## INFRATIL LIMITED

### STATEMENT OF COMPREHENSIVE INCOME
### FOR THE YEAR ENDED 31 MARCH 2012

| | Notes | Consolidated 2012 $Millions | Consolidated 2011 $Millions | Parent 2012 $Millions | Parent 2011 $Millions |
|---|---|---|---|---|---|
| Operating revenue | 5 | 2,166.4 | 1,984.8 | 18.7 | 19.6 |
| Dividends | 5 | 0.2 | 0.3 | 400.0 | 32.6 |
| **Total revenue** | | 2,166.6 | 1,985.1 | 418.7 | 52.2 |
| Share of earnings and income of associate companies after tax | 15 | 52.3 | 115.8 | - | - |
| **Total income** | 5 | 2,218.9 | 2,100.9 | 418.7 | 52.2 |
| Depreciation | | 106.4 | 86.7 | - | - |
| Amortisation of intangibles | | 27.3 | 24.2 | - | - |
| Employee benefits | | 210.6 | 187.5 | - | - |
| Other operating expenses | 6 | 1,488.1 | 1,381.8 | 21.0 | 19.8 |
| **Total operating expenditure** | | 1,832.4 | 1,680.2 | 21.0 | 19.8 |
| **Operating surplus before financing, investment costs, derivatives, realisations and impairments** | | 386.5 | 420.7 | 397.7 | 32.4 |
| Net (loss)/gain on derivatives | | 19.2 | (3.9) | (13.6) | (4.8) |
| Net realisations, revaluations and impairments | 5 | 4.3 | (0.5) | (398.9) | 0.4 |
| **Results from operating activities** | | 410.0 | 416.3 | (14.8) | 28.0 |
| Interest income | | 4.8 | 4.9 | 132.5 | 122.1 |
| Interest expense | | 192.0 | 172.7 | 63.7 | 60.3 |
| Net financing expense / (income) | | 187.2 | 167.8 | (68.8) | (61.8) |
| **Net surplus before taxation** | | 222.8 | 248.5 | 54.0 | 89.8 |
| Tax expense associated with change in corporate income tax rate | 8 | - | (9.4) | - | - |
| Taxation expense associated with removal of tax depreciation on buildings | 8 | (2.1) | 35.4 | - | - |
| Taxation expense - other | 8 | 60.5 | 55.4 | 3.2 | - |
| **Net surplus for the year from continuing operations** | 3 | 164.4 | 167.1 | 50.8 | 89.8 |
| Net (loss) from discontinued operation after tax | 4 | (37.4) | (47.5) | - | - |
| **Net surplus for the year** | | 127.0 | 119.6 | 50.8 | 89.8 |
| Net surplus attributable to owners of the Company | | 51.6 | 64.5 | 50.8 | 89.8 |
| Net surplus attributable to non-controlling interest | | 75.4 | 55.1 | - | - |
| **Other comprehensive income, after tax** | | | | | |
| Differences arising on translation of foreign operations | | (39.1) | 20.3 | - | - |
| Amortisation of fair value of ineffective hedges taken to the profit and loss | | 3.2 | 4.2 | - | - |
| Effective portion of changes in fair value of cash flow hedges | | 10.7 | (26.7) | - | - |
| Fair value movements in relation to executive share scheme | | 0.1 | 0.1 | 0.1 | 0.1 |
| Net change in fair value of property, plant & equipment recognised in equity | | 227.8 | 66.3 | - | - |
| Share of associates other comprehensive income | | (3.4) | - | - | - |
| **Other comprehensive income for the year, net of income tax** | | 199.3 | 64.2 | 0.1 | 0.1 |
| **Total comprehensive income for the year** | | 326.3 | 183.8 | 50.9 | 89.9 |
| **Total comprehensive income for the year - owners of the Company** | | 148.5 | 118.2 | 50.9 | 89.9 |
| **Total comprehensive income for the year - non controlling interest** | | 177.8 | 65.6 | | |
| **Earnings per share** | | | | | |
| Basic (cents per share) | 30 | 8.6 | 10.8 | | |
| Diluted (cents per share) | 30 | 8.6 | 10.7 | | |

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2012

| | Notes | Consolidated 2012 $Millions | Consolidated 2011 $Millions | Parent 2012 $Millions | Parent 2011 $Millions |
|---|---|---|---|---|---|
| Cash and cash equivalents | 10 | 104.3 | 157.5 | - | - |
| Trade, accounts receivable and prepayments | 19 | 371.0 | 329.8 | 0.6 | 4.1 |
| Derivative financial instruments | 19 | 18.0 | 4.6 | - | - |
| Inventories | 11 | 31.4 | 19.9 | - | - |
| Income tax receivable | | 6.8 | 3.9 | - | - |
| Disposal group assets classified as held for sale | 4 | 89.5 | - | - | - |
| **Current assets** | | 621.0 | 515.7 | 0.6 | 4.1 |
| | | | | | |
| Prepayments | | 30.5 | 27.0 | - | - |
| Property, plant and equipment | 12 | 3,914.2 | 3,777.4 | - | - |
| Investment properties | 13 | 49.9 | 73.1 | - | - |
| Derivative financial instruments | 19 | 6.1 | 7.3 | - | - |
| Intangible assets | 14 | 85.9 | 66.9 | - | - |
| Goodwill | 14 | 242.0 | 242.0 | - | - |
| Investments in associates | 15 | 333.4 | 314.0 | - | - |
| Other investments | 15 | 10.4 | 9.7 | - | - |
| Investment in subsidiaries | 21 | - | - | 100.0 | 99.7 |
| Advances to subsidiaries | | - | - | 1,430.5 | 1,427.9 |
| **Non current assets** | | 4,672.4 | 4,517.4 | 1,530.5 | 1,527.6 |
| **Total assets** | | 5,293.4 | 5,033.1 | 1,531.1 | 1,531.7 |
| | | | | | |
| Accounts payable | | 192.9 | 189.1 | 2.5 | 2.0 |
| Accruals and other liabilities | | 122.4 | 95.7 | 15.9 | 8.2 |
| Interest bearing loans and borrowings - current | 16 | 73.4 | 53.2 | - | - |
| Derivative financial instruments | 19 | 8.2 | 70.8 | - | 1.2 |
| Income tax payable | | 16.0 | 6.9 | 3.2 | - |
| Infrastructure bonds | 17 | 57.4 | 99.3 | 57.4 | 99.3 |
| TrustPower bonds | 18 | 108.6 | - | - | - |
| Disposal group liabilities classified as held for sale | 4 | 26.0 | - | - | - |
| **Total current liabilities** | | 604.9 | 515.0 | 79.0 | 110.7 |
| | | | | | |
| Interest bearing loans and borrowings - non-current | 16 | 762.3 | 752.3 | - | - |
| Other liabilities | | 1.6 | 11.6 | - | - |
| Deferred tax | 8 | 424.2 | 377.7 | - | - |
| Derivative financial instruments | 19 | 85.0 | 56.5 | 23.2 | 8.4 |
| Infrastructure bonds | 17 | 561.5 | 520.6 | 561.5 | 520.6 |
| Perpetual Infratil infrastructure bonds | 17 | 232.7 | 234.9 | 232.7 | 234.9 |
| Wellington International Airport bonds | 18 | 248.7 | 248.3 | - | - |
| TrustPower bonds | 18 | 365.9 | 473.3 | - | - |
| **Non current liabilities** | | 2,681.9 | 2,675.2 | 817.4 | 763.9 |
| | | | | | |
| Attributable to owners of the Company | | 1,074.6 | 999.4 | 634.7 | 657.1 |
| Non controlling interest in subsidiaries | | 932.0 | 843.5 | - | - |
| **Total equity** | | 2,006.6 | 1,842.9 | 634.7 | 657.1 |
| | | | | | |
| **Total equity and liabilities** | | 5,293.4 | 5,033.1 | 1,531.1 | 1,531.7 |
| | | | | | |
| Net tangible assets per share ($ per share) | | $ 1.27 | $ 1.15 | | |

Approved on behalf of the Board on 14 May 2012

Director

Director

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 MARCH 2012**

| | Notes | Consolidated 2012 $Millions | Consolidated 2011 $Millions | Parent 2012 $Millions | Parent 2011 $Millions |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| *Cash was provided from:* | | | | | |
| Receipts from customers | | 2,124.8 | 2,010.4 | - | 1.6 |
| Distributions received from associates | | 29.5 | 13.8 | - | - |
| Other dividends | | 0.1 | 0.4 | 400.0 | 32.6 |
| Interest received | | 4.8 | 4.9 | - | - |
| | | 2,159.2 | 2,029.5 | 400.0 | 34.2 |
| *Cash was disbursed to:* | | | | | |
| Payments to suppliers and employees | | (1,734.8) | (1,641.1) | (10.9) | (20.3) |
| Interest paid | | (180.6) | (165.7) | (63.7) | (60.3) |
| Taxation paid | | (47.4) | (44.2) | - | - |
| | | (1,962.8) | (1,851.0) | (74.6) | (80.6) |
| **Net cash inflow/(outflow) from operating activities** | 24 | 196.4 | 178.5 | 325.4 | (46.4) |
| **Cash flows from investing activities** | | | | | |
| *Cash was provided from:* | | | | | |
| Proceeds from sale of investments | | - | - | - | - |
| Proceeds from sale of property, plant and equipment | | 11.8 | 1.2 | - | - |
| Return of security deposits | | 5.9 | 0.6 | - | - |
| | | 17.7 | 1.8 | - | - |
| *Cash was disbursed to:* | | | | | |
| Purchase of investments | | (0.6) | (211.8) | - | - |
| Lodgement of security deposits | | (9.2) | (3.3) | - | - |
| Purchase of intangible assets | | (35.1) | (6.6) | - | - |
| Interest capitalised on construction of fixed assets | | - | (5.0) | - | - |
| Capitalisation of customer acquisition costs | | (11.9) | (16.2) | - | - |
| Purchase of property, plant and equipment | | (131.8) | (180.0) | - | - |
| Advanced to subsidiaries | | - | - | (251.8) | (61.6) |
| | | (188.6) | (422.9) | (251.8) | (61.6) |
| **Net cash inflow/(outflow) from investing activities** | | (170.9) | (421.1) | (251.8) | (61.6) |
| **Cash flows from financing activities** | | | | | |
| *Cash was provided from:* | | | | | |
| Proceeds from issue of shares | | 5.3 | 47.2 | 5.3 | 42.6 |
| Proceeds from issue of shares to non-controlling shareholders | | - | 1.0 | - | - |
| Bank borrowings | | 304.2 | 433.8 | - | - |
| Issue of bonds | | 103.1 | 186.5 | 103.1 | 111.5 |
| | | 412.6 | 668.5 | 108.4 | 154.1 |
| *Cash was disbursed to:* | | | | | |
| Repayment of bank debt | | (208.9) | (321.0) | - | - |
| Loan establishment costs | | (8.8) | (7.9) | - | - |
| Repayment of bonds/PIIB buyback | | (100.8) | (1.3) | (100.8) | (1.6) |
| Infrastructure bond issue expenses | | (2.5) | (3.8) | (2.6) | (2.3) |
| Share buyback | | (34.5) | (9.2) | (34.5) | (9.2) |
| Share buyback of non-wholly owned subsidiary | | (4.7) | (6.0) | - | - |
| Dividends paid to non-controlling shareholders in subsidiary companies | | (84.7) | (67.7) | - | - |
| Dividends paid to owners of the Company | | (44.1) | (37.6) | (44.1) | (33.0) |
| | | (489.0) | (454.5) | (182.0) | (46.1) |
| **Net cash (outflow)/inflow from financing activities** | | (76.4) | 214.0 | (73.6) | 108.0 |
| Net (decrease) in cash and cash equivalents | | (50.9) | (28.6) | - | - |
| Exchange gains/(losses) on cash and cash equivalents | | (4.7) | 5.2 | - | - |
| Cash and cash equivalents at beginning of year | | 157.5 | 180.9 | - | - |
| Adjustment for cash reclassified to disposal group assets held for sale | | 2.4 | - | - | - |
| **Cash and cash equivalents at end of year** | | 104.3 | 157.5 | - | - |

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2012**

| **Consolidated** | **Attributable to equity holders of the Company** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capital | Revaluation reserve | Foreign currency translation reserve | Fair value reserve | Hedge/other reserve | Retained earnings | Total | Non-controlling | Total equity |
| | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions |
| Balance as at 1 April 2011 | 457.8 | 433.2 | (26.1) | - | (2.8) | 137.3 | 999.4 | 843.5 | 1,842.9 |
| ***Total comprehensive income for the year*** | | | | | | | | | |
| Net surplus for the year | - | - | - | - | - | 51.6 | 51.6 | 75.4 | 127.0 |
| ***Other comprehensive income, after tax*** | | | | | | | | | |
| Transfer between reserves | - | - | - | - | - | - | - | - | - |
| Differences arising on translation of foreign operations | - | - | (35.3) | - | - | - | (35.3) | (3.8) | (39.1) |
| Fair value movements in relation to executive share scheme | - | - | - | - | 0.1 | - | 0.1 | - | 0.1 |
| Amortisation of fair value of ineffective hedges transferred to profit or loss | - | - | - | - | 2.1 | | 2.1 | 1.1 | 3.2 |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | - | 4.7 | - | 4.7 | 6.0 | 10.7 |
| Net change in fair value of property, plant & equipment recognised in equity | - | 128.7 | - | - | - | - | 128.7 | 99.1 | 227.8 |
| Share of associates other comprehensive income | - | - | - | - | - | (3.4) | (3.4) | - | (3.4) |
| Total other comprehensive income | - | 128.7 | (35.3) | - | 6.9 | (3.4) | 96.9 | 102.4 | 199.3 |
| **Total comprehensive income for the year** | **-** | **128.7** | **(35.3)** | **-** | **6.9** | **48.2** | **148.5** | **177.8** | **326.3** |
| ***Contributions by and distributions to non-controlling interest*** | | | | | | | | | |
| Outside equity interest arising on establishment of subsidiary | - | - | - | - | - | - | - | - | - |
| Repurchase of shares held by outside equity interest | - | - | - | - | - | - | - | (4.7) | (4.7) |
| Total contributions by and distributions to non-controlling interest | - | - | - | - | - | - | - | (4.7) | (4.7) |
| ***Contributions by and distributions to owners*** | | | | | | | | | |
| Partly paid shares fully paid (IFTWBs) | - | - | - | - | - | - | - | - | - |
| Less share buyback | (34.5) | - | - | - | - | - | (34.5) | - | (34.5) |
| Treasury Stock reissued under dividend reinvestment plan | 5.3 | - | - | - | - | - | 5.3 | - | 5.3 |
| Dividends to equity holders | - | - | - | - | - | (44.1) | (44.1) | (84.6) | (128.7) |
| Total contributions by and distributions to owners | (29.2) | - | - | - | - | (44.1) | (73.3) | (84.6) | (157.9) |
| **Balance at 31 March 2012** | **428.6** | **561.9** | **(61.4)** | **-** | **4.1** | **141.4** | **1,074.6** | **932.0** | **2,006.6** |

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2011**

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | Capital | Revaluation reserve | Foreign currency translation reserve | Fair value reserve | Hedge/other reserve | Retained earnings | Total | Non-controlling | Total equity |
| | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions |
| Balance as at 1 April 2010 | 419.7 | 385.2 | (44.1) | - | 9.5 | 110.4 | 880.7 | 850.6 | 1,731.3 |
| ***Total comprehensive income for the year*** | | | | | | | | | |
| Net surplus for the year | - | - | - | - | - | 64.5 | 64.5 | 55.1 | 119.6 |
| ***Other comprehensive income, after tax*** | | | | | | | | | |
| Transfer between reserves | - | - | 7.5 | - | (7.5) | - | - | - | - |
| Differences arising on translation of foreign operations | - | - | 10.5 | - | - | - | 10.5 | 9.8 | 20.3 |
| Fair value movements in relation to executive share scheme | - | - | - | - | 0.1 | - | 0.1 | - | 0.1 |
| Amortisation of fair value of ineffective hedges transferred to profit or loss | - | - | - | - | 2.8 | - | 2.8 | 1.4 | 4.2 |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | - | (7.7) | - | (7.7) | (19.0) | (26.7) |
| Net change in fair value of property, plant & equipment recognised in equity | - | 48.0 | - | - | - | - | 48.0 | 18.3 | 66.3 |
| Share of associates other comprehensive income | - | - | - | - | - | - | - | - | - |
| Total other comprehensive income | - | 48.0 | 18.0 | - | (12.3) | - | 53.7 | 10.5 | 64.2 |
| **Total comprehensive income for the year** | **-** | **48.0** | **18.0** | **-** | **(12.3)** | **64.5** | **118.2** | **65.6** | **183.8** |
| ***Contributions by and distributions to non-controlling interest*** | | | | | | | | | |
| Outside equity interest arising on establishment of subsidiary | - | - | - | - | - | - | - | 1.0 | 1.0 |
| Repurchase of shares held by outside equity interest | - | - | - | - | - | - | - | (6.2) | (6.2) |
| Total contributions by and distributions to non-controlling interest | - | - | - | - | - | - | - | (5.2) | (5.2) |
| ***Contributions by and distributions to owners*** | | | | | | | | | |
| Partly paid shares fully paid (IFTWBs) | 42.7 | - | - | - | - | - | 42.7 | - | 42.7 |
| Less share buyback | (9.2) | - | - | - | - | - | (9.2) | - | (9.2) |
| Treasury Stock reissued under dividend reinvestment plan | 4.6 | - | - | - | - | - | 4.6 | - | 4.6 |
| Dividends to equity holders | - | - | - | - | - | (37.6) | (37.6) | (67.5) | (105.1) |
| Total contributions by and distributions to owners | 38.1 | - | - | - | - | (37.6) | 0.5 | (67.5) | (67.0) |
| **Balance at 31 March 2011** | **457.8** | **433.2** | **(26.1)** | **-** | **(2.8)** | **137.3** | **999.4** | **843.5** | **1,842.9** |

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 MARCH 2012**

**Attributable to equity holders of the Company**

| **Parent** | Capital | Revaluation reserve | Foreign currency translation reserve | Fair value reserve | Hedge/other reserve | Retained earnings | Total | Non-controlling | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions |
| Balance as at 1 April 2011 | 450.6 | - | - | - | 0.2 | 206.3 | 657.1 | - | 657.1 |
| Net surplus for the year | - | - | - | - | - | 50.8 | 50.8 | - | 50.8 |
| ***Other comprehensive income, after tax*** | | | | | | | | | |
| Fair value movements in relation to executive share scheme | - | - | - | - | 0.1 | - | 0.1 | - | 0.1 |
| **Total comprehensive income for the year** | - | - | - | - | 0.1 | 50.8 | 50.9 | - | 50.9 |
| ***Contributions by and distributions to owners*** | | | | | | | | | |
| Warrants exercised and partly paid | - | - | - | - | - | - | - | - | - |
| Less share buyback | (34.5) | - | - | - | - | - | (34.5) | - | (34.5) |
| Treasury Stock reissued under dividend reinvestment plan | 5.3 | - | - | - | - | - | 5.3 | - | 5.3 |
| Dividends to equity holders | - | - | - | - | - | (44.1) | (44.1) | - | (44.1) |
| Total contributions by and distributions to owners | (29.2) | - | - | - | - | (44.1) | (73.3) | - | (73.3) |
| **Balance at 31 March 2012** | **421.4** | **-** | **-** | **-** | **0.3** | **213.0** | **634.7** | **-** | **634.7** |
| Balance as at 1 April 2010 | 412.5 | - | - | - | 0.1 | 154.1 | 566.7 | - | 566.7 |
| Net surplus for the year | - | - | - | - | - | 89.8 | 89.8 | - | 89.8 |
| Other comprehensive income, after tax | | | | | | | | | |
| Fair value movements in relation to executive share scheme | - | - | - | - | 0.1 | - | 0.1 | - | 0.1 |
| **Total comprehensive income for the year** | - | - | - | - | 0.1 | 89.8 | 89.9 | - | 89.9 |
| ***Contributions by and distributions to owners*** | | | | | | | | | |
| Warrants exercised and partly paid | 42.7 | - | - | - | - | - | 42.7 | - | 42.7 |
| Less share buyback | (9.2) | - | - | - | - | - | (9.2) | - | (9.2) |
| Treasury Stock reissued under dividend reinvestment plan | 4.6 | - | - | - | - | - | 4.6 | - | 4.6 |
| Dividends to equity holders | - | - | - | - | - | (37.6) | (37.6) | - | (37.6) |
| Total contributions by and distributions to owners | 38.1 | - | - | - | - | (37.6) | 0.5 | - | 0.5 |
| **Balance at 31 March 2011** | **450.6** | **-** | **-** | **-** | **0.2** | **206.3** | **657.1** | **-** | **657.1** |

The accompanying notes form part of these financial statements.

