35,476)</u>	<u>(31,695)</u>	<u>(31,695)</u>
Movement in the security-based payment reserve:				
Opening balance	(35,476)	(35,476)	(31,695)	(31,695)
Closing balance	<u>(35,476)</u>	<u>(35,476)</u>	<u>(31,695)</u>	<u>(31,695)</u>

16 Retained earnings

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2012	2012	2012	2012
	\$'000	\$'000	\$'000	\$'000
Opening balance	858,952	728,156	818,874	689,298
Net profit/(loss) after income tax	175,508	195,974	162,758	186,254
Dividends and distributions paid and payable to securityholders	(34,140)	(65,178)	(34,140)	(56,678)
Closing balance	<u>1,000,320</u>	<u>858,952</u>	<u>947,492</u>	<u>818,874</u>

The 31 December 2012 movement represents movements for the 6 months ended 31 December 2012.

The 30 June 2012 movement represents movements for the year ended 30 June 2012.

17 Distributions and dividends paid and payable to securityholders

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Interim distribution and dividend declared and payable	34,140	31,037	34,140	26,537
Total distributions and dividends paid and payable to securityholders	<u>34,140</u>	<u>31,037</u>	<u>34,140</u>	<u>26,537</u>
Comprising:				
Distributions declared during the half year	34,140	26,537	34,140	26,537
Dividends declared during the half year	0	4,500	0	0
	<u>34,140</u>	<u>31,037</u>	<u>34,140</u>	<u>26,537</u>

Interim dividend and distribution

An interim dividend and distribution of \$34,140,000 (5.50 cents per stapled security) was declared by AIX for the half year ended 31 December 2012 and will be paid on 25 February 2013 (2011 - \$31,037,000 and 5.00 cents per stapled security).

The interim dividend and distribution comprised:

- an interim dividend of \$Nil (0 cents per security) declared by AIFL for the half year ended 31 December 2012 (2011 - \$4,500,000 and 0.72 cents per stapled security) franked to 100% (2011 - 100%); and
- an interim distribution of \$34,140,000 (5.50 cents per security) declared by AIFT for the half year ended 31 December 2012 (2011 - \$26,537,000 and 4.28 cents per stapled security).

18 Segment information

Operating segments are based on the reports reviewed by the Board of AIFL and the Board of Hastings that are, in conjunction with the input and guidance of the chief executive officer of AIX, used to make strategic decisions for AIX. The operating segments are aligned with the investment objectives and guidelines set out in AIX's PDS and in accordance with the provisions of AIX's Constitutions.

AIX has one reportable operating segment being the investment in unlisted infrastructure securities.

The AIFL and Hastings' Boards takes a broad portfolio construction approach to its investment and divestment activities of infrastructure securities and to the management of AIX. Accordingly, all operating decisions are based upon analysis of AIX as one operating segment.

The segment information reported to the Boards is consistent with the Accounting Standards and therefore consistent with the information included within the consolidated interim financial statements.

19 Contingent assets and liabilities and commitments

Investment commitments

Undrawn investment commitments at the end of the reporting period comprise the following:

31 December 2012

	At call \$'000	Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Unlisted securities	0	0	0	0	0
Total undrawn investment commitments	0	0	0	0	0

31 December 2011

	At call \$'000	Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Unlisted securities	10,110	0	0	0	10,110
Total undrawn investment commitments	10,110	0	0	0	10,110

Contingent liabilities

Credit Suisse (Australia) Limited was engaged to advise AIX in connection with the offer by Future Fund to acquire all of AIX's infrastructure assets. A fee of \$8.5 million is payable upon the sale by AIX of substantially all of its infrastructure assets. As a consequence of the approval of the Future Fund Offer by AIX securityholders and the execution of deeds of sale for all of AIX's infrastructure assets, payment of this fee is expected in March 2013.

