INFRATIL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Consolidated 2013 $Millions	Consolidated 2012 $Millions	Parent 2013 $Millions	Parent 2012 $Millions
Operating revenue		2,368.7	2,166.4	15.9	18.7
Dividends		0.3	0.2	136.9	400.0
Total revenue		2,369.0	2,166.6	152.8	418.7
Share of earnings and income of associate companies (net of tax)	11	31.0	52.3	-	-
Total income		2,400.0	2,218.9	152.8	418.7
Depreciation		117.1	106.4	-	-
Amortisation of intangibles		31.6	27.3	-	-
Employee benefits		218.0	210.6	-	-
Other operating expenses	5	1,654.4	1,488.1	26.4	21.0
Total operating expenditure		2,021.1	1,832.4	26.4	21.0
Operating surplus before financing, derivatives, realisations and impairments		378.9	386.5	126.4	397.7
Net gain/(loss) on energy, foreign exchange and interest rate derivatives		(14.4)	19.2	(3.0)	(13.6)
Net realisations, revaluations and (impairments)		(5.9)	4.3	(76.2)	(398.9)
Results from operating activities		358.6	410.0	47.2	(14.8)
Interest income		4.8	4.8	70.1	132.5
Interest expense		200.2	192.0	68.5	63.7
Net financing expense / (income)		195.4	187.2	(1.6)	(68.8)
Net surplus before taxation		163.2	222.8	48.8	54.0
Taxation expense / (credit)	6	24.1	58.4	(11.2)	3.2
Net surplus for the year from continuing operations	3	139.1	164.4	60.0	50.8
Net (loss) from discontinued operation after tax	4	(62.1)	(37.4)	-	-
Net surplus for the year		77.0	127.0	60.0	50.8
Net surplus attributable to owners of the Company		3.4	51.6	60.0	50.8
Net surplus attributable to non-controlling interest		73.6	75.4	-	-
Other comprehensive income, after tax					
Differences arising on translation of foreign operations		(6.6)	(39.1)	-	-
Ineffective portion of hedges taken to profit and loss		0.5	3.2	-	-
Effective portion of changes in fair value of cash flow hedges		(15.1)	10.7	-	-
Recognition of previously unrecognised deferred tax losses		5.1	-	-	-
Fair value movements in relation to the executive share scheme		0.1	0.1	0.1	0.1
Net change in fair value of property, plant & equipment recognised in equity		(8.0)	227.8	-	-
Share of associates other comprehensive income		(0.1)	(3.4)	-	-
Other comprehensive income for the year, net of income tax		(24.1)	199.3	0.1	0.1
Total comprehensive income for the year		52.9	326.3	60.1	50.9
Total comprehensive income for the year - owners of the Company		(14.6)	148.5	60.1	50.9
Total comprehensive income for the year - non controlling interest		67.5	177.8		
Earnings per share					
Basic (cents per share)	21	0.6	8.6		
Diluted (cents per share)	21	0.6	8.6		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Notes	Consolidated 2013 $Millions	Consolidated 2012 $Millions	Parent 2013 $Millions	Parent 2012 $Millions
Cash and cash equivalents	8	144.3	107.0	-	-
Trade and other accounts receivable and prepayments	15	422.8	371.0	1.6	0.6
Derivative financial instruments	15	21.1	18.0	-	-
Inventories		12.4	31.4	-	-
Income tax receivable		6.4	6.8	3.8	-
Investment properties held for sale		27.7	-	-	-
Disposal group assets classified as held for sale	4	35.3	89.5	-	-
Current assets		670.0	623.7	5.4	0.6
Trade and other accounts receivable and prepayments		21.8	30.5	-	-
Property, plant and equipment	9	4,025.1	3,914.2	-	-
Investment properties		54.6	49.9	-	-
Derivative financial instruments	15	5.7	6.1	-	-
Intangible assets	10	86.0	85.9	-	-
Deferred tax asset	6	-	-	9.4	-
Goodwill	10	242.0	242.0	-	-
Investments in associates	11	326.2	333.4	-	-
Other investments		8.0	7.7	-	-
Investments in and advances to subsidiaries	16	-	-	1,565.9	1,530.5
Non current assets		4,769.4	4,669.7	1,575.3	1,530.5
Total assets		5,439.4	5,293.4	1,580.7	1,531.1
Accounts payable		232.4	192.9	2.7	2.5
Accruals and other liabilities		118.8	122.4	8.2	15.9
Interest bearing loans and borrowings - current	12	139.8	73.4	-	-
Derivative financial instruments	15	11.1	8.2	-	-
Income tax payable		7.7	16.0	-	3.2
Infrastructure bonds	13	85.3	57.4	85.3	57.4
Wellington International Airport bonds	14	99.8	-	-	-
TrustPower bonds	14	54.7	108.6	-	-
Disposal group liabilities classified as held for sale	4	15.3	26.0	-	-
Total current liabilities		764.9	604.9	96.2	79.0
Interest bearing loans and borrowings - non-current	12	822.2	762.3	-	-
Other liabilities		7.7	1.6	-	-
Deferred tax liability	6	385.7	424.2	-	-
Derivative financial instruments	15	104.5	85.0	26.2	23.2
Infrastructure bonds	13	586.8	561.5	586.8	561.5
Perpetual Infratil Infrastructure Bonds	13	232.2	232.7	232.2	232.7
Wellington International Airport bonds	14	149.4	248.7	-	-
TrustPower bonds	14	450.5	365.9	-	-
Non current liabilities		2,739.0	2,681.9	845.2	817.4
Attributable to owners of the Company		1,004.4	1,074.6	639.3	634.7
Non controlling interest in subsidiaries		931.1	932.0	-	-
Total equity		1,935.5	2,006.6	639.3	634.7
Total equity and liabilities		5,439.4	5,293.4	1,580.7	1,531.1
Net tangible assets per share ($ per share)		1.16	1.27		