**(1) Accounting policies**
Infratil Limited (“the Company”) is a company domiciled in New Zealand and registered under the Companies Act 1993. The Company is listed on the NZX and ASX, and is an issuer in terms of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (‘NZ GAAP’) and comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-oriented entities. The consolidated financial statements comprise the Company, its subsidiaries and associates (“the Group”). The presentation currency used in the preparation of these financial statements is New Zealand dollars, which is also the Group's functional currency presented in $millions unless otherwise stated. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Comparative figures have been restated where appropriate to ensure consistency with the current period.

The financial statements comprise statements of the following: comprehensive income; financial position; changes in equity; cash flows; significant accounting policies; and the notes to those statements are contained on pages 12 to 43 of this report. The financial statements are prepared on the basis of historical cost, except certain property, plant and equipment is valued in accordance with accounting policy (C), investment properties are valued in accordance with accounting policy (D), investments are valued in accordance with accounting policy (F), and financial derivatives are valued in accordance with accounting policy (L).

**(A) Basis of preparation**
*Accounting estimates and judgements*
The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing these financial statements are set out below.

*Valuation of property, plant and equipment and investment properties*
The basis of valuation for the Group's property, plant and equipment and investment properties is fair value by independent valuers, or cost. The basis of the valuations include assessment of the net present value of the future earnings of the assets, the depreciated replacement cost, and other market based information, in accordance with asset valuation standards. The major inputs and assumptions that are used in the valuations that require judgement include projections of future revenues, sales volumes, operational capital investment and expenditure profiles, capacity, life assumptions, terminal values for each asset, the application of discount rates and replacement values. The key inputs and assumptions are reassessed at each balance date between valuations to ensure there has been no significant change that may impact the valuation.

In respect to assets held at cost, judgements must be made about whether costs incurred relate to bringing an asset to its working condition for its intended use, and therefore are appropriate for capitalisation as part of the cost of the asset. The determination of the appropriate life for a particular asset requires management to make judgements about, among other factors, the expected future economic benefits of the asset and the likelihood of obsolescence. Assessing whether an asset is impaired involves estimating the future cash flows that the asset is expected to generate. This will, in turn, involve a number of assumptions, including rates of expected revenue growth or decline, expected future margins, terminal values and the selection of an appropriate discount rate for valuing future cash flows.

*Valuation of investments*
Management performs an assessment of the carrying value of investments at least annually and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value, and its long term intentions. Infratil notes the following matters which are specifically considered in terms of objective evidence of impairment of its investments, and of whether there is a significant or prolonged decline from cost, which should be recorded as an impairment, and taken to profit and loss: any known loss events that have occurred since the initial recognition date of the investments, including evidence of significant adverse technological, market, economic or legal change; its investment horizon and average holding periods for investments, specific initiatives which reflect the strategic or influential nature of its existing investment position and internal valuations; and the state of financial markets. The assessment also requires management to make judgements about the expected future performance and cash flows of the investee.

*Accounting for income taxes*
Preparation of the financial statements requires management to make estimates of the amount of tax that will ultimately be payable, the availability of losses to be carried forward and the amount of foreign tax credits that it will receive.

*Goodwill*
The carrying value of goodwill is subject to an annual impairment test to ensure the carrying value does not exceed the recoverable amount at balance date. For the purpose of impairment testing, goodwill is allocated to the individual cash-generating units to which it relates. Any impairment losses are recognised in the statement of comprehensive income. In determining the recoverable amount of goodwill, fair value is assessed, including the use of valuation models to calculate the present value of expected future cash flows of the cash-generating units are used. The major inputs and assumptions that are used in the models that require management judgement include forecasts of sales volumes and revenues, future prices and costs, terminal values and discount rates.

*Derivatives*
Certain derivatives are classified as financial assets or financial liabilities at fair value through profit or loss. The key assumptions and risk factors for these derivatives relate to energy price hedges and their valuation. Energy price hedges are valued with reference to financial models of future energy prices or market values for the relevant derivative. Accounting judgements have been made in determining hedge designation for the different types of derivatives employed by the Group to hedge risk exposures. Other derivatives including interest rate instruments and foreign exchange contracts are based on market information and prices.

*Revenue*
Management has exercised judgement in determining estimated sales for unbilled revenues at balance date. Specifically, this involves estimates of consumption or sales to customers, turnover for turnover based rents and customer/passenger volumes.

*Provision for doubtful debts*
Provisions are maintained for estimated losses incurred from customers, being unable to make required payments. These provisions take into account known commercial factors impacting specific customer accounts, as well as the overall profile of the debtor portfolio. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends, are taken into account.

**(B) Basis of preparing consolidated financial statements**

*Principles of consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in NZ IAS-27 'Consolidated and Separate Financial Statements' and equity accounted associates. A list of subsidiaries and associates is shown in note 21. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after remeasurement, the fair values of the identifiable net assets acquired exceeds the costs of acquisition, the deficiency is credited to profit and loss in the period of acquisition. Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the Group financial statements.

*Subsidiaries*

Subsidiaries are all entities over which the Group has control, that is, the power to govern the financial and operating policies to derive benefits generally accompanying a shareholding of more than one half of the voting rights. The financial statements of subsidiaries are included in the Group financial statements using the acquisition method of consolidation.

*Associates*

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group financial statements include the Group's share of the net surplus of associates on an equity accounted basis.

*Acquisition during the year*

Where an entity becomes part of the Group during the year, the results of the entity are included in the Group results from the date that control or significant influence commenced.

*Goodwill arising on acquisition*

Goodwill arising on acquisition is allocated to cash-generating units and is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. In respect of acquisitions prior to 1 April 2006 (the entity's date of transition to NZ IFRS) goodwill is included on the basis of the amount recorded under New Zealand's previous GAAP on transition.

**(C) Property, plant and equipment**

Property, plant and equipment (PPE) is recorded at cost less accumulated depreciation and accumulated impairment losses (or fair value on acquisition), or at valuations with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. PPE that is revalued, is revalued to its fair value determined by an independent valuation or by the Directors with reference to independent experts, in accordance with NZ IAS 16 Property, Plant and Equipment. Where the assets are of a specialised nature and do not have observable market values in their existing use, depreciated replacement cost is used as the basis of the valuation. Depreciated replacement cost measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. For non-specialised assets where there is no observable market an income based approach is used.

Land, buildings, leasehold improvements and civil works are generally measured at fair value. Fair value is determined on the basis of periodic independent valuations prepared by valuation experts. The fair values are recognised in the financial statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value is not materially different from their fair values. If any material changes in fair value are identified, valuations are performed on a more frequent basis.

Any revaluation increase arising on the revaluation of PPE is credited to the asset revaluation reserve, except to the extent that it reverses a valuation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of PPE is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued PPE is charged to profit or loss. On subsequent sale or retirement of a revalued PPE, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Renewable and Non-renewable Generation assets are shown at fair value, based on periodic valuations by independent external valuers or by Directors with reference to independent experts, less subsequent depreciation. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying value of the asset, and the net amount is restated to the revalued amount of the asset.

At commencement of the lease term, finance leases are recognised in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently they are stated at cost less accumulated depreciation and impairment.

Cost of property, plant and equipment (including capital work in progress) includes expenditure that is directly attributable to the acquisition of the item including, the cost of all materials, direct labour, resource management consent costs, and an appropriate portion of variable and fixed overheads. Financing costs during the period of construction are capitalised at the interest rate on the financing most closely related to the financing of the asset, where these meet certain time and monetary materiality limits. Costs cease to be capitalised as soon as the asset is ready for productive use. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on a straight line basis and the major depreciation periods (in years) are:

| | | | |
|---|---|---|---|
| Buildings and civil works | 5-80 | Vehicles, plant and equipment | 3-20 |
| Renewable generation | 12-200 | Non-renewable generation assets | 30-40 |
| Metering equipment | 20 | Land | not depreciated |
| Capital work in progress | not depreciated until asset in use | | |

Individual assets' remaining useful lives and residual values are assessed during the revaluation process where revalued, or at the reporting date and depreciation is calculated on a basis consistent with those parameters.

**(D) Investment property**

Investment property is property held to earn rental income. Investment property is measured at fair value with any change therein recognised in profit or loss. Property that is being constructed for future use as investment property is measured to fair value and classified as investment property.

**(E) Receivables**
Receivables, classified as loans and receivables, are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect the amount due. The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

**(F) Investments**
Share investments held by the Group classified as available-for-sale are stated at fair value, with any resulting gain or loss recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of shares are quoted bid price where there is a quoted market bid price, or cost if fair value cannot be reliably measured. Investments classified as available-for-sale are recognised/derecognised by the Group on the trade date. Equity instruments are deemed to be impaired when there is a significant or prolonged decline in fair value below the original purchase price or there is other objective evidence that the investment is impaired. Shares in and advances to subsidiaries are recorded at cost less any impairment losses. Investments classified as financial assets at fair value through profit or loss, are stated at fair value, with any resulting gain or loss recognised in profit or loss.

**(G) Other intangible assets**
*Leasehold intangible assets*
Leasehold intangible assets acquired by the Group are stated at fair value, less accumulated amortisation and any impairment losses. Fair value is calculated with reference to the future estimated present values of cash flows arising from those leases. Amortisation is charged to the profit or loss over the period relating to the remaining lease tenures in proportion to the expiry profile of the leases, of between 1 and 20 years. Impairment testing is required when there is an indication of impairment.

*Intangible customer base assets*
Costs incurred in acquiring customers are recorded as a customer base intangible asset based on the directly attributable costs of obtaining the customer contract and are amortised on a straight line basis over the period of the expected benefit. This period has been assessed as between two years and 20 years depending on the nature of the customer and term of the contract. The carrying value of customer bases is reviewed for any indication of impairment on an annual basis and adjusted where it is considered necessary.

*Computer software*
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over three years on a straight line basis except for major pieces of billing system software which are amortised over no more than seven years on a straight line basis.

**(H) Non-current assets and disposal groups held for sale**
Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

**(I) Inventory**
Inventory is stated at the lower of cost or net realisable value. The cost of inventories is based on the first-in-first-out principle. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

**(J) Leases**
Assets acquired under finance leases are capitalised at the lower of fair value or present value of the minimum lease payments, with the corresponding recognition of finance lease liabilities. Operating lease rentals are charged to the profit or loss on a straight line basis over the period of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and spread over the lease term.

**(K) Taxation**
Income tax comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.
Deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

**(L) Derivative financial instruments**
The Group is a party to derivative financial instruments as part of its day to day operating activities. When appropriate, it enters into agreements to manage its interest rate, foreign exchange, operating and investment risks.
In accordance with the Group's risk management policies, the Group does not hold or issue derivative financial instruments for speculative purposes. However, certain derivatives do not qualify for hedge accounting and are required to be accounted for at fair value through profit or loss. Derivative financial instruments are recognised initially at fair value at the date they are entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated effective as a hedging instrument, in which event, recognition of any resultant gain or loss depends on the nature of the hedging relationship. The Group identifies certain derivatives as hedges of highly probable forecast transactions to the extent the hedge meets the hedge designation tests. The fair value of derivative financial instruments is classified as a non-current asset or a non-current liability if the remaining maturity of the derivative instrument is more than 12 months and as a current asset or current liability if the remaining maturity of the derivative is less than 12 months. Counterparties to derivative financial instruments are generally major financial institutions and energy companies. The Group has a credit approval process based on the expected credit worthiness of counterparties and does not generally request security to support derivative financial instruments entered into.

*Hedge accounting*
The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, cash flow hedges, or hedges of net investments in equity. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Group documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

*Fair value hedges*
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*Cash flow hedges*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts presented in equity are recognised in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.
Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

*Net investment hedge*
Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation is recognised directly in equity, in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

**(M) Foreign currency transactions**
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of the net investment in a foreign subsidiary.
*Foreign subsidiaries*
The assets and liabilities of foreign subsidiaries including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at the average rate for the reporting period.

**(N) Goods & Services Tax (“GST”) and Value Added Tax ("VAT")**
The financial statements have been prepared on a GST/VAT exclusive basis (as applicable) except billed receivables and payables which include GST/VAT (as applicable).

**(O) Impairment of assets**
At each reporting date, the Group 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. Goodwill, 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.
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. 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. Impairment losses are recognised in profit or loss, except for revalued property, plant and equipment assets (refer note C).

**(P) Employee benefits**
Provision is made for benefits accruing to employees in respect of wages and salaries, incentive entitlements, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

***Infratil Share Schemes and share based payments***
Infratil has established the Infratil Executive Redeemable Share Scheme and Staff Share Purchase Scheme (together ‘the schemes’) as defined in the individual Trust Deeds for each scheme. The Schemes are administered by a trustee, Infratil Trustee Company Limited (the Schemes exclude staff and directors of the manager H.R.L Morrison & Co Limited and Directors of Infratil).
Under the Infratil Executive Redeemable Share Scheme the fair value of the employee services received in exchange for the grant of the shares are recognised as an expense, with a corresponding increase in equity, over the vesting period during which employees become unconditionally entitled to the shares. The fair value is measured at grant date by reference to the fair value of the equity instruments granted, taking into account market performance conditions, measured using monte carlo simulation techniques. Non-market vesting conditions are included in the assumptions about the number of shares that are expected to become exercisable. At each balance sheet date, Infratil revises the amount to be recognised as an expense to reflect the expected entitlement from the executive share scheme.
The Staff Share Purchase Scheme was designed to allow certain employees of the Group participating in the Scheme to purchase shares in Infratil Limited at a discount to market price and using interest free loans as required by section DC12 of the Income Tax Act 2007. Under the Staff Share Purchase Scheme, Infratil shares are acquired for participants and held by the Trustee on trust for the participating employees until the applicable restrictive period and conditions have been met.

**(Q) Revenue recognition**
Revenue comprises the fair value of consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities.
Interest revenues are recognised as accrued, taking into account the effective yield of the financial asset. Revenue from services is recognised in the profit or loss over the period of service. Dividend income is recognised when the right to receive the payment is established.

**(R) 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 or loss over the period of the borrowing using the effective interest rate. Bond and bank debt issue expenses, fees and other costs incurred in arranging finance are capitalised and amortised over the term of the relevant debt instrument or debt facility.

**(S) Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand, cash at banks and financial institutions and investments in money market instruments, excluding outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

**(T) Financial instruments issued by the Group**
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

**(U) Provisions**
A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(V) Financial guarantees**
Where the Company or a Group company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, these are treated as insurance arrangements, and accounted for as such. In this respect, the guarantee is treated as a contingent liability until such time as it becomes probable that the Group entity will be required to make a payment under the guarantee.

**(W) Emission rights**
The Group receives tradable emission rights from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these emission rights may be a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the Statement of Financial Position. Proceeds received on the sale of emission rights are recorded as deferred income in the Statement of Financial Position until the committed energy production levels pertaining to the emission rights sold has been generated.
Emission rights produced are recognised in the Statement of Financial Position if the right has been verified, it is probable that expected future economic benefits will flow to the Group, and the rights can be measured reliably. Emission rights are initially measured at cost. After initial recognition, the emission rights are carried at fair value with any changes taken to profit and loss. Fair value is determined by reference to an active market. If the emission rights cannot be revalued because there is no active market, the emission rights are carried at cost less any subsequent impairment losses.

**(X) Discontinued operations**
Classification as a discontinued operation occurs on disposal, or when the operation meets the criteria to be classified as a non-current asset or disposal group held for sale (see note (H)), if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

**(Y) Segment reporting**
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
As at 31 March 2012, the Group is organised into six main business segments:
TrustPower, Wellington Airport, NZ Bus, Infratil Energy Australia, Infratil Airports Europe and Other. Other comprises investment activity not included in the specific categories.
Transactions undertaken between Group companies are entered into on an arm's length commercial basis.

**(Z) Earnings per share**
Earnings per share is calculated by dividing the operating surplus attributable to the shareholders by the weighted average number of ordinary shares on issue during the period, on a basic and fully diluted basis.

**(AA) Adoption status of relevant new financial reporting standards and interpretations**
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2012, and have not been applied in preparing these financial statements. None of these is expected to have a material effect on the financial statements of the Group, with the exception of:

Amendment to NZ IAS 1 – Presentation of Financial Statements – Presentation of Items in Other Comprehensive Income

The amendment requires items of other comprehensive income to be grouped into those that will and will not subsequently be reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments.

These amendments come into effect for periods beginning on or after 1 July 2012 and have not been early adopted by the Group.

**(2) Nature of business**

The Group owns infrastructure businesses and investments in the United Kingdom, Australia and New Zealand, and owns and operates predominantly infrastructure and utility businesses. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 5 Market Lane, Wellington, New Zealand.

**(3) Reconciliation of earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, realisations and impairments (EBITDAF)**

EBITDAF is presented to provide further information on the operating performance of the Group. It is calculated by adjusting net surplus for the year from continuing operations for items that are non-operating such as interest, taxation, depreciation, revaluations and impairments.