The sale of AIX's interests in Perth Airport, Australian Pacific Airports Corporation, Queensland Airports and Airport Development Group are subject to pre-emptive rights in favour of AIX's co-investors. Where Future Fund is unable to acquire any part of AIX's interests in these assets due to AIX's co-investors exercising their pre-emptive rights, AIX will pay a fee to Future Fund equal to 1% of the consideration received by AIX from its co-investors.

There are no other outstanding contingent assets, contingent liabilities or commitments at 31 December 2012 and 31 December 2011.

20 Events after the end of the reporting period

On 15 January 2013, securityholders approved the Future Fund Offer and resolved that AIX enter into separate and independent deeds of sale for each of its infrastructure assets with the Future Fund for a total \$2 billion consideration (subject to adjustment, as described below).

As detailed in the AIX Explanatory Booklet dated 7 December 2012, the sale of the infrastructure assets is expected to complete by mid March 2013, following satisfaction of the pre-emptive requirements relevant to each asset.

The total consideration of \$2 billion that was offered by Future Fund will be adjusted if AIX receives a distribution from any asset above an agreed amount or if AIX contributes capital to any asset with the consent of the Future Fund. AIX will also pay a fee to Future Fund equal to 1% of the consideration received by AIX for any interests that are acquired other than by the Future Fund as a consequence of any of AIX's co-investors exercising their pre-emptive rights.

Following completion of all asset sales, AIX will distribute the net proceeds from asset sales and all cash reserves to securityholders, after allowing for taxes, management and performance fees, transaction costs and residual liabilities. Monies are anticipated to be distributed by way of a main return in late April 2013 and a residual return in late June 2013. Whilst the residual return may be delayed, it will be paid no later than 31 December 2013.

The wind up of AIX is not expected to commence until after 30 June 2013 and the process will take at least 12 months. As such, the interim consolidated financial statements have been prepared based on the going concern assumption.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of AIX disclosed in the Consolidated Statements of Financial Position as at 31 December 2012 or on the results and cash flows of AIX for the half year ended on that date.

Directors' Declaration

In the opinion of the directors of Australian Infrastructure Fund Limited (AIFL):

- (a) the consolidated interim financial statements and notes set out on pages 9 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Australian Accounting Standards (including Interpretations) and other mandatory professional reporting requirements, the *Corporations Regulations 2001* and are in accordance with AIFL's Constitution; and
 - (ii) giving a true and fair view of Consolidated AIFL's (AIX's) financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that AIFL will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of AIFL.



Paul Espie
Chairman

21 February 2013

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the consolidated interim financial statements and notes set out on pages 9 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Australian Accounting Standards (including Interpretations) and other mandatory professional reporting requirements, the *Corporations Regulations 2001* and are in accordance with AIFT's Constitution; and
 - (ii) giving a true and fair view of Consolidated AIFT's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that AIFT will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity.



James Evans
Director

21 February 2013

For personal use only



Independent auditor's review report to the stapled security holders of Australian Infrastructure Fund Limited and Australian Infrastructure Fund Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Infrastructure Fund Limited and the controlled entities within its stapled group (AIFL) and Australian Infrastructure Fund Trust and its controlled entities (AIFT), which comprises the statements of financial position as at 31 December 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for AIFL and Hastings Funds Management Limited (HFML) as the responsible entity for AIFT.

Directors' responsibility for the half-year financial report

The directors of AIFL and the directors of HFML as Responsible Entity for AIFT are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 a 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 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 2012 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 AIFL and AIFT, 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only



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 Australian Infrastructure Fund Limited and the controlled entities within its stapled group and Australian Infrastructure Fund Trust and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Australian Infrastructure Fund Limited and the controlled entities within its stapled group and Australian Infrastructure Fund Trust and its controlled entities financial position as at 31 December 2012 and of their 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Simon Gray

Simon Gray
Partner

Melbourne
21 February 2013

For personal use only

D. Independent Auditor's Review Report

The financial report has been reviewed and the report is attached. Refer to Section C.

For personal use only