Approved on behalf of the Board on 13 May 2013

Director

Director

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Consolidated 2013 $Millions	Consolidated 2012 $Millions	Parent 2013 $Millions	Parent 2012 $Millions
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		2,327.9	2,124.8	0.3	-
Distributions received from associates		38.1	29.5	-	-
Other dividends		0.3	0.1	136.9	400.0
Interest received		4.8	4.8	0.1	-
		2,371.1	2,159.2	137.3	400.0
Cash was disbursed to:					
Payments to suppliers and employees		(1,844.2)	(1,743.3)	(25.1)	(19.4)
Interest paid		(186.1)	(180.6)	(68.5)	(63.7)
Taxation paid		(52.8)	(47.4)	(5.2)	-
		(2,083.1)	(1,971.3)	(98.8)	(83.1)
Net cash inflow from operating activities	18	288.0	187.9	38.5	316.9
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		1.0	11.8	-	-
Return of security deposits		9.7	5.9	-	-
		10.7	17.7	-	-
Cash was disbursed to:					
Lodgement of security deposits		(9.8)	(9.2)	-	-
Purchase of intangible assets		(19.1)	(35.1)	-	-
Interest capitalised on construction of fixed assets		(4.9)	-	-	-
Capitalisation of customer acquisition costs		(14.1)	(11.9)	-	-
Purchase of property, plant and equipment		(296.7)	(131.7)	-	-
Advanced to subsidiaries		-	-	(25.8)	(251.8)
		(344.6)	(187.9)	(25.8)	(251.8)
Net cash (outflow) / inflow from investing activities		(333.9)	(170.2)	(25.8)	(251.8)
Cash flows from financing activities					
Cash was provided from:					
Proceeds from issue of shares		5.8	5.3	5.8	5.3
Proceeds from issue of shares to non-controlling shareholders		2.3	-	-	-
Bank borrowings		635.6	304.2	-	-
Issue of bonds		251.3	103.1	111.4	103.1
		895.0	412.6	117.2	108.4
Cash was disbursed to:					
Repayment of bank debt		(493.8)	(208.9)	-	-
Loan establishment costs		(5.2)	(8.8)	-	-
Repayment of bonds/PIIB buyback		(166.4)	(100.8)	(57.9)	(100.8)
Infrastructure bond issue expenses		(3.9)	(2.5)	(2.0)	(2.6)
Share buyback		(21.8)	(26.0)	(21.8)	(26.0)
Share buyback of non-wholly owned subsidiary		(0.1)	(4.7)	-	-
Dividends paid to non-controlling shareholders in subsidiary companies		(70.6)	(84.7)	-	-
Dividends paid to owners of the Company		(48.2)	(44.1)	(48.2)	(44.1)
		(810.0)	(480.5)	(129.9)	(173.5)
Net cash inflow / (outflow) from financing activities		85.0	(67.9)	(12.7)	(65.1)
Net increase / (decrease) in cash and cash equivalents		39.1	(50.2)	-	-
Exchange gains / (losses) on cash and cash equivalents		0.6	(4.7)	-	-
Cash and cash equivalents at beginning of year		107.0	159.5	-	-
Adjustment for cash reclassified to disposal group assets held for sale		(2.4)	2.4	-	-
Cash and cash equivalents at end of year		144.3	107.0	-	-