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2012 | 2011 | 2012 | 2011 |
| | | $Millions | $Millions | $Millions | $Millions |
| Net surplus for the year from continuing operations | | 164.4 | 167.1 | 50.8 | 89.8 |
| Net financing expense / (income) | | 187.2 | 167.8 | (68.8) | (61.8) |
| Taxation expense | 8 | 58.4 | 81.4 | 3.2 | - |
| Depreciation | | 106.4 | 86.7 | - | - |
| Amortisation of intangibles | | 27.3 | 24.2 | - | - |
| Net loss/(gain) on derivatives | | (19.2) | 3.9 | 13.6 | 4.8 |
| Net realisations, revaluations and impairments | 5 | (4.3) | 0.5 | 398.9 | (0.4) |
| Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, realisations and impairments (EBITDAF) | | 520.2 | 531.6 | 397.7 | 32.4 |
| Share of associate's gain on acquisition | 15 | - | (60.7) | - | - |
| EBITDAF before fair value gains on acquisition recognised by associates | | 520.2 | 470.9 | 397.7 | 32.4 |

**(4) Disposal group held for sale**

The Infratil Airports Europe segment comprising Glasgow Prestwick and Manston Airports is presented as a disposal group held for sale following the decision of the Group in January 2012 to sell these businesses. Efforts to sell this segment have commenced and a sale is intended within the next 12 months.

| | 2012<br>$Millions | 2011<br>$Millions |
|---|---|---|
| **Results of discontinued operation** | | |
| Revenue | 44.4 | 43.1 |
| Employee benefits | (22.7) | (25.5) |
| Other operating expenses | (33.6) | (28.9) |
| Results from operating activities | (11.9) | (11.3) |
| Depreciation | (4.4) | (7.5) |
| Impairments of assets | (26.0) | (34.4) |
| Interest expense | (0.2) | (0.3) |
| Loss before tax of discontinued operation | (42.5) | (53.5) |
| Taxation credit | 5.1 | 6.0 |
| Net (loss) from discontinued operation after tax | (37.4) | (47.5) |
| Basic earnings per share (cents per share) | (6.3) | (7.9) |
| Diluted earnings per share (cents per share) | (6.3) | (7.9) |

The loss from discontinued operation of $37.4m (2011: $47.6m) is attributable entirely to the owners of the Company.

| **Cash flows from (used in) discontinued operation** | | |
|---|---|---|
| Net cash used in operating activities | (11.7) | (12.7) |
| Net cash from investing activities | (7.1) | (6.4) |
| Net cash from financing activities | - | - |
| **Net cash flows for the year** | (18.8) | (19.1) |

| **Effect of reclassification of the disposal group on the financial position of the Group** | |
|---|---|
| Bank overdraft | 2.4 |
| Trade, accounts receivable and prepayments | (5.9) |
| Inventory | (1.0) |
| Property, plant and equipment | (63.8) |
| Investment properties | (21.2) |
| Accounts payable, accruals and other liabilities | 12.4 |
| Other liabilities | 9.4 |
| Deferred tax | 4.2 |
| **Net reclassification of (assets) and liabilities** | (63.5) |

The cumulative income recognised in other comprehensive income relating to the disposal group at 31 March 2012 is $3.1m (2011: $3.2m)

| **(5) Total income and net realisations, revaluations and impairments** | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Operating Revenue | 2,166.4 | 1,984.8 | - | - |
| Dividends | 0.2 | 0.3 | 400.0 | 32.6 |
| Share of earnings and income of associate companies after tax | 52.3 | 115.8 | - | - |
| Inter-company charges | - | - | 18.7 | 19.6 |
| **Total income** | 2,218.9 | 2,100.9 | 418.7 | 52.2 |
| Investment realisations, revaluations and impairments | 4.6 | 0.4 | (398.9) | 0.4 |
| Change in fair value of investment properties | 1.0 | 0.2 | - | - |
| Impairment of property, plant and equipment | (1.3) | (1.1) | - | - |
| **Net realisations, revaluations and impairments** | 4.3 | (0.5) | (398.9) | 0.4 |

The parent entity, Infratil Limited, has impaired certain loans made to subsidary companies, where the underlying net asset values of the subsidary implies the loan may not be repaid.

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| **(6) Other operating expenses** | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| *Fees paid to group auditors* | | | | |
| Audit fees | 0.8 | 0.7 | 0.2 | 0.1 |
| Other assurance services | 0.1 | 0.1 | - | - |
| Taxation and other services | 0.1 | 0.2 | - | - |
| Audit fees paid to other auditors | 0.4 | 0.3 | - | - |
| Bad debts written off | 14.9 | 15.2 | - | - |
| Increase in provision for doubtful debts | (0.8) | 3.3 | - | - |
| Directors' fees | 2.4 | 2.7 | 0.6 | 0.6 |
| Administration and other | 5.5 | 4.9 | 5.5 | 4.9 |
| Management fee (to related party "MCIM") | 17.9 | 17.1 | 14.7 | 14.2 |
| Incentive fee (to related party "MCIM") | - | 5.9 | - | - |
| *Trading operations* | | | | |
| Energy and wholesale costs | 638.2 | 580.3 | - | - |
| Line, distribution and network costs | 506.4 | 479.0 | - | - |
| Other energy business costs | 191.8 | 170.2 | - | - |
| Other transportation business costs | 73.5 | 70.3 | - | - |
| Other airport business costs | 14.6 | 15.3 | - | - |
| Other operating business costs | 22.3 | 16.3 | | |
| **Total other operating expenses** | 1,488.1 | 1,381.8 | 21.0 | 19.8 |

Other assurance services include services for the audit or review of financial information other than financial statements.

Donations of $0.8 million (2011: $1.1m) were made during the year by the Group.

**(7) Government grants**

Capital based government grants of $3.9 million (2011: $4.3 million) are included within accounts payable, accrual and other liabilities in the Statement of Financial Position and credited to operating profit over the useful economic lives of the assets to which they relate.  Other grants are credited to the profit and loss account when received.

| (8) Taxation | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $Millions | $Millions | $Millions | $Millions |
| Net surplus before taxation | 222.8 | 248.5 | 54.0 | 89.8 |
| Taxation on the surplus for the year @ 28% (2011: 30%) | 62.4 | 74.6 | 15.1 | 26.9 |
| *Plus/(less) taxation adjustments:* | | | | |
| Effect of tax rates in foreign jurisdictions | 0.7 | - | - | - |
| Net benefit of imputation credits | (6.5) | (2.5) | - | - |
| Change in corporate income tax rate | - | (9.4) | - | - |
| Removal of tax depreciation on buildings | (2.1) | 35.4 | - | - |
| Exempt dividends | - | - | (112.0) | (9.8) |
| Tax losses not recognised | 10.0 | 1.0 | (16.0) | (18.7) |
| Equity accounted earnings of associates | (6.4) | (29.7) | - | - |
| Temporary differences not recognised | 2.9 | 14.8 | 3.9 | 1.4 |
| (Over)/Under provision in prior years | (2.1) | (3.5) | - | - |
| Net investments impairment/(realisations) | 1.8 | - | 112.0 | - |
| Other permanent differences | (2.3) | 0.7 | 0.2 | 0.2 |
| **Taxation expense on continuing operations** | 58.4 | 81.4 | 3.2 | - |
| Current taxation | 53.8 | 35.1 | 3.2 | - |
| Deferred taxation | 4.6 | 46.3 | - | - |
| Tax on discontinued operations | (5.1) | (6.0) | - | - |

| | 2012 | | |
|---|---|---|---|
| **Income tax recognised in other comprehensive income** | Before tax<br>$Millions | Tax (expense) /benefit<br>$Millions | Net of tax<br>$Millions |
| Differences arising on translation of foreign operations | (35.5) | (3.6) | (39.1) |
| Net change in fair value of cash flow hedges transferred to profit or loss | 4.4 | (1.2) | 3.2 |
| Effective portion of changes in fair value of cash flow hedges | 14.6 | (3.9) | 10.7 |
| Net change in fair value of property, plant & equipment recognised in equity | 271.7 | (43.9) | 227.8 |
| Fair value movements in relation to executive share scheme | 0.1 | - | 0.1 |
| Share of associates other comprehensive income | (3.5) | 0.1 | (3.4) |
| **Balance at the end of the year** | 251.8 | (52.5) | 199.3 |

| | 2011 | | |
|---|---|---|---|
| **Income tax recognised in other comprehensive income** | Before tax<br>$Millions | Tax (expense) /benefit<br>$Millions | Net of tax<br>$Millions |
| Differences arising on translation of foreign operations | 19.6 | 0.7 | 20.3 |
| Net change in fair value of cash flow hedges transferred to profit or loss | 6.0 | (1.8) | 4.2 |
| Effective portion of changes in fair value of cash flow hedges | (36.5) | 9.8 | (26.7) |
| Net change in fair value of property, plant & equipment recognised in equity | 72.9 | (6.6) | 66.3 |
| Fair value movements in relation to executive share scheme | 0.1 | - | 0.1 |
| Share of associates other comprehensive income | - | - | - |
| **Balance at the end of the year** | 62.1 | 2.1 | 64.2 |

In May 2010 the Government announced changes to the tax legislation to remove the ability to depreciate buildings for tax purposes when the life of the building is equal to or greater than 50 years. The Government also announced a decrease in the corporate income tax rate from 30% to 28% effective from the 2011/2012 tax year. These two adjustments were booked to deferred taxation expense (net $25.9 million expense) and reserves ($13.4 million) in the 2011 financial year.

**Deferred Tax**

Deferred tax assets and liabilities are offset on the Statement of Financial Position where they relate to entities within a Consolidated Income Tax Group.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Balance at the beginning of the year | (377.7) | (339.5) | - | - |
| Charge for the year | (4.6) | (46.3) | - | - |
| Charge relating to discontinued operations | 5.1 | 6.0 | | |
| Deferred tax recognised in equity | (9.7) | 5.0 | - | - |
| Effect of change in corporate income tax rate on comprehensive income | 0.1 | 13.7 | - | - |
| Revaluation of assets | (45.2) | (14.7) | - | - |
| Effect of movements in exchange rates | 3.6 | (1.9) | - | - |
| Transferred to liabilities held for sale | 4.2 | - | - | - |
| **Balance at the end of the year** | (424.2) | (377.7) | - | - |

There is no deferred tax relating to tax losses carried forward not recognised in the current year (2011: $3.9 million). The 2011 deferred tax charge included $35.4 million in relation to the removal of tax depreciation on buildings and $9.4 million in relation to the change in the corporate tax rate.

**Recognised deferred tax assets and liabilities**

| | Consolidated | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Property, plant and equipment | 0.7 | 2.5 | (441.6) | (403.2) |
| Investment property | - | - | (5.0) | (13.1) |
| Financial assets at fair value through profit or loss | 19.9 | 26.9 | (11.0) | (6.7) |
| Employee benefits | 4.8 | 3.6 | - | - |
| Customer base assets | - | - | (9.2) | (9.9) |
| Provisions | 3.1 | 4.2 | - | - |
| Other items | 18.9 | 24.8 | (4.8) | (6.8) |
| **Net tax assets/(liabilities)** | 47.4 | 62.0 | (471.6) | (439.7) |

| | Net | |
|---|---|---|
| | 2012 $Millions | 2011 $Millions |
| Property, plant and equipment | (440.9) | (400.7) |
| Investment property | (5.0) | (13.1) |
| Financial assets at fair value through profit or loss | 8.9 | 20.2 |
| Employee benefits | 4.8 | 3.6 |
| Customer base assets | (9.2) | (9.9) |
| Provisions | 3.1 | 4.2 |
| Other items | 14.1 | 18.0 |
| **Net tax assets/(liabilities)** | (424.2) | (377.7) |

**Changes in temporary differences affecting tax expense**

| | Consolidated | | | |
|---|---|---|---|---|
| | Tax expense | | Other comprehensive income | |
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Other property, plant and equipment movements | (0.3) | (32.2) | (43.9) | (6.6) |
| Investment property | (0.5) | (3.9) | 0.1 | - |
| Financial assets at fair value through profit or loss | (6.3) | (9.4) | (5.1) | 8.0 |
| Customer base assets | 0.8 | 1.6 | - | - |
| Provisions | (0.1) | 0.9 | - | - |
| Other | 1.8 | (3.3) | (3.6) | 0.7 |
| | (4.6) | (46.3) | (52.5) | 2.1 |

**Imputation credit account**

| | Parent | |
|---|---|---|
| | 2012 $Millions | 2011 $Millions |
| Balance at the beginning of the year | 5.2 | 5.6 |
| Imputation credits attached to dividends received during the year | 23.0 | 14.0 |
| Less imputation credits attached to dividends paid during the year | (19.3) | (14.4) |
| **Balance at the end of the year** | 8.9 | 5.2 |
| | | |
| At balance date the imputation credits available to the shareholders of the parent company were: | | |
| Through direct shareholding in the parent company | 8.9 | 5.2 |
| Through indirect interests in subsidiaries | 11.6 | 10.0 |
| **Balance at the end of the year** | 20.5 | 15.2 |

**(9) Infratil shares and warrants**

| **Ordinary shares (fully paid)** | **Consolidated & Parent** | |
|---|---|---|
| | 2012 | 2011 |
| Total issued capital at the beginning of the year | 602,806,392 | 567,655,106 |
| *Movements in issued and fully paid ordinary shares during the year* | | |
| Warrants exercised and fully/partly paid | - | 38,049,825 |
| Share buyback held as treasury stock | (18,743,410) | (5,550,000) |
| Treasury stock reissued under Dividend Reinvestment Plan | 2,867,848 | 2,651,461 |
| **Total issued capital at the end of the year** | 586,930,830 | 602,806,392 |

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity. All authorised shares are issued and have no par value.

| **Infratil Warrants** | **Consolidated & Parent IFTWBs** | | **Consolidated & Parent IFTWCs** | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Total warrants at the beginning of the year | - | 38,086,925 | 52,825,458 | 52,825,458 |
| Warrants exercised and fully/partly paid | - | (38,049,825) | - | - |
| Warrants lapsed | - | (37,100) | - | - |
| **Total warrants at the end of the year** | - | - | 52,825,458 | 52,825,458 |

Each IFTWC held entitles the holder to acquire a further share in the Company at a price of $4.12 on, or before, 29 June 2012.

| **Dividends paid on ordinary shares** | **Consolidated & Parent** | | **Consolidated & Parent** | |
|---|---|---|---|---|
| *Dividends declared and paid by the Company for the year were as follows:* | 2012 cents per share | 2011 cents per share | 2012 $Millions | 2011 $Millions |
| Final dividend prior year | 4.25 | 3.75 | 25.9 | 22.6 |
| Interim dividend paid current year | 3.00 | 2.50 | 18.2 | 15.0 |
| | 7.25 | 6.25 | 44.1 | 37.6 |

| **Executive redeemable shares** | **Consolidated & Parent** | |
|---|---|---|
| | 2012 | 2011 |
| Balance at the beginning of the year | 1,167,500 | 632,500 |
| Shares Issued | 287,500 | 535,000 |
| **Balance at end of year** | 1,455,000 | 1,167,500 |

Pursuant to Infratil Limited's Executive Share Scheme, the Company issued on 7 December 2011 a further 287,500 (2011: 535,000) executive redeemable shares at an issue price per share of $1.8403 (2011: $1.8732), paid up to 1 cent per share. Redeemable shares may be issued annually to certain executives of the Company and its subsidiaries in accordance with the terms of the Infratil Executive Share Trust Deed (the Trust Deed), dated 22 August 2008. The Executive Redeemable Shares may be redeemed for ordinary shares on the payment of the unpaid issue price in accordance with the terms of issue under the Infratil Executive Share Scheme Trust Deed. The Executive Redeemable Shares have no entitlements to dividends or voting rights. During the year, certain executives left the Group, forfeiting their right to 232,500 shares (2011: 216,000) under the Scheme, which are held by the Trustee. 924,000 shares remain outstanding and available to Executives (2011: 869,000).

| **(10) Cash and cash equivalents** | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Call deposits | 70.9 | 98.8 | - | - |
| Cash deposits held as security for retail energy market contracts & bank financing agreements | 33.4 | 58.7 | - | - |
| **Total** | 104.3 | 157.5 | - | - |

The Group conducts some of its electricity wholesale price hedging via the Sydney Futures Exchange and is required to maintain cash accounts with its brokers, for initial and variation margins. These accounts represent the Group's cash transactions with its brokers, and therefore the balance of these accounts is included in Cash and cash equivalents as cash deposits. At 31 March 2012, $33.4 million (2011: $58.7 million) of cash deposits are "restricted" and not immediately available for use by the Group.

| **(11) Inventories** | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Raw materials and consumables | 2.8 | 3.5 | - | - |
| Finished goods/trading products | 28.6 | 16.4 | - | - |
| **Total** | 31.4 | 19.9 | - | - |

**(12) Property, plant and equipment**

| | Land and civil works | Buildings | Vehicles, plant and equipment | Capital work in progress | Metering | Generation Plant (renewable) | Generation Plant (non renewable) | Total |
|---|---|---|---|---|---|---|---|---|
| **2012** | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions |
| **Cost or valuation** | | | | | | | | |
| Balance at beginning of year | 461.9 | 322.2 | 277.3 | 197.7 | 72.6 | 2,358.7 | 313.4 | 4,003.8 |
| Additions | 2.5 | 4.2 | 64.3 | 25.3 | 4.0 | 19.5 | 1.2 | 121.0 |
| Capitalised interest and financing costs | - | - | - | - | - | - | - | - |
| Disposals | (6.1) | (1.1) | (9.6) | - | - | (0.2) | - | (17.0) |
| Impairment | (14.0) | (10.8) | (4.4) | (0.7) | - | - | (13.0) | (42.9) |
| Revaluation | 74.3 | 9.3 | - | - | - | 55.2 | - | 138.8 |
| Transfers between categories | 4.3 | 14.7 | 15.7 | (183.1) | - | 77.2 | 71.1 | (0.1) |
| Transfer to assets held for sale | (29.7) | (22.2) | (6.6) | (5.3) | - | - | - | (63.8) |
| Transfers to intangible assets | - | - | - | - | - | - | - | - |
| Transfers from/(to) investment properties | - | - | - | - | - | - | - | - |
| Effect of movements in exchange rates | (3.9) | (2.4) | (1.5) | (3.5) | - | (22.0) | (20.5) | (53.8) |
| **Balance at end of year** | 489.3 | 313.9 | 335.2 | 30.4 | 76.6 | 2,488.4 | 352.2 | 4,086.0 |
| | | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| Balance at beginning of year | 0.1 | 4.2 | 93.1 | - | 39.0 | 90.1 | (0.1) | 226.4 |
| Depreciation for the year | 7.7 | 9.1 | 28.2 | - | 3.3 | 47.8 | 14.1 | 110.2 |
| Transfer to investment properties | - | - | - | - | - | - | - | - |
| Revaluation | (1.4) | (1.4) | (1.6) | - | - | (137.9) | (14.0) | (156.3) |
| Disposals | - | (0.1) | (8.1) | - | - | - | - | (8.2) |
| Transfer to assets held for sale | - | - | - | - | - | - | - | - |
| Effect of movements in exchange rates | - | - | (0.3) | - | - | - | - | (0.3) |
| **Balance at end of year** | 6.4 | 11.8 | 111.3 | - | 42.3 | - | - | 171.8 |
| | | | | | | | | |
| **2011** | | | | | | | | |
| **Cost or valuation** | | | | | | | | |
| Balance at beginning of year | 454.1 | 314.2 | 268.9 | 192.0 | 68.4 | 2,330.3 | 103.5 | 3,731.4 |
| Additions | 4.4 | 1.1 | 12.6 | 203.2 | 4.2 | 11.4 | 0.1 | 237.0 |
| Capitalised interest and financing costs | 11.6 | - | - | 1.6 | - | - | - | 13.2 |
| Disposals | (0.2) | - | (7.7) | - | - | (1.4) | - | (9.3) |
| Impairment | (19.6) | (16.4) | (6.9) | - | - | - | - | (42.9) |
| Revaluation | 2.0 | (5.7) | - | - | - | 0.2 | 43.3 | 39.8 |
| Transfers between categories | 9.7 | 29.5 | 10.7 | (202.0) | - | 0.6 | 151.3 | (0.2) |
| Transfer to assets held for sale | - | - | - | - | - | - | - | - |
| Transfers to intangible assets | - | - | (0.4) | - | - | - | - | (0.4) |
| Transfers from/(to) investment properties | - | - | - | - | - | - | - | - |
| Effect of movements in exchange rates | (0.1) | (0.5) | 0.1 | 2.9 | - | 17.6 | 15.2 | 35.2 |
| **Balance at end of year** | 461.9 | 322.2 | 277.3 | 197.7 | 72.6 | 2,358.7 | 313.4 | 4,003.8 |
| | | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| Balance at beginning of year | 6.7 | 10.8 | 77.7 | - | 36.0 | 44.1 | - | 175.3 |
| Depreciation for the year | 7.7 | 9.8 | 25.2 | - | 3.0 | 44.3 | 4.2 | 94.2 |
| Transfer to investment properties | - | - | - | - | - | - | - | - |
| Revaluation | (14.3) | (16.4) | (3.3) | - | - | - | (4.3) | (38.3) |
| Disposals | - | - | (6.7) | - | - | - | - | (6.7) |
| Transfer to assets held for sale | - | - | - | - | - | - | - | - |
| Effect of movements in exchange rates | - | - | 0.2 | - | - | 1.7 | - | 1.9 |
| **Balance at end of year** | 0.1 | 4.2 | 93.1 | - | 39.0 | 90.1 | (0.1) | 226.4 |
| | | | | | | | | |
| **Carrying amounts** | | | | | | | | |
| At 1 April 2011 | 461.8 | 318.0 | 184.2 | 197.7 | 33.6 | 2,268.6 | 313.5 | 3,777.4 |
| **At 31 March 2012** | **482.9** | **302.1** | **223.9** | **30.4** | **34.3** | **2,488.4** | **352.2** | **3,914.2** |
| At 1 April 2010 | 447.4 | 303.4 | 191.2 | 192.0 | 32.4 | 2,286.2 | 103.5 | 3,556.1 |
| **At 31 March 2011** | **461.8** | **318.0** | **184.2** | **197.7** | **33.6** | **2,268.6** | **313.5** | **3,777.4** |

**Wellington International Airport**
Wellington International Airport Limited (WIAL) has previously applied a zonal approach to the valuation of land, based on a direct sales comparison with appropriate adjustment for intensity of development, location, titles, easement and services. During the year WIAL requested that its valuers, Telfer Young Limited, undertake a Market Value Alternative Use (MVAU) valuation in order to meet its regulatory reporting requirements under the Commerce Act (Specified Airport Services Input Methodologies). This valuation required the completion of an independent master plan for the alternative use of the airport land, and was completed by independent town planners Boffa Miskell. As a consequence, WIAL obtained a valuation undertaken by its valuers Telfer Young Limited using the Market Value Existing Use (MVEU) approach, which is based on the MVAU approach plus development and holding costs to provide land suitable for airport use. The land was valued effective 31 March 2011 in accordance with the New Zealand Institute of Valuers asset valuation standard, and the Directors are satisfied that there has not been a material movement in the valuation as at 31 March 2012. The fair value of land at 31 March 2012 is $289.2 million (31 March 2011: $214.8 million).
Buildings and civil assets were last revalued as at 31 March 2011 in accordance with the New Zealand Institute of Valuers asset valuation standards. The valuation was undertaken by independent registered valuers, Telfer Young Limited for buildings (fair value $268.7 million), and Opus International Consultants Limited for civil assets (fair value $142.7 million).

At 31 March 2012 WIAL performed a discounted cash flow analysis to confirm that there had been no material movements in the value of the vehicle business assets and that the carrying value still represented the assets fair value. The discounted cash flow analysis showed that there was an uplift in the value of the vehicle business assets predominantly due to additional vehicle capacity works completed during the year and a forecast increase in vehicle revenue. At 31 March 2012, the carrying value of the vehicle business assets was $88.6 million (31 March 2011: $79.2 million).

**Airports Europe**
In January 2012, Glasgow Prestwick and Manston Airports were reclassified as a disposal group held for sale following the decision of the Group in January 2012 to plan to sell these airports. Efforts to sell the airports have commenced and a sale is expected within the next 12 months. The Directors, with reference to a 31 March 2011 external valuation performed by Deloitte LLP (trading as Drivers Jonas Deloitte), England, have impaired the value of the airports. The prior year valuation was performed in accordance with the recommendations of the RICS as defined within the RICS appraisal and valuation manual. The key assumptions in these valuations include future passenger and freight volumes, commercial revenue yields, the on-going operating and maintenance costs for each airport and the appropriate discount and capitalisation rates. The Directors valuation at 31 March 2012 fair valued the airports at $64.7 million (GBP 32.7 million) (2011: $92.7 million (GBP 44.0 million)). An impairment charge of $24.8 million (31 March 2011: $34.4 million) has been recognised in the profit and loss, in the results from discontinued operations.

**Generation property, plant and equipment**
Renewable generation plant includes freehold land and buildings which are not separately identifiable from other generation assets. The Group's generation property, plant and equipment is stated at fair value as determined by an independent valuation undertaken on an at least three-yearly basis. The valuations are reviewed annually and if it is considered that there has been a material change then a new independent valuation is undertaken. The basis of the valuation is a discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the valuation model that require management judgement include the forward price path of electricity, sales volume forecasts, projected operational and capital expenditure profiles, discount rates and life assumptions for each generation station. These inputs are determined as per the table below. Renewable generation assets were independently valued, using a discounted cash flow methodology as at 31 March 2012, to their estimated market value as determined by Deloitte Corporate Finance. The key assumptions in this valuation include future wholesale electricity prices, the future output of the assets, the remaining life of the assets, the on-going operating and maintenance costs for each asset and TrustPower's weighted average cost of capital.

Non-renewable generation plant and equipment held by Infratil Energy Australia were valued at $176.7 million as at 31 March 2012 (2011: $114.6 million) by the directors using a discounted cash flow methodology. In determining their valuations, directors relied upon, amongst other factors, valuation works performed by BDO Corporate Finance (QLD). The key assumptions in this valuation include future wholesale electricity prices, the future output of the assets, the remaining life of the assets, the on-going operating and maintenance costs for each asset and Infratil Energy Australia's weighted average cost of capital.

Non-renewable generation plant held by Perth Energy Pty Limited were valued at $175.6 million as at 31 March 2012 (2011: $198.8 million) by the directors using a discounted cash flow methodology. In determining their valuations, directors relied upon, amongst other factors, valuation works performed by BDO Corporate Finance (QLD) as at 31 March 2012. The key assumptions in this valuation include future wholesale electricity prices, the future output of the assets, the remaining life of the assets, the on-going operating and maintenance costs for each asset and Perth Energy's weighted average cost of capital.

**Property, plant and equipment valuations - key assumptions**

The key input assumptions adopted in the valuation of the Group's property, plant and equipment are set out below:

| **Generation renewable** | **Low** | **High** | **Valuation Impact vs. midpoint** |
|---|---|---|---|
| *New Zealand Assets* | | | |
| per MWh Forward electricity price path | Decreasing in real terms from $98/MWh to $85MWh by 2015 then constant. | Decreasing in real terms from $98/MWh to $85MWh by 2015 then increasing to $95/MWh by 2020, thereafter held constant. | -/+ $98.0m |
| Generation volume | 2,167 GWh | 2,649 GWh | -/+ $245.0m |
| Operating costs | $29.6 million pa | $32.6 million p.a. | +/- $38.0.m |
| Weighted average cost of capital | 7.8% | 8.3% | + $82.0m / - $75.0m |
| *Australian Assets* | | | |
| per MWh Forward electricity price path | (Stated in AUD) Until 2018 constant at $82 in real terms. After 2018 increasing to $105 by 2030 in real terms. | (Stated in AUD) Until 2018 constant at $82 in real terms. After 2018 increasing to $115 with gradual increases to $125 by 2030 in real terms. | -A$11.0m / + A$33.0m |
| Generation volume | 350 GWh | 428 GWh | -/+ A$30.0m |
| Weighted average cost of capital | 7.7% | 8.2% | + A$6.0m / - A$5.0m |

| **Generation non-renewable (Infratil Energy Australia)** | **Low** | **High** | |
|---|---|---|---|
| Weighted average cost of capital | 8.5% | 9.5% | +-A$6.9m |
| Forecast Long Run $300 MWh cap price | A$13.70 | A$15.70 | +/- A$2.5m |
| Plant reliability | 98% | 98% | |
| Despatch | 95% | 95% | |

| **Generation non-renewable (Perth Energy Pty Ltd)** | **Low** | **High** | |
|---|---|---|---|
| Weighted average cost of capital | 8.0% | 9.0% | +/- A$6.3m |
| Reserve capacity price per MW | A$186,000 | A$186,000 | |
| Plant reliability | 98% | 98% | |
| Despatch | 90% | 90% | |

**Wellington International Airport**

| **Asset classification and description** | **Valuation approach** | **Key valuation assumptions** | **+/- 5% Valuation Impact** |
|---|---|---|---|
| *Land* | | | |
| Aeronautical land - used for airport activities and specialised non-aeronautical assets.<br>Non- Aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business.<br>Residential land | MVEU approach - comprising MVAU valuation plus development and holding costs to provide land suitable for airport use.<br>Residential land is valued at rateable value | Adopted rate per hectare prior to holding costs: $1.37 million per ha<br>Holding costs 12.88%<br>Holding period 5 years<br>Direct costs $15.5 million | +/- $21.1m |
| *Civil* | | | |
| Civil works includes sea protection and site services, excluding such site services to the extent that they would otherwise create duplication of value. | Optimised depreciated replacement cost | Average cost rates including concrete $740 per $m^3$, asphalt $833 per $m^3$, basecourse $83 per $m^3$ and foundations $15 per $m^3$ | +/- $7.1m |
| *Buildings* | | | |
| Specialised buildings used for identified airport activities. | Optimised depreciated replacement cost derived from modern equivalent asset rate | Modern equivalent asset rates ranging from $175 to $5,000 per $m^2$, with a weighted average of $4,050 per $m^2$ | +/- $9.5m |
| Buildings other than for identified airport activities, including space allocated within the main terminal building for retail activities, car parking, offices and storage that exist because of the airport activities. | Optimised depreciated replacement cost derived from modern equivalent asset rate | Modern equivalent asset rates ranging from $550 to $1,900 per $m^2$, with a weighted average of $1,364 per $m^2$ | |
| *Vehicle business assets* | | | |
| Assets associated with car parking and taxi, shuttle and bus services (excluding land.) | Discounted cash flow | Revenue growth 3% per annum<br>Cost growth 3% per annum<br>Discount rate 13% | +/- $2.5m |
| *Vehicles, plant and equipment* | | | |
| Vehicles, plant and equipment comprises a mixture of specialised and non-specialised assets | Book value | - | +/- $0.7m |

For each revalued class the carrying amount that would have been recognised had the assets been carried on a historical cost basis are as follows;

| **Revalued Assets at Deemed Cost** | **2012** Cost $Millions | Assets under construction $Millions | Accumulated depreciation $Millions | Net book value $Millions |
|---|---|---|---|---|
| Land and civil works | 193.3 | 4.4 | (28.9) | 168.8 |
| Buildings | 191.5 | 13.0 | (48.1) | 156.4 |
| Vehicles, plant and equipment | 23.9 | 4.6 | (18.0) | 10.5 |
| Capital work in progress | 3.0 | (0.2) | - | 2.8 |
| Generation Plant (renewable) | 1,505.2 | 19.5 | (309.9) | 1,214.8 |
| Generation Plant (non renewable) | 311.2 | - | (18.0) | 293.2 |
| **Total** | 2,228.1 | 41.3 | (422.9) | 1,846.5 |

| | **2011** Cost $Millions | Assets under construction $Millions | Accumulated depreciation $Millions | Net book value $Millions |
|---|---|---|---|---|
| Land and civil works | 299.2 | 9.7 | (91.3) | 217.6 |
| Buildings | 262.3 | 29.3 | (78.5) | 213.1 |
| Vehicles, plant and equipment | 42.2 | 4.2 | (21.4) | 25.0 |
| Capital work in progress | 49.3 | (43.2) | - | 6.1 |
| Generation Plant (renewable) | 1,402.1 | 98.6 | (266.5) | 1,234.2 |
| Generation Plant (non renewable) | 237.2 | - | (7.9) | 229.3 |
| | 2,292.3 | 98.6 | (465.6) | 1,925.3 |

**(13) Investment properties**

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Balance at beginning of year | 73.1 | 75.9 | - | - |
| Change in fair value | (0.2) | (2.4) | - | - |
| FX movement | (1.8) | (0.4) | - | - |
| Transfer to assets held for sale | (21.2) | - | - | - |
| Balance at the end of the year | 49.9 | 73.1 | - | - |

Infratil Airports Europe investment properties were valued at 31 March 2012 by by Deloitte LLP (trading as Drivers Jonas Deloitte), England. Fair value of the investment properties valued was $21.2 million (2011: $24.2 million), now included in disposal group held for sale.

Wellington International Airport investment properties were valued at 31 March 2012 by Telfer Young, an independent registered valuer. The fair value of the investment properties valued was $49.9 million (2011: $48.9 million).

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| **Amounts recognised in profit or loss for:** | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Rental income from investment properties | 4.7 | 4.2 | - | - |
| Direct operating expenses arising from investment properties that generate income | (1.2) | (0.6) | - | - |
| | 3.5 | 3.6 | - | - |

| | **Wellington International Airport** | | **Infratil Airports Europe** | |
|---|---|---|---|---|
| The principal assumptions in establishing the valuations were as follows: | 2012 | 2011 | 2012 | 2011 |
| Discounted cash flow - average (%) | 9.75% to 11.0% | 11.0% | n/a | n/a |
| Capitalisation rate - average (%) | 7.45% to 14.0% | 9.0% | 10.5% | 10.0% |
| Weighted average lease term (years) | 2.3 | 3.3 | 4.5 | 4.5 |

**(14) Intangible assets**

| | Consolidated | | |
|---|---|---|---|
| | Goodwill | Other Intangible Assets | Total |
| *Carrying amounts* | $Millions | $Millions | $Millions |
| At 1 April 2011 | 242.0 | 66.9 | 308.9 |
| At 31 March 2012 | 242.0 | 85.9 | 327.9 |
| | | | |
| At 1 April 2010 | 242.0 | 67.1 | 309.1 |
| At 31 March 2011 | 242.0 | 66.9 | 308.9 |

| | Consolidated | |
|---|---|---|
| | 2012 $Millions | 2011 $Millions |
| **Goodwill** | | |
| Balance at beginning of the year | 243.6 | 243.6 |
| **Balance at the end of the year** | 243.6 | 243.6 |
| | | |
| **Impairment losses** | | |
| Balance at beginning of the year | (1.6) | (1.6) |
| Balance at the end of the year | (1.6) | (1.6) |
| **Total goodwill** | 242.0 | 242.0 |
| | | |
| **Other intangible assets – lease agreements / software** | | |
| Balance at beginning of the year | 110.9 | 98.9 |
| FX adjustment on opening balance | (0.8) | 0.3 |
| Transfers from property, plant and equipment | - | 0.4 |
| Additions | 36.5 | 11.3 |
| Transfers to assets held for sale | (0.2) | - |
| **Balance at the end of the year** | 146.4 | 110.9 |
| | | |
| **Other intangible assets – Customer base assets** | | |
| Balance at beginning of the year | 50.6 | 36.9 |
| FX adjustment on opening balance | (3.3) | 2.1 |
| Additions | 12.1 | 11.6 |
| **Balance at the end of the year** | 59.4 | 50.6 |
| | | |
| **Amortisation and impairment losses** | | |
| Balance at beginning of the year | (94.6) | (68.7) |
| Amortisation for the year | (28.4) | (24.2) |
| Impairment loss | - | (0.1) |
| FX adjustment | 3.0 | (1.6) |
| Transfers to assets held for sale | 0.1 | - |
| **Balance at the end of the year** | (119.9) | (94.6) |
| **Total other intangible assets** | 85.9 | 66.9 |
| | | |
| **Total intangible assets** | 327.9 | 308.9 |

**The aggregate carrying amounts of goodwill allocated to each cash generating unit are as follows:**
The following units have significant carrying amounts of goodwill

| | | |
|---|---|---|
| NZ Bus | 55.2 | 55.2 |
| TrustPower | 108.9 | 108.9 |
| Lumo Energy | 66.2 | 66.2 |
| Units with insignificant goodwill | 11.7 | 11.7 |
| | 242.0 | 242.0 |

Recoverable amount is determined based on the following analysis and key assumptions:

Goodwill amounts have been reviewed in the year and there are no impairments in the current year (2011: nil).

NZ Bus assessment of recoverable amount of goodwill is based on value in use calculations. Those calculations use cash flow projections taking into account actual operating results, current business plans, budgets and forecasts for the business and include passenger, fare, subsidy, operating costs and capital expenditure assumptions. The projected cash flows are for the period to 2024, as this represents the likely maturity date of funding contracts, and include a terminal value based on the present value of the assets at the end of that period. A pre-tax discount rate of 10.68% (2011: 10.68%) has been used in discounting the projected cash flows and terminal value.

TrustPower goodwill relates to the acquisition of a further 15.3% interest in TrustPower in the 2007 financial year. The recoverable amount has been assessed by reference to the fair value of TrustPower, based on the market share price quoted on the NZX.