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

Consolidated	Attributable to equity holders of the Company							
	Capital	Revaluation reserve	Foreign currency translation reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2012	428.6	561.9	(61.4)	4.1	141.4	1,074.6	932.0	2,006.6
Total comprehensive income for the year								
Net surplus for the year	-	-	-	-	3.4	3.4	73.6	77.0
Other comprehensive income, after tax								
Differences arising on translation of foreign operations	-	-	(5.8)	-	-	(5.8)	(0.8)	(6.6)
Ineffective portion of hedges taken to profit and loss	-	-	-	0.3		0.3	0.2	0.5
Effective portion of changes in fair value of cash flow hedges	-	-	-	(7.8)	-	(7.8)	(7.3)	(15.1)
Recognition of previously unrecognised deferred tax losses	-	-	5.1	-	-	5.1	-	5.1
Fair value movements in relation to executive share scheme	-	-	-	0.1	-	0.1	-	0.1
Net change in fair value of property, plant & equipment recognised in equity	-	(9.8)	-	-	-	(9.8)	1.8	(8.0)
Share of associates other comprehensive income	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Total other comprehensive income	-	(9.8)	(0.7)	(7.4)	(0.1)	(18.0)	(6.1)	(24.1)
Total comprehensive income for the year	**-**	**(9.8)**	**(0.7)**	**(7.4)**	**3.3**	**(14.6)**	**67.5**	**52.9**
Contributions by and distributions to non-controlling interest								
Issue of shares to outside equity interest	-	-	-	-	-	-	2.2	2.2
Repurchase of shares held by outside equity interest	-	-	-	-	-	-	-	-
Total contributions by and distributions to non-controlling interest	-	-	-	-	-	-	2.2	2.2
Contributions by and distributions to owners								
Partly paid shares fully paid (IFTWBs)	-	-	-	-	-	-	-	-
Less share buyback	(13.3)	-	-	-	-	(13.3)	-	(13.3)
Treasury Stock reissued under dividend reinvestment plan	5.7	-	-	-	-	5.7	-	5.7
Conversion of executive redeemable shares	0.2	-	-	-	-	0.2	-	0.2
Dividends to equity holders	-	-	-	-	(48.2)	(48.2)	(70.6)	(118.8)
Total contributions by and distributions to owners	(7.4)	-	-	-	(48.2)	(55.6)	(70.6)	(126.2)
Balance at 31 March 2013	**421.2**	**552.1**	**(62.1)**	**(3.3)**	**96.5**	**1,004.4**	**931.1**	**1,935.5**

The accompanying notes form part of these financial statements.

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

Consolidated	Capital	Revaluation reserve	Foreign currency translation reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	Attributable to equity holders of the Company							
	$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								
Differences arising on translation of foreign operations	-	-	(35.3)	-	-	(35.3)	(3.8)	(39.1)
Ineffective portion of hedges taken to profit and 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
Fair value movements in relation to executive share scheme	-	-	-	0.1	-	0.1	-	0.1
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								
Issue of shares to outside equity interest	-	-	-	-	-	-	-	-
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								
Share buyback	(34.5)	-	-	-	-	(34.5)	-	(34.5)
Treasury Stock reissued under dividend reinvestment plan	5.3	-	-	-	-	5.3	-	5.3
Conversion of executive redeemable shares	-	-	-	-	-	-	-	-
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 2013