Lumo Energy Australia (Lumo Energy) assessment of the recoverable amount of goodwill is based on value in use calculations which have been determined by reference to cash flow projections taking into account actual operating results, current business plans and forecasts and include customer, tariff, energy, operating cost and churn assumptions based on five year projections. The key assumptions are operating costs growth in line with CPI, margin growth held steady cost inputs and a pre-tax discount rate of 13% (2011: 13%).

| **(15) Investments** | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| *Non-current investments* | | | | |
| Investment in associates | 333.4 | 314.0 | - | - |
| Investments in other companies (classified as available-for-sale) | 10.4 | 9.7 | - | - |
| **Total investments** | 343.8 | 323.7 | - | - |

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| **Investments in other companies (classified as available-for-sale)** | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Balance at 1 April | 9.7 | 7.5 | - | - |
| Investment during the year | 0.7 | 2.2 | - | - |
| Balance at 31 March | 10.4 | 9.7 | - | - |

| **Investment in associates** | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| *Investments in associates are as follows:* | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Aotea Energy Holdings Limited | 331.2 | 311.8 | - | - |
| Mana Coach Holdings Limited | 2.2 | 2.2 | - | - |
| | 333.4 | 314.0 | - | - |

*Summary financial information for Aotea Energy Holdings Limited, not adjusted for the percentage ownership held by the Group:*

| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
|---|---|---|---|---|
| Current assets | 934.1 | 783.6 | - | - |
| Non-current assets | 691.7 | 669.9 | - | - |
| **Total Assets** | **1,625.8** | **1,453.5** | **-** | **-** |
| Current liabilities | 531.3 | 444.8 | - | - |
| Shareholder loans | 244.5 | 244.5 | - | - |
| Shareholder Redeemable Preference Shares | 115.0 | 115.0 | - | - |
| Other non-current liabilities | 442.1 | 395.5 | - | - |
| **Total liabilities** | **1,332.9** | **1,199.8** | **-** | **-** |
| **Revenues** | **3,179.3** | **2,794.6** | **-** | **-** |
| **Net profit after tax** | **77.0** | **203.4** | | |

The Group’s interest in AEHL includes a 50% equity interest, redeemable preference shares and a shareholder loan, acquired on 1 April 2010 for $209.75 million. AEHL and its subsidiaries operate as Z Energy within the downstream oil industry.

| *Movement in the carrying amount of investment in AEHL (50% interest):* | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
|---|---|---|---|---|
| Carrying value of investment in AEHL at 1 April | 311.8 | - | - | - |
| Acquisition of associate | - | 209.8 | - | - |
| Share of associate’s surplus before income tax (excl gain on acquisition) | 54.1 | 67.0 | - | - |
| Share of associate's gain on acquisition | - | 60.7 | - | - |
| Share of associate’s income tax (expense) | (15.6) | (26.0) | - | - |
| Share of associate’s net profit after tax | 38.5 | 101.7 | | |
| Interest on shareholder loan (including accruals) | 8.6 | 8.9 | - | - |
| Dividend on RPS (including accruals) | 5.2 | 5.2 | - | - |
| Total share of associate's earnings in the period | 52.3 | 115.8 | - | - |
| Share of associate's other comprehensive income | (3.4) | - | - | - |
| Less: Distributions Received | (29.5) | (13.8) | - | - |
| Carrying value of investment in associate | 331.2 | 311.8 | - | - |

**(16) Loans and borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.
For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| *Current liabilities* | | | | |
| Unsecured loans | 36.4 | 36.6 | - | - |
| Secured bank facilities | 20.7 | 1.7 | - | - |
| Less: Capitalised loan establishment costs | (0.3) | - | - | - |
| | 56.8 | 38.3 | - | - |
| *Non-current liabilities* | | | | |
| Unsecured loans | 537.5 | 486.5 | - | - |
| Secured bank facilities | 74.0 | 101.0 | - | - |
| Redeemable preference shares - secured | 140.0 | 140.0 | - | - |
| Less: Capitalised loan establishment costs | (8.8) | (9.0) | - | - |
| | 742.7 | 718.5 | - | - |
| *Facilities utilised at reporting date* | | | | |
| Unsecured bank loans | 573.9 | 523.1 | - | - |
| Unsecured guarantees | 31.5 | 35.6 | - | - |
| Secured bank loans | 94.7 | 102.7 | - | - |
| Secured guarantees | 0.4 | - | - | - |
| Redeemable preference shares - secured | 140.0 | 140.0 | - | - |
| *Facilities not utilised at reporting date* | | | | |
| Unsecured bank loans | 823.2 | 776.9 | - | - |
| Secured bank loans | 1.8 | 0.1 | - | - |
| Unsecured bank guarantees | 5.1 | 5.8 | - | - |
| *Vendor financing* | | | | |
| Vendor financing - current | 16.6 | 14.9 | - | - |
| Vendor financing - non current | 19.6 | 33.8 | - | - |
| | 36.2 | 48.7 | - | - |
| Interest-bearing loans and borrowings - *current* | 73.4 | 53.2 | - | - |
| Interest-bearing loans and borrowings - *non current* | 762.3 | 752.3 | - | - |
| Total Interest-bearing loans and borrowings | 835.7 | 805.5 | | |

At 31 March 2011 Vendor financing was classified as non-interest bearing. From the 3rd of May 2011 Vendor financing became interest bearing at 7.44% p.a.

**Financing arrangements**

The Group's debt includes bank facilities with negative pledge arrangements, which with limited exceptions do not permit the borrower to grant any security over its assets. The bank facilities require the borrower to maintain certain levels of shareholder funds and operate within defined performance and gearing ratios. The banking arrangements also include restrictions over the sale or disposal of certain assets without bank agreement. Throughout the year the Group has complied with all debt covenant requirements as imposed by lenders.

At year end the Group had unsecured bank debt and guarantee facilities of $1,433.7 million (2011: $1,341.4 million), redeemable preference shares (RPS) of $140.0 million (2011: $140.0 million) and secured bank and guarantee debt facilities of $96.9 million (2011: $102.9 million).

The secured and unsecured debt facilities are able to be drawn-down as required subject to the borrower being in compliance with undertakings in respect of those facilities. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the year ranged from 2.7% to 8.2% (2011: 2.7% to 8.2%). In 2011, a non-wholly owned subsidiary had a loan from a minority shareholder of $3.1 million with an interest rate of 12%, this was fully repaid during the year.

On 11 April 2011, Swift Transport Limited, a wholly owned subsidiary of Infratil Limited, entered into a United Kingdom, Export Credit Guarantee Department Term Facility Agreement of $40.1 million in relation to the acquisition of buses. The facility expires on 31 May 2020. On 20 December 2011, Swift Transport Limited entered into a further United Kingdom, Export Credit Guarantee Department Term Facility Agreement of $28.1 million in relation to the acquisition of buses. This facility expires on 30 April 2021.

Secured bank facilities of a non-wholly owned subsidiary are non-recourse to the assets of Infratil and its other subsidiary and associate companies.

Subsequent to 31 March 2012, TrustPower Limited has accepted offers to refinance a facility expiring in less the one year (not drawn at 31 March 2012). The facility is currently being documented and will mature in two to five years.

The Group has issued redeemable preference shares (RPS) which have a fixed interest rate of 8.06% (2011: 7.93%), and which mature in August 2013. The RPS are secured by a specific charge over 48.5 million TrustPower shares held by a subsidiary company and a general security charge over the other assets of that subsidiary company.

| (17) Infrastructure bonds | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $Millions | $Millions | $Millions | $Millions |
| Balance at the beginning of the year | 854.8 | 744.0 | 854.8 | 744.0 |
| Issued during the year | 99.5 | 147.9 | 99.5 | 147.9 |
| Matured during the year | (83.4) | (0.7) | (83.4) | (0.7) |
| Exchanged during the year | (15.9) | (32.8) | (15.9) | (32.8) |
| Purchased by Infratil during the year | (2.5) | (1.0) | (2.5) | (1.0) |
| Bond issue costs capitalised during the year | (2.0) | (3.1) | (2.0) | (3.1) |
| Bond issue costs amortised during the year | 1.1 | 0.5 | 1.1 | 0.5 |
| **Balance at the end of the year** | 851.6 | 854.8 | 851.6 | 854.8 |
| Current | 57.4 | 99.3 | 57.4 | 99.3 |
| Non current fixed coupon | 561.5 | 520.6 | 561.5 | 520.6 |
| Non current perpetual - variable coupon | 232.7 | 234.9 | 232.7 | 234.9 |
| **Balance at the end of the year** | 851.6 | 854.8 | 851.6 | 854.8 |
| ***Repayment terms and interest rates:*** | | | | |
| Maturing in May 2011, 8.25% per annum fixed coupon rate | - | 79.3 | - | 79.3 |
| Maturing in November 2011, 8.5% per annum fixed coupon rate | - | 20.0 | - | 20.0 |
| Maturing in November 2012, 7.75% per annum fixed coupon rate | 57.4 | 57.4 | 57.4 | 57.4 |
| Maturing in September 2013, 8.5% per annum fixed coupon rate | 85.3 | 85.3 | 85.3 | 85.3 |
| Maturing in November 2015, 8.5% per annum fixed coupon rate | 152.8 | 152.8 | 152.8 | 152.8 |
| Maturing in June 2016, 8.5% per annum fixed coupon rate | 100.0 | 100.0 | 100.0 | 100.0 |
| Maturing in June 2017, 8.5% per annum fixed coupon rate | 66.3 | 47.9 | 66.3 | 47.9 |
| Maturing in November 2017, 8.0% per annum fixed coupon rate | 81.1 | - | 81.1 | - |
| Maturing in February 2020, 8.5% per annum fixed coupon rate | 80.5 | 80.5 | 80.5 | 80.5 |
| Perpetual Infratil infrastructure bonds (PIIBs) | 235.8 | 238.3 | 235.8 | 238.3 |
| Bond issue costs capitalised and amortised over term | (7.6) | (6.7) | (7.6) | (6.7) |
| **Balance at the end of the year** | 851.6 | 854.8 | 851.6 | 854.8 |

**Fixed coupon**

The fixed coupon bonds the Company has on issue are at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. 25 days prior to the maturity date, Infratil can elect to redeem all infrastructure bonds in that series at their $1.00 face value payable in cash or convert all the infrastructure bonds in the relevant series by issuing the number of shares obtained by dividing the $1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares over the 10 business days up to the fifth business day before the maturity date.

**Perpetual Infratil infrastructure bonds (PIIBs)**

The Company has 235,762,200 (2011: 238,331,200) infrastructure bonds (series 20) on issue at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. For the year to 15 November 2012 the coupon is fixed at 4.22% per annum. Thereafter the rate will be reset annually at 1.5% per annum over the then one year bank rate (quarterly), unless Infratil's gearing ratio exceeds certain thresholds, in which case the margin increases. These infrastructure bonds have no fixed maturity date. 2,569,000 (2011: 983,900) of PIIBs were repurchased by Infratil Limited during the year.

At 31 March the Infratil Infrastructure bonds (including the PIIBs) had a fair value of $776.4 million (2011: $768.4 million).

| **(18) Unsecured bonds** | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Unsecured subordinated bonds** | $Millions | $Millions | $Millions | $Millions |
| **TrustPower bonds** | | | | |
| *Repayment terms and interest:* | | | | |
| Maturing in September 2012, 8.5% per annum fixed coupon rate | 108.6 | 108.6 | - | - |
| Maturing in March 2014, 8.5% per annum fixed coupon rate | 54.7 | 54.7 | - | - |
| Maturing in December 2015, 8.4% per annum fixed coupon rate | 100.0 | 100.0 | - | - |
| Bond issue costs | (1.0) | (1.5) | - | - |
| **Balance at the end of the year** | 262.3 | 261.8 | - | - |
| Current | 108.6 | - | - | - |
| Non current fixed coupon | 153.7 | 261.8 | - | - |
| **Balance at the end of the year** | 262.3 | 261.8 | - | - |

At maturity the TrustPower bonds can be converted at the option of TrustPower to ordinary shares based on the market price of ordinary shares at the time. The bonds are fully subordinated behind all other creditors.

At 31 March 2012 the bonds had a fair value of $273.2 million (31 March 2011: $274.8 million).

| **Unsecured senior bonds** | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| **TrustPower bonds** | $Millions | $Millions | $Millions | $Millions |
| *Repayment terms and interest:* | | | | |
| Maturing in December 2014, 7.6% per annum fixed coupon rate | 75.0 | 75.0 | - | - |
| Maturing in December 2016, 8.0% per annum fixed coupon rate | 65.0 | 65.0 | - | - |
| Maturing in December 2017, 7.1% per annum fixed coupon rate | 75.0 | 75.0 | - | - |
| Bond issue costs | (2.8) | (3.5) | - | - |
| **Balance at the end of the year** | 212.2 | 211.5 | - | - |
| Current | - | - | - | - |
| Non current fixed coupon | 212.2 | 211.5 | - | - |
| **Balance at the end of the year** | 212.2 | 211.5 | - | - |

TrustPower has entered a Trust Deed dated 30 October 2009 (the Trust Deed) with respect to its senior bonds, which with limited exceptions does not permit TrustPower to grant any security interest over its assets. The Trust Deed requires the Group to operate within defined performance and debt gearing ratios. The arrangements under the Trust Deed may also create restrictions over the sale or disposal of certain assets unless the senior bonds are repaid or renegotiated. Throughout the period TrustPower has complied with all debt covenant requirements as imposed by the bond trustee.

At 31 March 2012 the bonds had a fair value of $224.7 million (31 March 2011: $223.3 million).

| **Unsecured subordinated bonds** | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| **Wellington International Airport bonds** | $Millions | $Millions | $Millions | $Millions |
| Retail bonds maturing in November 2013, 7.50% per annum fixed coupon rate | 100.0 | 100.0 | - | - |
| Wholesale bonds maturing August 2017, 2.97% per annum to 2 May 2012, then repriced quarterly at BKBM plus 25bps | 150.0 | 150.0 | - | - |
| Bond issue costs | (1.3) | (1.7) | - | - |
| **Balance at the end of the year** | 248.7 | 248.3 | - | - |
| Current | - | - | - | - |
| Non current fixed coupon | 248.7 | 248.3 | - | - |
| **Balance at the end of the year** | 248.7 | 248.3 | - | - |

The Trust Deeds for these bonds require Wellington International Airport to operate within defined performance and debt gearing ratios. The arrangements under the Trust Deeds create restrictions over the sale or disposal of certain assets. Throughout the year Wellington International Airport complied with its debt covenants.

At 31 March 2012 the bonds had a fair value of $256.1 million (31 March 2011: $253.3 million).

**(19) Financial instruments**

The Group has exposure to the following risks due to its business activities and financial policies:
• Credit risk
• Liquidity risk
• Market risk
This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Risk Management Framework**
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has established Audit and Risk Committees for Infratil and each of its significant subsidiaries with responsibilities which include reviewing management practices in relation to identification and management of significant business risk areas and regulatory compliance. The Group has developed a comprehensive, enterprise wide risk management framework. Management and Boards throughout the Group participate in the identification, assessment and monitoring of new and existing risks. Particular attention is given to strategic risks that could affect the Group. Management report to the Audit and Risk Committee and the Board on the relevant risks and the controls and treatments for those risks.

**Credit Risk**
Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business including those arising from trade receivables with its customers, financial derivatives and transactions (including cash balances) with financial institutions. The Group minimises its exposure to credit risk of trade receivables through the adoption of counterparty credit limits and standard payment terms. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and organisations in the relevant industry. The Group's exposure and the credit ratings of significant counterparties are monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties. The carrying amounts of financial assets recognised in the Statement of Financial Position best represent the Group's maximum exposure to credit risk at the reporting date. Generally no security is held on these amounts.

***Exposure to credit risk***
The Group had exposure to credit risk with finance institutions at balance date from cash deposits held as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012<br>$Millions | 2011<br>$Millions | 2012<br>$Millions | 2011<br>$Millions |
| Financial institutions with "AA" credit ratings from Standard & Poors or equivalent rating agencies | - | 109.2 | - | - |
| Financial institutions with "AA-" credit ratings from Standard & Poors or equivalent rating agencies | 81.1 | - | - | - |
| Financial institutions with 'A' credit ratings from Standard & Poors or equivalent rating agencies | 23.2 | 48.3 | - | - |

***Trade and other receivables***
The Group has exposure to various counterparties. Concentration of credit risk with respect to trade receivables is limited due to the Group's large customer base in a diverse range of industries throughout New Zealand, Australia and the United Kingdom.

***Ageing of trade receivables***

| | Consolidated | | Parent | |
|---|---|---|---|---|
| The ageing analysis of trade receivables is as follows: | 2012<br>$Millions | 2011<br>$Millions | 2012<br>$Millions | 2011<br>$Millions |
| Not past due | 265.7 | 266.1 | 0.6 | 4.1 |
| Past due 0-30 days | 18.6 | 15.8 | - | - |
| Past due 31-90 days | 8.7 | 9.7 | - | - |
| Greater than 90 days | 16.8 | 17.8 | - | - |
| Total | 309.8 | 309.4 | 0.6 | 4.1 |
| | | | | |
| The ageing analysis of impaired trade receivables is as follows: | 2012 | 2011 | 2012 | 2011 |
| Not past due | (2.8) | (3.5) | - | - |
| Past due 0-30 days | (1.5) | (2.0) | - | - |
| Past due 31-90 days | (3.0) | (5.2) | - | - |
| Greater than 90 days | (11.2) | (10.8) | - | - |
| Total | (18.5) | (21.5) | - | - |
| | | | | |
| Movement in the provision for impairment of trade receivables for the year was as follows: | | | | |
| Balance as at 1st April | 21.5 | 17.5 | - | - |
| Impairment loss recognised | (3.0) | 4.0 | - | - |
| Balance as at 31 March | 18.5 | 21.5 | - | - |
| | | | | |
| Other current prepayments and receivables | 79.7 | 41.9 | - | - |
| Total Trade, accounts receivable and current prepayments | 371.0 | 329.8 | 0.6 | 4.1 |

**Liquidity Risk**

Liquidity risk is the risk that assets held by the Group cannot readily be converted to cash to meet the Group's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due and make value investments, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the spreading of debt maturities, and its credit standing in capital markets.

The tables below analyse the Group's financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the earliest possible contractual maturity date at the year end date. The amounts in the tables below are contractual undiscounted cash flows, which include interest through to maturity. PIIBs cash flows have been determined by reference to the longest dated Infratil bond maturity of 2020.

| **Consolidated** | Balance sheet | Contractual cash flows | 6 months or less | 6-12 month | 1 to 2 years | 2 to 5 years | 5 years + |
|---|---|---|---|---|---|---|---|
| | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions |
| **2012** | | | | | | | |
| Accounts payable, accruals and other liabilities | 316.9 | 317.2 | 316.7 | 0.5 | - | - | - |
| Unsecured/Secured bank facilities and vendor financing | 835.7 | 876.2 | 70.4 | 40.0 | 256.7 | 425.6 | 83.5 |
| Infratil bonds | 618.9 | 839.3 | 26.1 | 81.8 | 129.1 | 349.6 | 252.7 |
| PIIBs | 232.7 | 335.3 | 5.0 | 5.0 | 10.0 | 29.9 | 285.4 |
| WIAL bonds | 248.7 | 285.9 | 6.0 | 6.0 | 109.1 | 13.4 | 151.4 |
| TPW bonds | 474.5 | 595.7 | 128.0 | 14.6 | 84.1 | 289.7 | 79.3 |
| Derivative financial instruments | 93.2 | 104.3 | 17.7 | 13.1 | 21.7 | 43.3 | 8.5 |
| | 2,820.6 | 3,353.9 | 569.9 | 161.0 | 610.7 | 1,151.5 | 860.8 |
| **2011** | | | | | | | |
| Accounts payable, accruals and other liabilities | 296.4 | 285.8 | 277.3 | 7.4 | 0.4 | 0.7 | - |
| Unsecured/Secured bank facilities and vendor financing | 805.5 | 819.4 | 26.6 | 14.3 | 64.3 | 608.8 | 105.4 |
| Infratil bonds | 619.9 | 840.5 | 103.0 | 42.3 | 99.8 | 333.8 | 261.6 |
| PIIBs | 234.9 | 357.2 | 5.9 | 5.9 | 11.9 | 35.7 | 297.8 |
| WIAL bonds | 248.3 | 302.2 | 6.3 | 6.3 | 12.6 | 120.1 | 156.9 |
| TPW bonds | 473.3 | 617.6 | 19.4 | 19.2 | 142.6 | 299.0 | 137.4 |
| Derivative financial instruments | 127.3 | 133.2 | 50.4 | 36.1 | 14.0 | 21.4 | 11.3 |
| | 2,805.6 | 3,355.9 | 488.9 | 131.5 | 345.6 | 1,419.5 | 970.4 |

| **Parent** | Balance sheet | Contractual cash flows | 6 months or less | 6-12 month | 1 to 2 years | 2 to 5 years | 5 years + |
|---|---|---|---|---|---|---|---|
| | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions | $Millions |
| **2012** | | | | | | | |
| Accounts payable, accruals and other liabilities | 18.4 | 18.4 | 18.4 | - | - | - | - |
| Infratil bonds | 618.9 | 839.3 | 26.1 | 81.8 | 129.1 | 349.6 | 252.7 |
| PIIBs | 232.7 | 335.3 | 5.0 | 5.0 | 10.0 | 29.9 | 285.4 |
| Derivative financial instruments | 23.2 | 23.2 | 2.7 | 2.6 | 4.7 | 9.9 | 3.3 |
| | 893.2 | 1,216.2 | 52.2 | 89.4 | 143.8 | 389.4 | 541.4 |
| **2011** | | | | | | | |
| Accounts payable, accruals and other liabilities | 10.2 | 10.2 | 10.2 | - | - | - | - |
| Infratil bonds | 619.9 | 840.5 | 103.0 | 42.3 | 99.8 | 333.8 | 261.6 |
| PIIBs | 234.9 | 357.2 | 5.9 | 5.9 | 11.9 | 35.7 | 297.8 |
| Derivative financial instruments | 9.6 | 9.6 | 0.6 | 0.6 | 1.2 | 3.5 | 3.7 |
| | 874.6 | 1,217.5 | 119.7 | 48.8 | 112.9 | 373.0 | 563.1 |

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, energy prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

***Interest rate risk (cash flow and fair value)***

Interest rate risk is the risk of interest rate volatility negatively affecting the Group's interest expense cash flow and earnings. Infratil mitigates this risk by issuing term borrowings at fixed interest rates and entering into Interest Rate Swaps to convert floating rate exposures to fixed rate exposures. Borrowings issued at fixed rates expose the Group to fair value interest rate risk which is managed by the interest rate profile and hedging.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| At balance date the face value of interest rate contracts outstanding were: | | | | |
| Interest rate swaps | 1,163.0 | 996.6 | 145.0 | 100.0 |
| Fair value of interest rate swaps | (80.7) | (40.6) | (23.2) | (9.6) |
| | | | | |
| The termination dates for the interest rate swaps are as follows: | | | | |
| Between 0 to 1 year | 82.0 | - | - | - |
| Between 1 to 2 years | 76.1 | 76.8 | - | - |
| Between 2 to 5 years | 449.9 | 337.7 | - | - |
| Over 5 years | 555.0 | 582.1 | 145.0 | 100.0 |

***Interest rate sensitivity analysis***

The following table shows the impact on post-tax profit and equity of a movement in bank interest rates of 100 basis points higher/lower with all other variables held constant.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| **Profit or loss** | | | | |
| 100 bp increase | 34.1 | 8.8 | - | - |
| 100 bp decrease | (36.3) | (10.0) | - | - |
| **Equity** | | | | |
| 100 bp increase | 10.9 | 0.9 | - | - |
| 100 bp decrease | (12.6) | (1.3) | - | - |

***Foreign Currency Risk***

The Group has exposure to foreign currency risk on the value of its net investment in foreign investments, assets and liabilities denominated in foreign currencies, future investment obligations and future income. Foreign currency obligations and income are recognised as soon as the flow of funds is likely to occur. Decisions on buying forward cover for likely foreign currency investments is subject to the Group's expectation of the fair value of the relevant exchange rate.

The Group enters into forward exchange contracts to reduce the risk from price fluctuations of foreign currency commitments associated with the construction of generation assets and to hedge the risk of its net investment in foreign subsidiaries. Any resulting differential to be paid or received as a result of the currency hedging of the asset is reflected in the final cost of the asset. The Group has elected to apply cash flow hedge accounting to these instruments.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| At balance date the aggregate notional principal amounts of the outstanding forward foreign exchange were: | | | | |
| Foreign exchange contracts | 390.0 | 350.8 | - | - |
| Fair value of foreign exchange contracts | 6.6 | (18.0) | - | - |
| | | | | |
| The termination dates for foreign exchange contracts are as follows: | | | | |
| Between 0 to 1 year | 386.1 | 350.8 | - | - |
| Between 1 to 2 years | 3.9 | - | - | - |
| Between 2 to 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |

***Foreign exchange sensitivity analysis***

The following table shows the impact on post-tax profit and equity if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk with all other variables held constant.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| **Profit or loss** | | | | |
| Strengthened by 10 per cent | (30.9) | (43.4) | - | - |
| Weakened by 10 per cent | 30.9 | 23.5 | - | - |
| **Equity** | | | | |
| Strengthened by 10 per cent | (3.6) | (0.8) | - | - |
| Weakened by 10 per cent | 3.5 | 0.3 | - | - |

*Significant assumptions used in the foreign currency exposure sensitivity analysis include:*

Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements. A movement of plus or minus 10% has therefore been applied to the AUD/NZD and GBP/NZD exchange rates to demonstrate the sensitivity of foreign currency risk of the company's investment in foreign operations and associated derivative financial instruments. The sensitivity was calculated by taking the AUD and GBP spot rate as at balance date, moving this spot rate by plus and minus 10% and then reconverting the AUD and GBP with the 'new spot-rate'. This methodology reflects the translation methodology undertaken by the Group.

***Unhedged foreign currency exposures***

At balance date the Group has the following unhedged exposure to foreign currency risk arising on foreign currency monetary assets and liabilities that fall due within the next twelve months:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 Millions | 2011 Millions | 2012 $Millions | 2011 $Millions |
| *Cash, short term deposits and trade receivables* | | | | |
| Great British Pounds (GBP) | 1.6 | 4.9 | - | - |
| Australian Dollars (AUD) | 215.7 | 216.6 | - | - |
| *Bank overdraft, bank debt and accounts payable* | | | | |
| Great British Pounds (GBP) | 2.5 | 0.7 | - | - |
| Australian Dollars (AUD) | 129.1 | 253.1 | - | - |

***Energy Price Risk***

Energy Price Risk is the risk that results will be impacted by fluctuations in spot energy prices. The Group meets its energy sales demand by purchasing energy on spot markets, physical deliveries and financial derivative contracts. This exposes the Group to fluctuations in the spot and forward price of energy. The Group has entered into a number of energy hedge contracts to reduce the energy price risk from price fluctuations. These hedge contracts establish the price at which future specified quantities of energy are purchased and settled. Any resulting differential to be paid or received is recognised as a component of energy costs through the term of the contract. The Group has elected to apply cash flow hedge accounting to those instruments it deems material and which qualify as cash flow hedges.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| At balance date the aggregate notional volume of outstanding energy derivatives were: | | | | |
| Electricity (GWh) | 3,806 | 5,491 | - | - |
| Oil (barrels) | - | 24,000 | - | - |
| Fair value of energy derivatives ($m) | 5.0 | (56.8) | - | - |

As at 31 March 2012, the Group had energy contracts outstanding with various maturities up to December 2015. The hedged anticipated energy purchase transactions are expected to occur continuously throughout the contract period from balance sheet date consistent with the Group's forecast energy generation and retail energy sales. Gains and losses recognised in the cash flow hedge reserve on energy derivatives as of 31 March 2012 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the profit or loss.

| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
|---|---|---|---|---|
| The termination dates for the energy derivatives are as follows: | | | | |
| Between 0 to 1 year | 409.6 | 348.8 | - | - |
| Between 1 to 2 years | 92.1 | 136.1 | - | - |
| Between 2 to 5 years | 48.2 | 4.3 | - | - |
| Over 5 years | - | - | - | - |
| | 549.9 | 489.2 | - | - |

***Energy price sensitivity analysis***

The following table shows the impact on post-tax profit and equity of an increase/decrease in the relevant forward electricity prices with all other variables held constant.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| **Profit or loss** | | | | |
| 10% decrease in energy forward prices | (1.5) | (9.0) | - | - |
| 10% increase in energy forward prices | 2.1 | 10.0 | - | - |
| **Equity** | | | | |
| 10% decrease in energy forward prices | (5.3) | 5.8 | - | - |
| 10% increase in energy forward prices | 5.3 | (5.8) | - | - |

**Fair Values**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows. The carrying amount of financial assets and financial liabilities recorded in the financial statements is their fair value, with the exception of debt held at amortised cost.

***Asset and liability fair value classification***

| **2012** | Designated Fair Value | Financial assets at amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|
| **Assets** | | | | |
| Other investments, including derivatives | 24.1 | 10.4 | 34.5 | 34.5 |
| Cash and cash equivalents | - | 104.3 | 104.3 | 104.3 |
| Trade receivables | - | 291.3 | 291.3 | 291.3 |
| **Total assets** | 24.1 | 406.0 | 430.1 | 430.1 |
| **Liabilities** | | | | |
| Bonds | - | 1,574.8 | 1,574.8 | 1,530.4 |
| Loans and other borrowings | - | 835.7 | 835.7 | 835.7 |
| Derivative financial instruments | 93.2 | - | 93.2 | 93.2 |
| Accounts payable | - | 192.9 | 192.9 | 192.9 |
| **Total liabilities** | 93.2 | 2,603.4 | 2,696.6 | 2,652.2 |

| **2011** | Designated Fair Value | Financial assets at amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|
| **Assets** | | | | |
| Other investments, including derivatives | 11.9 | 9.7 | 21.6 | 21.6 |
| Cash and cash equivalents | - | 157.5 | 157.5 | 157.5 |
| Trade receivables | - | 287.9 | 287.9 | 287.9 |
| **Total assets** | 11.9 | 455.1 | 467.0 | 467.0 |
| **Liabilities** | | | | |
| Bonds | - | 1,576.4 | 1,576.4 | 1,521.5 |
| Loans and other borrowings | - | 805.5 | 805.5 | 805.5 |
| Derivative financial instruments | 127.3 | - | 127.3 | 127.3 |
| Accounts payable | - | 189.1 | 189.1 | 189.1 |
| **Total liabilities** | 127.3 | 2,571.0 | 2,698.3 | 2,643.4 |

The carrying value of derivative financial assets and liabilities recorded in the statement of financial position are as follows:

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| **Assets** | | | | |
| Derivative financial instruments - energy | 10.1 | 3.8 | - | - |
| Derivative financial instruments - foreign exchange | 9.3 | 3.3 | - | - |
| Derivative financial instruments - interest rate | 4.7 | 4.8 | - | - |
| | 24.1 | 11.9 | - | - |
| *Split as follows:* | | | | |
| Current | 18.0 | 4.6 | - | - |
| Non-current | 6.1 | 7.3 | - | - |
| | 24.1 | 11.9 | - | - |
| **Liabilities** | | | | |
| Derivative financial instruments - energy | 5.1 | 60.6 | - | - |
| Derivative financial instruments - foreign exchange | 2.7 | 21.3 | - | - |
| Derivative financial instruments - interest rate | 85.4 | 45.4 | 23.2 | 9.6 |
| | 93.2 | 127.3 | 23.2 | 9.6 |
| *Split as follows:* | | | | |
| Current | 8.2 | 70.8 | - | - |
| Non-current | 85.0 | 56.5 | 23.2 | 9.6 |
| | 93.2 | 127.3 | 23.2 | 9.6 |
| **Net Assets/(Liabilities)** | | | | |
| Derivative financial instruments - energy | 5.0 | (56.8) | - | - |
| Derivative financial instruments - foreign exchange | 6.6 | (18.0) | - | - |
| Derivative financial instruments - interest rate | (80.7) | (40.6) | (23.2) | (9.6) |
| | (69.1) | (115.4) | (23.2) | (9.6) |
| *Split as follows:* | | | | |
| Current | 9.8 | (66.2) | - | - |
| Non-current | (78.9) | (49.2) | (23.2) | (9.6) |
| | (69.1) | (115.4) | (23.2) | (9.6) |

***Estimation of fair values***

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
• The fair value of other financial assets and liabilities are calculated using market-quoted rates based on discounted cash flow analysis.
• The fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:

• forward price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
• discount rates.

| *Valuation Input* | *Source* |
|---|---|
| Interest rate forward price curve | Published market swap rates |
| Foreign exchange forward prices | Published spot foreign exchange rates |
| Electricity forward price curve | Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available. |
| Discount rate for valuing interest rate derivatives | Published market interest rates as applicable to the remaining life of the instrument. |
| Discount rate for valuing forward foreign exchange contracts | Published market rates as applicable to the remaining life of the instrument. |
| Discount rate for valuing electricity price derivatives | Assumed counterparty cost of funds ranging from 4.0% to 4.3% (2011: 4.0% to 4.9%) |

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques.

***Fair value hierarchy***

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (**level 1**)
• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (**level 2**)
• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (**level 3**).

The following tables present the Group's and Parent's financial assets and liabilities that are measured at fair value.

| **Consolidated**<br>**2012** | Level 1<br>$millions | Level 2<br>$millions | Level 3<br>$millions | Total<br>$millions |
|---|---|---|---|---|
| ***Assets per the statement of financial position*** | | | | |
| Derivative financial instruments - energy | 0.1 | 1.6 | 8.4 | 10.1 |
| Derivative financial instruments - foreign exchange | - | 9.3 | - | 9.3 |
| Derivative financial instruments - interest rate | - | 4.7 | - | 4.7 |
| Total | 0.1 | 15.6 | 8.4 | 24.1 |
| ***Liabilities per the statement of financial position*** | | | | |
| Derivative financial instruments - energy | 0.4 | - | 4.7 | 5.1 |
| Derivative financial instruments - foreign exchange | 0.1 | 2.6 | - | 2.7 |
| Derivative financial instruments - interest rate | - | 85.4 | - | 85.4 |
| Total | 0.5 | 88.0 | 4.7 | 93.2 |

| **2011** | Level 1<br>$millions | Level 2<br>$millions | Level 3<br>$millions | Total<br>$millions |
|---|---|---|---|---|
| ***Assets per the statement of financial position*** | | | | |
| Derivative financial instruments - energy | - | 0.3 | 3.5 | 3.8 |
| Derivative financial instruments - foreign exchange | - | 3.3 | - | 3.3 |
| Derivative financial instruments - interest rate | - | 4.8 | - | 4.8 |
| Total | - | 8.4 | 3.5 | 11.9 |
| ***Liabilities per the statement of financial position*** | | | | |
| Derivative financial instruments - energy | 31.4 | 10.7 | 18.5 | 60.6 |
| Derivative financial instruments - foreign exchange | - | 21.3 | - | 21.3 |
| Derivative financial instruments - interest rate | - | 45.4 | - | 45.4 |
| Total | 31.4 | 77.4 | 18.5 | 127.3 |

| **Parent**<br>**2012** | Level 1<br>$millions | Level 2<br>$millions | Level 3<br>$millions | Total<br>$millions |
|---|---|---|---|---|
| ***Assets per the statement of financial position*** | | | | |
| Derivative financial instruments - interest rate | - | - | - | - |
| Total | - | - | - | - |
| ***Liabilities per the statement of financial position*** | | | | |
| Derivative financial instruments - interest rate | - | 23.2 | - | 23.2 |
| Total | - | 23.2 | - | 23.2 |

| **2011** | Level 1<br>$millions | Level 2<br>$millions | Level 3<br>$millions | Total<br>$millions |
|---|---|---|---|---|
| ***Assets per the statement of financial position*** | | | | |
| Derivative financial instruments - interest rate | - | - | - | - |
| Total | - | - | - | - |
| ***Liabilities per the statement of financial position*** | | | | |
| Derivative financial instruments - interest rate | - | 9.6 | - | 9.6 |
| Total | - | 9.6 | - | 9.6 |

The following table reconciles the movements in level 3 for measurement of the fair value hierarchy.

| | 2012 $Millions Gas contracts treated as derivatives | 2012 $Millions Electricity price derivatives | 2012 $Millions Total |
|---|---|---|---|
| **Assets per the statement of financial position** | | | |
| Opening balance | - | 3.5 | 3.5 |
| Fx movement on opening balance | - | (0.1) | (0.1) |
| Gains and (losses) recognised in profit or loss | - | (3.6) | (3.6) |
| Gains and (losses) recognised in other comprehensive income | - | 8.6 | 8.6 |
| Closing balance | - | 8.4 | 8.4 |
| Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period | - | 3.2 | 3.2 |
| **Liabilities per the statement of financial position** | | | |
| Opening balance | - | 18.5 | 18.5 |
| Fx movement on opening balance | - | - | - |
| (Gains) and losses recognised in profit or loss | - | (22.4) | (22.4) |
| (Gains) and losses recognised in other comprehensive income | - | 8.6 | 8.6 |
| Closing balance | - | 4.7 | 4.7 |
| Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period | - | (5.6) | (5.6) |
| **Settlements during the year** | - | 7.9 | 7.9 |

| | 2011 $Millions Gas contracts treated as derivatives | 2011 $Millions Electricity price derivatives | 2011 $Millions Total |
|---|---|---|---|
| **Assets per the statement of financial position** | | | |
| Opening balance | - | 18.5 | 18.5 |
| Fx movement on opening balance | - | - | - |
| Gains and (losses) recognised in profit or loss | - | 1.4 | 1.4 |
| Gains and (losses) recognised in other comprehensive income | - | (16.4) | (16.4) |
| Closing balance | - | 3.5 | 3.5 |
| Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period | - | 3.2 | 3.2 |
| **Liabilities per the statement of financial position** | | | |
| Opening balance | 2.2 | 2.1 | 4.3 |
| Fx movement on opening balance | - | (0.1) | (0.1) |
| (Gains) and losses recognised in profit or loss | (2.2) | 0.9 | (1.3) |
| (Gains) and losses recognised in other comprehensive income | - | 15.6 | 15.6 |
| Closing balance | - | 18.5 | 18.5 |
| Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period | - | 1.9 | 1.9 |
| **Settlements during the year** | (2.2) | 26.4 | 24.2 |

**Gas contracts treated as derivatives**

The favourable and unfavourable effects of using reasonably possible alternative assumptions for fair value derivative assets and liabilities have been calculated by adjusting the unobservable model inputs in the models at 31 March 2012. The unobservable input in gas is an available market price.

**Electricity price derivatives**

Electricity price derivatives are classified within level 3 of the fair value hierarchy because the assumed location factors which are used to adjust the forward price path are unobservable.

**Capital management**

*The key factors in determining Infratil's optimal capital structure are:*

- Nature of activities
- Quality and dependability of earnings/cash flows
- Capital needs over the forecast period
- Available sources of capital and relative cost

The Group's capital includes share capital, reserves, retained earnings and non controlling interests of the Group. From time to time the Group purchases its own shares on the market with the timing of these purchases dependent on market prices and an assessment of value for shareholders. Primarily the shares are intended to be held as treasury stock and may be reissued under the Dividend Reinvestment Plan or cancelled. There were no changes in the Group’s approach to capital management during the year. The Company and the Group's borrowings are subject to certain compliance ratios relevant to the facility agreements or the trust deed applicable to the borrowings.