Parent	Capital	Revaluation reserve	Foreign currency translation reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	Attributable to equity holders of the Company							
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2012	421.4	-	-	0.3	213.0	634.7	-	634.7
Total comprehensive income for the year								
Net surplus for the year	-	-	-	-	60.0	60.0	-	60.0
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	60.0	60.1	-	60.1
Contributions by and distributions to owners								
Less share buyback	(13.3)	-	-	-	-	(13.3)	-	(13.3)
Treasury Stock reissued under dividend reinvestment plan	5.7	-	-	-	-	5.7	-	5.7
Conversion of executive redeemable shares	0.3	-	-	-	-	0.3	-	0.3
Dividends to equity holders	-	-	-	-	(48.2)	(48.2)	-	(48.2)
Total contributions by and distributions to owners	(7.3)	-	-	-	(48.2)	(55.5)	-	(55.5)
Balance at 31 March 2013	**414.1**	**-**	**-**	**0.4**	**224.8**	**639.3**	**-**	**639.3**
Balance as at 1 April 2011	450.6	-	-	0.2	206.3	657.1	-	657.1
Total comprehensive income for the year								
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								
Share buyback	(34.5)	-	-	-	-	(34.5)	-	(34.5)
Treasury Stock reissued under dividend reinvestment plan	5.3	-	-	-	-	5.3	-	5.3
Conversion of executive redeemable shares	-	-	-	-	-	-	-	-
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**

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 10 to 33 of this report. The financial statements are prepared on the basis of historical cost, except certain property, plant and equipment which is valued in accordance with accounting policy (C), investment properties, (D) investments valued in accordance with accounting policy (F), and financial derivatives valued in accordance with accounting policy (J).

(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 and capital 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 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
Infratil completes 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 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 its long term investment horizon, 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 judgements about the expected future performance and cash flows of the investment.

Accounting for income taxes
Preparation of the financial statements requires 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 will be received.

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 requiring 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
Judgement is required to be exercised when 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. A list of subsidiaries and associates is shown in note 16. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

(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 measured at fair value.

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.

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		

(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 at 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.

(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

Intangible customer base assets

Costs incurred in acquiring customers are recorded 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 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) 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 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.

(J) Derivative financial instruments

When appropriate, the Group 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.

Hedge accounting
The Group designates certain hedging instruments, as either, 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.

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 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.
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 recognised 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 recognised in equity is recognised in profit or loss.

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.

(K) 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.

(L) 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.

(M) 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.

(N) 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.

(O) 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.

(P) 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 2013, 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.

(Q) 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 2013 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.

(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	
		2013	2012	2013	2012
		$Millions	$Millions	$Millions	$Millions
Net surplus for the year from continuing operations		139.1	164.4	60.0	50.8
Net financing expense / (income)		195.4	187.2	(1.6)	(68.8)
Taxation expense	6	24.1	58.4	(11.2)	3.2
Depreciation		117.1	106.4	-	-
Amortisation of intangibles		31.6	27.3	-	-
Net loss/(gain) on derivatives		14.4	(19.2)	3.0	13.6
Net realisations, revaluations and impairments		5.9	(4.3)	76.2	398.9
Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, realisations and impairments (EBITDAF)		527.6	520.2	126.4	397.7

(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 to sell these businesses and the subsequent sales programme. The Group remains committed to the sale process, and it is the expectation of the Group that a sale will be completed within the next financial year.

	2013	2012
	$Millions	$Millions
Results of discontinued operation		
Revenue	36.1	44.4
Employee benefits	(21.4)	(22.7)
Other operating expenses	(24.7)	(33.6)
Results from operating activities	(10.0)	(11.9)
Depreciation	(3.6)	(4.4)
Net realisations, revaluations and (impairments)	(52.6)	(26.0)
Interest expense	(0.1)	(0.2)
Loss before tax of discontinued operation	(66.3)	(42.5)
Taxation credit	4.2	5.1
Net (loss) from discontinued operation after tax	(62.1)	(37.4)
Basic earnings per share (cents per share)	(10.6)	(6.3)
Diluted earnings per share (cents per share)	(10.6)	(6.3)

The loss from discontinued operation of $62.1m (2012: $37.4m) is attributable entirely to the owners of the Company.

Cash flows from (used in) discontinued operation		
Net cash used in operating activities	(12.7)	(11.7)
Net cash from investing activities	(5.8)	(7.1)
Net cash from financing activities	-	-
Net cash flows for the year	(18.5)	(18.8)

Effect of reclassification of the disposal group on the financial position of the Group		
Bank overdraft	1.2	2.4
Trade, accounts receivable and prepayments	(4.0)	(5.9)
Inventory	(0.6)	(1.0)
Property, plant and equipment	(14.4)	(63.8)
Investment properties	(17.5)	(21.2)
Accounts payable, accruals and other liabilities	7.0	12.4
Other liabilities	8.3	9.4
Deferred tax	-	4.2
Net reclassification of (assets) and liabilities	(20.0)	(63.5)

The cumulative income recognised in other comprehensive income relating to the disposal group at 31 March 2013 is $2.9 million (2012: $3.1 million).