The Group seeks to ensure that no more than 25% of its non-bank debt is maturing in any one year period, and to spread the maturities of its bank debt between one and five years, with no more than 35% of facilities maturing in any six month period. Discussions on refinancing of bank debt facilities will normally commence at least six months before maturity with facility terms agreed at least two months prior to maturity. Bank facilities are maintained with AA- (2011: AA) or above rated financial institutions, with a minimum number of bank counterparties to ensure diversification. The Group manages its interest rate profile so as to minimise value volatility. This means having interest costs fixed for extended terms. At times when long rates appear to be sustainably high, the profile may be shortened, and when rates are low the profile may be lengthened.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

- *Net debt is calculated as total borrowings less short term deposits.*
- *Total capital funding is calculated as total equity as shown in the statement of financial position plus net debt.*

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2012 | 2011 | 2012 | 2011 |
| | Note | Millions | Millions | Millions | Millions |
| **Net debt** | | | | | |
| Bank debt | | 799.5 | 756.8 | - | - |
| Vendor financing | | 36.2 | 48.7 | - | - |
| Infrastructure bonds | | 618.9 | 619.9 | 618.9 | 619.9 |
| Perpetual Infratil infrastructure bonds | | 232.7 | 234.9 | 232.7 | 234.9 |
| Wellington International Airport bonds | | 248.7 | 248.3 | - | - |
| TrustPower bonds | | 474.5 | 473.3 | - | - |
| less: Cash and cash equivalents | | (104.3) | (157.5) | - | - |
| | | 2,306.2 | 2,224.4 | 851.6 | 854.8 |
| **Equity** | | | | | |
| Total equity | | 2,006.6 | 1,842.9 | 634.7 | 657.1 |
| | | 2,006.6 | 1,842.9 | 634.7 | 657.1 |
| Total capital funding | | 4,312.8 | 4,067.3 | 1,486.3 | 1,511.9 |
| Gearing ratio | | 53% | 55% | 57% | 57% |

**(20) Emission rights**

**Kyoto Carbon Credits**

The Group has received 1,476,000 (2011:1,476,000) tonnes of carbon emission rights from the New Zealand Government issued pursuant to the Kyoto protocol in relation to completed generation facilities. This represents the maximum rights based upon specified levels of generation output from the new facilities for the period 1 January 2008 to 31 December 2012 and is reliant on the on-going support of the Kyoto protocol and emission rights within the international community. The Group believes that it will be able to utilise 1,310,000 tonnes of these carbon emission rights. This potential revenue source is taken into consideration in the evaluation of generation development projects and in the valuation of the generation assets.

A contract has been signed with Electrabel, a European energy company, for the sale of 228,000 tonnes of carbon emission rights over five years from 2008-2012. This sale is dependent on the Group's Tararua Stage II wind farm producing a minimum level of output. A contract has been signed with The Kansai Electric Power Company, a Japanese energy company, for the sale of 300,000 tonnes of carbon emission rights over five years from 2008-2012. Further contracts have been signed covering emission rights generated over the same period. These sales are dependent on the Group's Tararua Stage III wind farm producing a minimum level of output.

| *Kyoto Carbon Credits* | 2012 (Tonnes CO2-e) 000's | 2011 (Tonnes CO2-e) 000's |
|---|---|---|
| ***Balance at the beginning of the year*** | 157 | 98 |
| Rights earned during the year | 222 | 227 |
| Rights sold during the year | (192) | (168) |
| **Rights unsold at end of the year** | 187 | 157 |

## (21) Investment in subsidiaries and associates

The significant companies of the Infratil Group and their activities are shown below:
The financial year-end of all the significant subsidiaries and associates is 31 March.

| Subsidiaries | 2012 Holding | 2011 Holding | Principal activity | Country of incorporation |
|---|---|---|---|---|
| **Investment activities** | | | | |
| ***New Zealand*** | | | | |
| Infratil Investments Limited | 100% | 100% | Investment | New Zealand |
| Infratil Securities Limited | 100% | 100% | Investment | New Zealand |
| Infratil Gas Limited | 100% | 100% | Investment | New Zealand |
| Infratil 1998 Limited | 100% | 100% | Investment | New Zealand |
| NZ Airports Limited | 100% | 100% | Investment | New Zealand |
| Infratil Australia Limited | 100% | 100% | Investment | New Zealand |
| Infratil Finance Limited | 100% | 100% | Finance | New Zealand |
| Infratil UK Limited | 100% | 100% | Investment | New Zealand |
| Infratil Ventures Limited | 100% | 100% | Investment | New Zealand |
| Infratil Europe Limited | 100% | 100% | Investment | New Zealand |
| Swift Transport Limited | 100% | 100% | Investment | New Zealand |
| Infratil Energy Limited | 100% | 100% | Investment | New Zealand |
| Infratil Energy NZ Limited | 100% | 100% | Investment | New Zealand |
| Snapper Services Limited | 100% | 100% | Technology | New Zealand |
| Infratil No. 1 Limited | 100% | 100% | Investment | New Zealand |
| Infratil Infrastructure Property Limited | 100% | 100% | Property Investment | New Zealand |
| Infratil Outdoor Media Limited | 100% | 100% | Advertising | New Zealand |
| iSite Limited | 100% | 66% | Advertising | New Zealand |
| **Transportation activities** | | | | |
| ***New Zealand*** | | | | |
| New Zealand Bus Finance Limited | 100% | 100% | Investment | New Zealand |
| New Zealand Bus Limited | 100% | 100% | Investment | New Zealand |
| Transportation Auckland Corporation Limited | 100% | 100% | Public transport | New Zealand |
| Wellington City Transport Limited | 100% | 100% | Public transport | New Zealand |
| North City Bus Limited | 100% | 100% | Public transport | New Zealand |
| Cityline (NZ) Limited | 100% | 100% | Public transport | New Zealand |
| **Airport activities** | | | | |
| ***New Zealand*** | | | | |
| Wellington International Airport Limited | 66% | 66% | Airport | New Zealand |
| Wellington Airport Noise Treatment Limited (formerly Hush Kit Limited) | 66% | 66% | Airport | New Zealand |
| ***United Kingdom*** | | | | |
| Infratil Airports Europe Limited | 100% | 100% | Asset holding | United Kingdom |
| Glasgow Prestwick Airport Limited | 100% | 100% | Airport | United Kingdom |
| Prestwick Airport Limited | 100% | 100% | Property | United Kingdom |
| Infratil Kent Facilities Limited | 100% | 100% | Property | United Kingdom |
| Infratil Kent Airport Limited | 100% | 100% | Airport | United Kingdom |
| The Airport Driving Range Company Limited | 100% | 100% | Property | United Kingdom |
| Prestwick Airport Infrastructure Limited | 100% | 100% | Property | United Kingdom |
| Prestwick Airport Property Limited | 100% | 100% | Property | United Kingdom |
| **Energy activities** | | | | |
| ***New Zealand*** | | | | |
| TrustPower Limited | 50.7% | 50.6% | Electricity retail and generation | New Zealand |
| Tararua Wind Power Limited | 50.7% | 50.6% | Asset holding | New Zealand |
| TrustPower Australia (New Zealand) Limited | 50.7% | 50.6% | Asset holding | New Zealand |
| TrustPower Insurance Limited | 50.7% | 50.6% | Insurance | New Zealand |

| | | | | |
|---|---|---|---|---|
| ***Australia*** | | | | |
| Direct Connect Australia Pty Limited | 100% | 100% | Utility connections | Australia |
| Emagy Pty Limited | 100% | 100% | Wholesale energy | Australia |
| Infratil Energy Australia Pty Limited | 100% | 100% | Wholesale energy/holding company | Australia |
| Lumo Energy (NSW) Pty Ltd | 100% | 100% | Electricity retailer | Australia |
| Lumo Energy (QLD) Pty Ltd | 100% | 100% | Electricity retailer | Australia |
| Lumo Energy (SA) Pty Ltd | 100% | 100% | Electricity retailer | Australia |
| Lumo Energy Australia Pty Limited | 100% | 100% | Electricity retailer | Australia |
| Lumo Energy Telecommunications Pty Ltd | 100% | 100% | Electricity retailer | Australia |
| Lumo Generation NSW Pty Limited | 100% | 100% | Electricity generation | Australia |
| Perth Energy Pty Limited | 81.2% | 81.2% | Electricity retailer | Australia |
| Sellicks Hill Wind Farm Pty Ltd | 50.7% | 50.6% | Generation development | Australia |
| Snowtown Wind farm Pty Ltd | 50.7% | 50.6% | Electricity generation | Australia |
| TFI Partners Pty Limited (formerly known as Infratil Energy Group Pty Limited) | 100% | 100% | Utility connections | Australia |
| TrustPower Australia Financing Partnership | 50.7% | 50.6% | Finance | Australia |
| TrustPower Australia Holdings Pty Ltd | 50.7% | 50.6% | Generation development | Australia |
| WA Power Exchange Pty Limited | 81.2% | 81.2% | Electricity retailer | Australia |
| Western Energy Pty Limited | 81.2% | 81.2% | Electricity generation | Australia |
| | | | | |
| **Associates** | | | | |
| Mana Coach Holdings Limited | 26% | 26% | Public Transport | New Zealand |
| Aotea Energy Holdings Limited | 50% | 50% | Fuels distribution and retailing | New Zealand |

**(22) Defined contribution plans**

The Company makes contributions to a number of defined contribution plans. During the year the amount recognised as an expense was $6.1 million (2011: $5.1 million).

**(23) Leases**

The Parent company is not party to and does not have any leases. The Group has receivables from operating leases relating to the lease of premises. These receivables expire as follows:

| | Consolidated | |
|---|---|---|
| | 2012<br>$Millions | 2011<br>$Millions |
| *Operating lease receivables as lessor* | | |
| Between 0 to 1 year | 18.0 | 20.1 |
| Between 1 to 2 years | 15.4 | 16.8 |
| Between 2 to 5 years | 15.2 | 26.8 |
| More than 5 years | 4.8 | 5.8 |
| | 53.4 | 69.5 |

Electricity lease revenue during the year of $33.6 million (2011 $28.5 million), is revenue recognised in connection with Snowtown Wind Farm Pty Ltd.'s (a subsidiary of TrustPower) Power Purchase Agreement to sell 90% of all energy generated by the Snowtown Wind Farm to a significant Australian electricity retailer. This agreement has been deemed as an operating lease of the wind farm under NZ IFRS and all revenue under the contract accounted for as lease revenue. Because of the contract terms, in particular that the volume of energy supplied is variable dependent on the actual generation of the Snowtown Wind Farm, the future minimum payments under the term of the contract, that expires on 31 December 2018, are contingent in nature and therefore not able to be quantified.

The Group has commitments under operating leases relating to the lease of premises, the hire of plant and equipment, the lease of billboard and light-box sites and the lease of gas storage facilities. These commitments expire as follows:

| | | |
|---|---|---|
| *Operating lease commitments as lessee* | | |
| Between 0 to 1 year | 33.8 | 28.0 |
| Between 1 to 2 years | 32.9 | 29.1 |
| Between 2 to 5 years | 56.0 | 29.6 |
| More than 5 years | 41.6 | 35.6 |
| | 164.3 | 122.3 |

The Group has leased certain items of its equipment under finance leases. The average lease term is 4 years. The minimum payments under the terms of the leases are as follows:

| | Consolidated | |
|---|---|---|
| | 2012<br>$Millions | 2011<br>$Millions |
| *Gross finance lease liabilities - minimum lease payments* | | |
| No later than 1 year | 0.2 | 0.3 |
| Later than 1 year and no later than 5 years | 0.4 | 0.8 |
| | 0.6 | 1.1 |
| Future finance charges on finance leases | (0.2) | (0.3) |
| Present value of finance lease liabilities | 0.4 | 0.8 |
| | | |
| *The present value of finance lease liabilities is as follows:* | | |
| No later than 1 year | 0.1 | 0.2 |
| Later than 1 year and no later than 5 years | 0.3 | 0.6 |
| Present value of finance lease liabilities | 0.4 | 0.8 |

**(24) Reconciliation of net surplus with cash flow from operating activities**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $Millions | $Millions | $Millions | $Millions |
| Net surplus for the year | 127.0 | 119.6 | 50.8 | 89.8 |
| *(Gain)/Less items classified as investing activity* | | | | |
| (Gain)/loss on investment realisations and impairments | 21.5 | 32.5 | 398.9 | (0.4) |
| *Add items not involving cash flows* | | | | |
| Movement in financial derivatives taken to the profit or loss | (19.2) | 3.9 | 13.6 | 4.8 |
| Decrease in deferred tax liability excluding transfers to reserves | (0.5) | 40.3 | - | - |
| Changes in fair value of investment properties | 0.2 | 2.4 | - | - |
| Equity accounted earnings of associate net of distributions received | (22.8) | (102.0) | - | - |
| Non cash movements in advance to subsidiaries | - | - | (151.2) | (141.6) |
| Depreciation | 110.8 | 94.2 | - | - |
| Movement in provision for bad debts | 14.1 | 18.5 | - | - |
| Amortisation | 27.3 | 24.2 | - | - |
| Other | 11.4 | 7.9 | 1.0 | 0.1 |
| *Movements in working capital* | | | | |
| Change in receivables | (85.9) | (21.0) | - | 2.1 |
| Change in inventories | (13.6) | (4.6) | - | - |
| Change in trade payables | 17.3 | (29.0) | 9.1 | (1.2) |
| Change in accruals and other liabilities | 21.1 | 0.7 | - | - |
| Change in current and deferred taxation | (12.3) | (9.1) | 3.2 | - |
| **Net cash flow from operating activities** | 196.4 | 178.5 | 325.4 | (46.4) |

**(25) Key management personnel disclosures**

Key management personnel have been defined as the Chief Executives and direct reports for the Group's operating subsidiaries (excluding non-executive Directors).

| | Consolidated | |
|---|---|---|
| Key management personnel remuneration comprised: | 2012 | 2011 |
| | $Millions | $Millions |
| Short-term employee benefits | 16.6 | 15.1 |
| Post employment benefits | - | 0.3 |
| Termination benefits | 0.3 | 0.3 |
| Other long-term benefits | 2.6 | 1.6 |
| Share based payments | - | - |
| | 19.5 | 17.3 |

Directors fees paid to directors of Infratil Limited and its subsidiaries during the year were $2.4 million (2011: $2.7 million).

See also management fees paid to Infratil's manager in the Related parties and Management fee to Morrison & Co Infrastructure Management Limited ('MCIM') notes.

**(26) Share scheme**

**Infratil Executive Redeemable Share Scheme**

During the year selected key eligible executives and senior managers of Infratil and certain of its subsidiaries were invited to participate in the Infratil Executive Redeemable Share Scheme to acquire Executive Redeemable shares ('Executive Shares'). The Executive Shares have certain rights and conditions and cannot be traded until those conditions have been met. The Executive Shares confer no rights to receive dividends or other distributions or vote. Up to three million Executive Shares may be issued which will convert to ordinary shares after three years (other than in defined circumstances) provided that the issue price has been fully paid and vesting conditions have been met. The vesting conditions include share performance hurdles with minimum future share price targets which need to be achieved over the specified period. The number of shares that "vest" (or LTI bonus paid) is based on the share price performance over the relevant period of the Infratil ordinary shares. If the executive is still employed by the Group at the end of the specified period, provided the share performance hurdles are met the employee receives a long term incentive bonus (LTI) which must be used to repay the outstanding balance of the Executive Shares and the Executive Shares are then converted to fully paid ordinary shares of Infratil.

287,500 Infratil Executive Redeemable Shares were granted at a price of $1.8403 on 7 December 2011 (2011: 535,000 shares at $1.8732 on 6 December 2010), at the volume weighted average market price over the 20 business days immediately preceding the date on which the shares were issued to each executive. One cent per Executive Share was paid up in cash by the executive with the balance of the issue price payable when the executive becomes eligible to receive the long term incentive bonus. The fair value of Executive Shares at the grant date was estimated using the following weighted average assumptions:

| | Consolidated | |
|---|---|---|
| **Year ended 31 March** | 2012 | 2011 |
| Risk-free interest rate | 6% | 6% |
| Cost of equity | 14% | 14% |
| Expected stock price volatility | 25-30% | 25-30% |
| Mean estimate of price | $ 3.087 | $ 3.087 |
| Present value of expected dividends | $ 0.294 | $ 0.174 |
| Adjustment for lack of transferability | 35% | 35% |
| Forecast returns to Shareholders | 12% | 12% |

Executive Shares are valued based on the market price at date of grant adjusted for dividends that are not received. Volatility is based on historic volatility in Infratil's share price. The performance hurdles noted above are included in the valuation model used in determining the fair value of options issued during the year. In the event that there is a consolidation or subdivision of the ordinary shares, then the number of Executive Shares offered will increase (or decrease as the case may be) and the issue price will decrease (or increase respectively) in the same proportion. In the event of an offer for the ordinary shares of the company, the LTI bonus determination date will be accelerated to the date the offer becomes unconditional. The carrying amount of the liability for the long term incentive bonus at 31 March 2012 was $0.2 million (2011: $0.2 million).

**Infratil Staff Share Purchase Scheme**

In 2008 Infratil commenced a staff share purchase scheme (the "Staff Share Scheme"). Under the Staff Share Scheme participating employees have a beneficial title to the ordinary shares, which are held by a trustee company. The loan in respect of the shares is repayable over a period of three years. Upon repayment of the loan and three years' service by the participating employee, the ordinary shares will transfer from the trustee company to the participating employee, and the shares become unrestricted. Other than in exceptional circumstances, the length of the retention period before the shares vest is three years during which time the ordinary shares cannot be sold or disposed of.

The balance of the loans owing by the Group to the Trustee at 31 March 2012 is $0.2 million (2011: $0.2 million).
Shares acquired under the Staff Share Purchase Scheme are as follows:

| | Balance at 1 April Held on Trust | Issued during period | Withdrawals from scheme during year | Shares transferred to employees | Balance at 31 March held on Trust |
|---|---|---|---|---|---|
| **Effective date** | No. | No. | No. | No. | No. |
| Opening balance 1 April 2011 | 351,957 | | | | 351,957 |
| 13/12/2011 (issue price $1.63) | | 77,267 | | | 429,224 |
| Closing balance 31 March 2012 | | | (31,035) | (148,668) | 249,521 |
| Opening balance 1 April 2010 | 284,848 | | | | 284,848 |
| 20/12/2010 (issue price $1.69) | | 94,423 | | | 379,271 |
| Closing balance 31 March 2011 | | | (27,314) | - | 351,957 |

The total charge recognised in the profit and loss for the schemes in the 2012 year was $0.3 million (2011: $0.3 million).

**(27) Segment analysis**

Reportable segments of the Group, as at 31 March, are analysed by significant businesses. The Group has six reportable segments, as described below.
TrustPower is our renewable generation investment, Wellington International Airport is our Wellington Airport Investment, NZ Bus is our transportation investment, Infratil Energy Australia (including Perth Energy) is our non renewable generation investment and Infratil Airports Europe is our UK Airport Investment. Corporate includes, other investments less financing, management and other corporate costs. The principal investment in corporate is the interest in Z Energy.

| | TrustPower | Wellington Airport | NZ Bus | Infratil Energy Australia | Infratil Airports Europe Discontinued | All other segments and corporate | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **2012** | New Zealand $Millions | New Zealand $Millions | New Zealand $Millions | Australia $Millions | UK $Millions | New Zealand $Millions | $Millions | $Millions |
| Segment revenue - total | 807.1 | 109.1 | 219.8 | 1,008.9 | 44.4 | 35.4 | (44.4) | 2,180.3 |
| Share of earnings of Associate Companies | - | - | - | - | - | 52.3 | - | 52.3 |
| Inter-segment revenue | - | - | (1.0) | - | - | (12.7) | - | (13.7) |
| Segment revenue - external | 807.1 | 109.1 | 218.8 | 1,008.9 | 44.4 | 75.0 | 44.4 | 2,218.9 |
| | | | | | | | | |
| EBITDAF | 300.1 | 76.3 | 46.0 | 64.5 | (11.9) | 33.3 | 11.9 | 520.2 |
| Interest revenue | 0.9 | 0.2 | 0.1 | 2.4 | - | 24.7 | (23.5) | 4.8 |
| Interest expense | (63.9) | (19.4) | (7.4) | (27.3) | (2.7) | (94.8) | 23.5 | (192.0) |
| Depreciation and amortisation | (58.2) | (19.1) | (21.0) | (30.8) | (4.4) | (4.6) | 4.4 | (133.7) |
| Financial derivative fair value movements | (7.5) | (9.6) | - | 40.1 | - | (3.8) | - | 19.2 |
| Realisations | - | 7.5 | - | - | - | 4.7 | (6.6) | 5.6 |
| Impairment losses | (0.4) | - | (0.9) | - | (26.0) | - | 26.0 | (1.3) |
| Taxation expense | (39.3) | (5.1) | (3.2) | (14.8) | 5.1 | 4.0 | (5.1) | (58.4) |
| Segment result | 131.7 | 30.8 | 13.6 | 34.1 | (39.9) | (36.5) | 30.6 | 164.4 |
| | | | | | | | | |
| Equity accounted investment in associates | - | - | - | - | - | 333.4 | - | 333.4 |
| Total non current assets (excluding financial instruments and deferred tax) | 2,744.9 | 781.5 | 257.3 | 490.9 | 85.1 | 391.7 | (85.1) | 4,666.3 |
| Total assets | 2,904.5 | 794.7 | 274.6 | 787.6 | 89.5 | 442.5 | - | 5,293.4 |
| Total liabilities | 1,224.3 | 386.4 | 83.7 | 325.7 | 26.0 | 1,240.7 | - | 3,286.8 |
| Capital expenditure/investment (including accruals) | 48.5 | 22.2 | 63.7 | 22.1 | 6.9 | 8.6 | - | 171.9 |
| | | | | | | | | |
| **2011** | | | | | | | | |
| | | | | | | | | |
| Segment revenue - total | 766.0 | 114.7 | 203.9 | 897.2 | 43.0 | 16.3 | (43.0) | 1,998.1 |
| Share of earnings of Associate Companies | - | - | - | - | - | 115.8 | - | 115.8 |
| Inter-segment revenue | - | - | (3.0) | - | - | (10.0) | - | (13.0) |
| Segment revenue - external | 766.0 | 114.7 | 200.9 | 897.2 | 43.0 | 122.1 | (43.0) | 2,100.9 |
| | | | | | | | | |
| EBITDAF | 274.4 | 72.2 | 40.2 | 55.0 | (11.3) | 89.8 | 11.3 | 531.6 |
| Interest revenue | 0.9 | 0.7 | - | 1.8 | - | 25.9 | (24.4) | 4.9 |
| Interest expense | (62.7) | (18.0) | (8.3) | (18.8) | (3.3) | (86.3) | 24.7 | (172.7) |
| Depreciation and amortisation | (54.9) | (15.5) | (17.9) | (19.3) | (7.5) | (3.3) | 7.5 | (110.9) |
| Financial derivative fair value movements | 0.1 | (12.5) | - | 45.5 | - | (37.0) | - | (3.9) |
| Realisations | - | (0.3) | (0.7) | - | - | 0.5 | - | (0.5) |
| Impairment losses | - | - | - | - | (34.4) | - | 34.4 | - |
| Taxation expense | (45.4) | (26.6) | 1.4 | (19.3) | 6.0 | 8.5 | (6.0) | (81.4) |
| Segment result | 112.4 | - | 14.7 | 44.9 | (50.5) | (1.9) | 47.5 | 167.1 |
| | | | | | | | | |
| Equity accounted investment in associates | - | - | - | - | - | 314.0 | - | 314.0 |
| Total non current assets (excluding financial instruments and deferred tax) | 2,583.5 | 703.4 | 216.0 | 518.9 | 116.9 | 371.4 | - | 4,510.1 |
| Total assets | 2,714.4 | 749.9 | 235.3 | 798.0 | 123.5 | 412.0 | - | 5,033.1 |
| Total liabilities | 1,187.0 | 385.8 | 45.0 | 353.4 | 32.3 | 1,186.7 | - | 3,190.2 |
| Capital expenditure/investment (including accruals) | 108.5 | 15.6 | 16.5 | 116.1 | 6.6 | 212.0 | - | 475.3 |

**(27) Segment analysis (continued)**

**Entity wide disclosure - geographical**

The Group operates in three principal areas, New Zealand, Australia and the United Kingdom. The groups geographical segments are based on the location of both customers and assets.

| **2012** | New Zealand $Millions | Australia $Millions | United Kingdom $Millions | Eliminations $Millions | Total $Millions |
|---|---|---|---|---|---|
| Segment revenue - total | 1,173.4 | 1,045.2 | 44.4 | (44.4) | 2,218.6 |
| Share of earnings of Associate Companies | 0.3 | - | - | - | 0.3 |
| Inter-segment revenue | - | - | - | - | - |
| Segment revenue - external | 1,173.7 | 1,045.2 | 44.4 | (44.4) | 2,218.9 |
| | | | | | |
| EBITDAF | 432.9 | 87.3 | (11.9) | 11.9 | 520.2 |
| Interest revenue | 18.2 | 2.8 | - | (16.2) | 4.8 |
| Interest expense | (163.4) | (42.1) | (2.7) | 16.2 | (192.0) |
| Depreciation and amortisation | (89.1) | (44.6) | (4.4) | 4.4 | (133.7) |
| Financial derivative fair value movements | (15.2) | 34.4 | - | - | 19.2 |
| Realisations | 12.2 | - | - | (6.6) | 5.6 |
| Impairment losses | (1.3) | - | (26.0) | 26.0 | (1.3) |
| Taxation expense | (48.5) | (9.9) | 5.1 | (5.1) | (58.4) |
| Segment result | 145.8 | 27.9 | (39.9) | 30.6 | 164.4 |
| | | | | | |
| Equity accounted investment in associates | 333.4 | - | - | - | 333.4 |
| Non current assets (excluding financial instruments and deferred tax) | 3,836.0 | 830.3 | 85.1 | (85.1) | 4,666.3 |
| Total assets | 4,055.4 | 1,148.5 | 89.5 | - | 5,293.4 |
| Total liabilities | 2,705.5 | 555.3 | 26.0 | - | 3,286.8 |
| Capital expenditure/investment (including accruals) | 137.8 | 27.2 | 6.9 | - | 171.9 |
| | | | | | |
| **2011** | | | | | |
| | | | | | |
| Segment revenue - total | 1,057.1 | 928.0 | 43.0 | (43.0) | 1,985.1 |
| Share of earnings of Associate Companies | 115.8 | - | - | - | 115.8 |
| Inter-segment revenue | - | - | - | - | - |
| Segment revenue - external | 1,172.9 | 928.0 | 43.0 | (43.0) | 2,100.9 |
| | | | | | |
| EBITDAF | 454.5 | 77.1 | (11.3) | 11.3 | 531.6 |
| Interest revenue | 19.0 | 2.1 | - | (16.2) | 4.9 |
| Interest expense | (152.1) | (33.8) | (3.3) | 16.5 | (172.7) |
| Depreciation and amortisation | (83.0) | (27.9) | (7.5) | 7.5 | (110.9) |
| Financial derivative fair value movements | (50.1) | 46.2 | - | - | (3.9) |
| Realisations | (0.5) | - | - | - | (0.5) |
| Impairment losses | - | - | (34.4) | 34.4 | - |
| Taxation expense | (64.0) | (17.4) | 6.0 | (6.0) | (81.4) |
| Segment result | 123.8 | 46.3 | (50.5) | 47.5 | 167.1 |
| | | | | | |
| Equity accounted investment in associates | 314.0 | - | - | - | 314.0 |
| Non current assets (excluding financial instruments and deferred tax) | 3,537.7 | 828.5 | 116.9 | - | 4,483.1 |
| Total assets | 3,756.5 | 1,153.1 | 123.5 | - | 5,033.1 |
| Total liabilities | 2,574.7 | 583.2 | 32.3 | - | 3,190.2 |
| Capital expenditure/investment (including accruals) | 352.0 | 116.7 | 6.6 | - | 475.3 |

The group has no significant reliance on any one customer.

**(28) Capital Commitments**

| *Capital commitments* | Consolidated 2012 $Millions | 2011 $Millions |
|---|---|---|
| Committed but not contracted for | 2.5 | 2.7 |
| Contracted but not provided for | 38.4 | 53.8 |
| | 40.9 | 56.5 |

**(29) Contingent liabilities**

No subsidiaries have outstanding letters of credit to suppliers at 31 March 2012 (2011: $0.3 million). Certain subsidiaries have performance bonds totalling $4.2 million (March 2011: $5.3 million)

The Company and certain wholly owned subsidiaries are guarantors of the bank debt facilities of Infratil Finance Limited under a Deed of Negative Pledge, Guarantee and Subordination and the Company is a guarantor to certain obligations of subsidiary companies.

The Company has a contingent liability under the management agreement with MCIM in the event that the Group sells its international or venture capital fund assets or valuation of the assets exceeds the performance thresholds set out in the management agreement.

The Company and Group have provided guarantees in the ordinary course of business to certain of its energy and trading suppliers.

The Company has agreed to guarantee certain obligations of Infratil Trustee Limited, a related party, that is the Trustee to the Infratil Staff Share Scheme. The amount of the guarantee is limited to the loans provided to the employees.

During 2007 the European Commission opened formal investigations into alleged state aid in relation to Lübeck airport (owned and operated by Flughafen Lübeck GmbH, one of the Group's subsidiaries at that time). In 2009 Infratil exercised a put option and sold its interest in Lübeck airport back to the City of Lübeck. Lübeck is one of eight airports in Germany in relation to which the European Commission has opened formal state aid investigations. Infratil understands a significant number of airports elsewhere in the European Union are also under investigation. Three of the four matters being investigated since 2007 do not relate to Infratil Airports Europe Limited ("IAEL"), but to the financing of the airport by the City of Lübeck and to arrangements with Ryanair which were entered into prior to the sale of the airport to the Infratil Airports Europe Limited ("IAEL"). The fourth relates to the price IAEL paid when it purchased Flughafen Lübeck GmbH. The European Commission appears to have prioritised the long running German airport investigations. In February, the investigation was formally extended to include the put option arrangements as well. It is possible that the Commission's findings will be made by the end of 2012 or early in 2013. IAEL, Flughafen Lübeck GmbH, Ryanair, the Hanseatic City of Lübeck, and the government of the Federal Republic of Germany continue to work to refute the allegations of state aid. IAEL maintains its position that the purchase of 90 % in Flughafen Lübeck GmbH which was the result of an open, unconditional and transparent tender process in 2005, and the put option arrangements, cannot, by their very nature and the circumstances they were agreed on, involve state aid. IAEL continues to be confident that it will be able to demonstrate this to the Commission and, if necessary, the European Court of Justice. If IAEL was found to have received state aid, it would be required to refund the state aid received, together with interest. As the directors cannot predict with any degree of certainty the outcome of the above matter, it is not possible to assess accurately the quantum of any financial cost to the Group.

Bank guarantees totalling $31.5 million (March 2011: $35.6 million) have been issued to a range of counterparties to facilitate trading in the various energy markets and related transmission networks. These guarantees have the benefit of a Deed of Negative Pledge, Subordination and Guarantee from Infratil Limited and its wholly owned guaranteeing subsidiaries.

Inland Revenue is currently disputing the tax treatment adopted by TrustPower in relation to feasibility expenditure in the 2006, 2007 and 2008 financial years. Inland Revenue has now issued assessments for the 2006, 2007 and 2008 financial years. These assessments are consistent with the adjudication report previously issued by Inland Revenue and now allow a deduction for certain categories of expenditure which were previously disputed by Inland Revenue but contend that the costs of obtaining resource consents should have been capitalised. The assessments are based on Inland Revenue's determination of what should be considered resource consent costs. TrustPower does not agree with the basis of the assessments. It continues to believe the tax treatment it has adopted is correct and continues to defend its position. Should Inland Revenue be completely successful in its claim for all three years, the resulting liability would give rise to an additional tax payment of $5.9 million and interest expense of $2.8 million. Based on the principle of the assessments, TrustPower would need to revise its policy for capitalising the costs of resource consents for tax purposes in the 2009 and future years. This would give rise to a further estimated tax payment of $4.1 million and interest expense of $0.8 million in respect of the 2009, 2010, 2011 and 2012 years. This would primarily result in a balance sheet adjustment in the financial statements as most resource consents are depreciable intangible property. The impact of these adjustments on the tax expense in the income statement is difficult to estimate but is unlikely to exceed $3.3 million for all years up to 2012.

TrustPower has provided a guarantee to Rangitata Diversion Race Management Limited (RDR) to allow RDR to borrow funds to purchase land. The maximum amount TrustPower could be liable to pay is $0.8 million (2011: $0.8 million). This maximum liability would only be payable if RDR was unable to service its debt and was unable to sell the land.

Aotea Energy Holdings Limited has guaranteed an exposure of up to $5.1 million to a financier of one of its associate companies. Aotea Energy Holdings Limited is not expecting to be required to honour this guarantee.

**(30) Earnings per share**

| | 2012 $Millions | 2011 $Millions |
|---|---|---|
| **Net surplus attributable to ordinary shareholders** | 51.6 | 64.5 |
| **Basic earnings per share:** | | |
| | cps | cps |
| Basic earnings per share (cps) | 8.6 | 10.8 |

| **Weighted average number of ordinary shares** | 2012 Millions | 2011 Millions |
|---|---|---|
| Issued ordinary shares at 1 April | 602.8 | 567.7 |
| Effect of new shares issued | - | - |
| Effect of issue of partly paid shares | - | - |
| Effect of shares issued through warrant exercise | - | 32.9 |
| Effect of shares issued through dividend reinvestment plan | 1.5 | 2.0 |
| Effect of shares bought back | (6.1) | (4.8) |
| **Weighted average number of ordinary shares at end of year** | 598.2 | 597.8 |
| **Diluted earnings per share recognising warrants on issue** | cps | cps |
| Diluted earnings per share (cps) | 8.6 | 10.7 |
| **Weighted average number of ordinary shares (diluted)** | Millions | Millions |
| Weighted average ordinary shares (calculated above) | 598.2 | 597.8 |
| Effect of warrants on issue during the period | - | 5.2 |
| **Weighted average number of ordinary shares at end of year (diluted)** | 598.2 | 603.0 |

The net surplus attributable to Parent company shareholders is the same for the calculation of Basic and Diluted earnings per share. The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year that the warrants were outstanding.

**(31) Related parties**

Certain Infratil Directors have relevant interests in a number of companies with which Infratil has transactions in the normal course of business. A number of key management personnel are also Directors of Group subsidiary companies. Transactions undertaken with Group companies have been entered into on an arm's length commercial basis.

Morrison & Co Infrastructure Management Limited ('MCIM') is the management company for the Company. MCIM received management fees and incentive fees in accordance with the management agreement of $18.3 million and nil (excluding GST) respectively (2011: $17.7 million and $5.9 million excluding GST). $1.8million (excluding GST) is included in trade creditors (2011: $1.3 million excluding GST) at 31 March 2012. $0.3 million of the total management fees during the year (2011: $0.6 million) were paid by Infratil Airports Europe Limited and are included with the result from discontinued operations.

MCIM is owned by H.R.L. Morrison & Co Group Limited ('MCO'). Messrs M Bogoievski and D P Saville are directors of the Company, and Mr Muh (an alternate director) is also a Director and executive of MCO. Mr Bogoievski is Chief Executive Officer of MCO. Entities associated with Mr Saville, Mr Bogoievski and Mr Muh own shares in MCO.

Other fees paid by the Group to MCIM, MCO or its related parties are:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2012 $Millions | 2011 $Millions | 2012 $Millions | 2011 $Millions |
| Consulting | 1.4 | 0.3 | - | - |
| Financial management, accounting, treasury, compliance and administrative services | 1.0 | 1.0 | 1.0 | 1.0 |
| Risk management reporting | 0.2 | 0.3 | - | - |
| Investment banking services | 0.6 | 1.1 | 0.5 | 0.9 |
| **Total other fees and services** | 3.2 | 2.7 | 1.5 | 1.9 |

Employees of MCO, or MCO received directors fees from the Company's subsidiaries or associated companies as follows:

| | 2012 | 2011 |
|---|---|---|
| Wellington International Airport | NZD 89,469 | NZD 82,583 |
| Infratil Airports Europe | GBP 60,208 | GBP 82,291 |
| NZ Bus | NZD 155,625 | NZD 152,500 |
| Lumo Energy | AUD 259,463 | AUD 255,000 |
| TrustPower | NZD 220,000 | NZD 220,000 |
| Infratil Energy Australia | AUD 66,996 | AUD 65,000 |
| Snapper Services | NZD 65,500 | NZD 65,000 |
| Aotea Energy Holdings and subsidiaries | NZD 205,000 | NZD 160,000 |
| iSite Limited | NZD 45,307 | - |

**Parent Company advances**

Advances due from subsidiary companies are repayable on demand and are at interest rates up to 11.4% (2011: 12%).

Note 21 identifies significant group entities and associates in which Infratil has an interest. All of these entities are related parties of the Company.

**Advances**

The Group has made loans to Infratil Trustee Company Limited of $0.2 million (2011: $0.2 million) in relation to the Infratil Staff Share Purchase Scheme.

**(32) Management fee to Morrison & Co Infrastructure Management Limited ('MCIM')**

**The management fee to MCIM comprises a number of different components:**

A New Zealand base management fee is paid on the "New Zealand Company Value" at the rates of 1.125% per annum on New Zealand Company value up to $50 million. 1.0% per annum on the New Zealand Company Value between $50 million and $150 million, and 0.80% per annum on the New Zealand Company Value above $150 million. The New Zealand Company Value is:

• the Company's market capitalisation as defined in the management agreement (i.e. the aggregated market value of the Company's listed securities, being ordinary shares, partly paid shares, infrastructure bonds and warrants):

• plus the Company and its wholly owned subsidiaries' net debt (excluding listed debt securities and the book value of the debt in any non-Australasian investments):

• minus the cost price of any non-Australasian investments: and

• plus/minus an adjustment for foreign exchange gains or losses related to non-New Zealand investments.

An international fund management fee is paid at the rate of 1.50% per annum on:

• the cost price of any non-Australasian investments: plus

• the book value of the debt in any wholly owned non-Australasian investments.

The investment in the Glasgow Prestwick group of companies is treated as an investment in a New Zealand asset for management fee purposes.

• An international fund incentive fee is payable at the rate of 20% of gains on the international (including Australian) assets in excess of 12% per annum post tax.

• A venture capital fund management fee is payable, at the rate of 2% per annum on investment entities with values up to $7.5 million and 1.2% per annum on investment entities with values over $7.5 million. A venture capital fund incentive fee is payable at the rate of 20% of gains on the investment assets in excess of 17.5% per annum pre-tax.

**(33) Events after balance date**

**Dividend**

Subsequent to 31 March 2012 the Directors have approved a fully imputed final dividend of 5 cents per share to holders of fully paid ordinary shares to be paid on the 15th of June 2012.

**Share Buybacks**

Subsequent to 31 March 2012 Infratil has bought back a further 3,450,000 shares on market

**Directory**

***Directors***
D A R Newman (Chairman)
M Bogoievski
H R L Morrison (passed away on 10 February 2012)
H J D Rolleston
D P Saville
M Tume
A Y Muh (alternate to D P Saville)

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