(5) Other operating expenses	Consolidated 2013 $Millions	Consolidated 2012 $Millions	Parent 2013 $Millions	Parent 2012 $Millions
Fees paid to group auditors				
Audit fees	0.8	0.8	0.2	0.2
Other assurance services	0.1	0.1	-	-
Taxation and other services	0.9	0.1	0.7	-
Audit fees paid to other auditors	0.4	0.4	-	-
Bad debts written off	17.1	14.9	-	-
Increase in provision for doubtful debts	4.6	(0.8)	-	-
Directors' fees	2.5	2.4	0.5	0.6
Administration and other corporate costs	9.2	5.5	9.1	5.5
Management fee (to related party "MCIM")	19.7	17.9	15.9	14.7
Trading operations				
Energy and wholesale costs	724.8	638.2	-	-
Line, distribution and network costs	565.9	506.4	-	-
Other energy business costs	203.5	191.8	-	-
Other transportation business costs	74.2	73.5	-	-
Other airport business costs	13.6	14.6	-	-
Other operating business costs	17.1	22.3	-	-
Total other operating expenses	1,654.4	1,488.1	26.4	21.0

Other assurance services include services for the audit or review of financial information other than financial statements. Taxation and other services mainly include investment due dilligence work performed during the year.

Donations of $1.3 million (2012: $0.8m) were made during the year by the Group.

(6) Taxation	Consolidated 2013 $Millions	Consolidated 2012 $Millions	Parent 2013 $Millions	Parent 2012 $Millions
Net surplus before taxation	163.2	222.8	48.8	54.0
Taxation on the surplus for the year @ 28%	45.7	62.4	13.7	15.1
Plus/(less) taxation adjustments:				
Effect of tax rates in foreign jurisdictions	0.6	0.7	-	-
Net benefit of imputation credits	(7.6)	(6.5)	-	-
Removal of tax depreciation on buildings	-	(2.1)	-	-
Exempt dividends	-	-	(38.3)	(112.0)
Tax losses not recognised/utilised	-	10.0	-	(16.0)
Recognition of previously unrecognised deferred tax	(11.0)	-	(6.5)	-
Equity accounted earnings of associates	1.2	(6.4)	-	-
Temporary differences not recognised	0.1	2.9	-	3.9
(Over)/Under provision in prior years	(5.5)	(2.1)	(1.8)	-
Net investments impairment/(realisations)	-	1.8	21.4	112.0
Other permanent differences	0.6	(2.3)	0.3	0.2
Taxation expense on continuing operations	24.1	58.4	(11.2)	3.2
Current taxation	44.7	53.8	(1.8)	3.2
Deferred taxation	(20.6)	4.6	(9.4)	-
Tax on discontinued operations	(4.2)	(5.1)	-	-

Income tax recognised in other comprehensive income	2013 Before tax $Millions	2013 Tax (expense) /benefit $Millions	2013 Net of tax $Millions
Differences arising on translation of foreign operations	(9.4)	2.8	(6.6)
Ineffective portion of hedges taken to profit and loss	0.7	(0.2)	0.5
Effective portion of changes in fair value of cash flow hedges	(21.0)	5.9	(15.1)
Recognition of previously unrecognised deferred tax losses	-	5.1	5.1
Fair value movements in relation to executive share scheme	0.1	-	0.1
Net change in fair value of property, plant & equipment recognised in equity	(12.0)	4.0	(8.0)
Share of associates other comprehensive income	(0.1)	-	(0.1)
Balance at the end of the year	(41.7)	17.6	(24.1)

Income tax recognised in other comprehensive income	2012 Before tax $Millions	2012 Tax (expense) /benefit $Millions	2012 Net of tax $Millions
Differences arising on translation of foreign operations	(35.5)	(3.6)	(39.1)
Ineffective portion of hedges taken to profit and loss	4.4	(1.2)	3.2
Effective portion of changes in fair value of cash flow hedges	14.6	(3.9)	10.7
Fair value movements in relation to executive share scheme	0.1	-	0.1
Net change in fair value of property, plant & equipment recognised in equity	271.7	(43.9)	227.8
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

Deferred Tax

Deferred tax assets and liabilities are offset on the Statement of Financial Position where they relate to entities with a legally enforceable right to offset tax.

	Consolidated		Parent	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Balance at the beginning of the year	(424.2)	(377.7)	-	-
Charge for the year	20.6	(4.6)	9.4	-
Charge relating to discontinued operations	4.2	5.1	-	-
Deferred tax recognised in equity	17.6	(9.7)	-	-
Effect of change in corporate income tax rate on comprehensive income	-	0.1	-	-
Revaluation of assets	-	(45.2)	-	-
Effect of movements in exchange rates	0.3	3.6	-	-
Transferred to liabilities held for sale	(4.2)	4.2	-	-
Balance at the end of the year	(385.7)	(424.2)	9.4	-

The Infratil New Zealand Group is forecasting to derive taxable profits in future periods, sufficent to utilise the tax losses carried forward and deductible temporary differences. As a result deferred tax assets and liabilities have been recognised where they arise, including deferred tax on tax losses carried forward.

Recognised deferred tax assets and liabilities	Consolidated		Parent	
	Assets		Assets	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Property, plant and equipment	1.9	0.7	-	-
Investment property	-	-	-	-
Derivatives	31.4	19.9	7.4	-
Employee benefits	4.0	4.8	-	-
Customer base assets	-	-	-	-
Provisions	5.4	3.1	-	-
Tax losses carried forward	7.8	-	2.0	-
Other items	31.7	18.9	-	-
Deferred tax assets	82.2	47.4	9.4	-
	Liabilities		Liabilities	
Property, plant and equipment	(437.9)	(441.6)	-	-
Investment property	(7.6)	(5.0)	-	-
Derivatives	(4.8)	(11.0)	-	-
Employee benefits	-	-	-	-
Customer base assets	(8.9)	(9.2)	-	-
Provisions	-	-	-	-
Tax losses carried forward	-	-	-	-
Other items	(8.7)	(4.8)	-	-
Deferred tax liabilities	(467.9)	(471.6)	-	-
	Net		Net	
	2013 $Millions	2012 $Millions		
Property, plant and equipment	(436.0)	(440.9)	-	-
Investment property	(7.6)	(5.0)	-	-
Derivatives	26.6	8.9	7.4	-
Employee benefits	4.0	4.8	-	-
Customer base assets	(8.9)	(9.2)	-	-
Provisions	5.4	3.1	-	-
Tax losses carried forward	7.8	-	2.0	-
Other items	23.0	14.1	-	-
Net deferred tax assets/(liabilities)	(385.7)	(424.2)	9.4	-

Changes in temporary differences affecting tax expense	Consolidated			
	Tax expense		Other comprehensive income	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Property, plant and equipment	0.6	(0.3)	4.0	(43.9)
Investment property	(2.6)	(0.5)	-	0.1
Derivatives	12.0	(6.3)	5.7	(5.1)
Employee benefits	(0.8)	-	-	-
Customer base assets	0.3	0.8	-	-
Provisions	2.3	(0.1)	-	-
Tax losses carried forward	7.8	-	-	-
Other items	1.0	1.8	7.9	(3.6)
	20.6	(4.6)	17.6	(52.5)

Changes in temporary differences affecting tax expense	Parent			
	Tax expense		Other comprehensive income	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Derivatives	7.4	-	-	-
Tax losses carried forward	2.0	-	-	-
	9.4	-	-	-

	Parent	
Imputation credits	2013 Millions	2012 Millions
Balance at the end of the year	25.2	8.9
Imputation credits that will arise on the payment/(refund) of tax provided for	(2.7)	3.2
Imputation credits that will arise on the (payment)/receipt of dividends accrued at year end	-	-
Imputation credits available for use	22.5	12.1

(7) Infratil shares and warrants

Ordinary shares (fully paid)	**Consolidated & Parent**	
	2013	2012
Total issued capital at the beginning of the year	586,930,830	602,806,392
Movements in issued and fully paid ordinary shares during the year		
Share buyback held as treasury stock	(6,425,000)	(18,743,410)
Treasury stock reissued under Dividend Reinvestment Plan	2,688,534	2,867,848
Conversion of Executive Redeemable Shares	126,985	-
Total issued capital at the end of the year	583,321,349	586,930,830

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 IFTWCs**	
	2013	2012
Total warrants at the beginning of the year	52,825,458	52,825,458
Warrants lapsed	(52,825,458)	-
Total warrants at the end of the year	-	52,825,458

Dividends paid on ordinary shares	**Consolidated & Parent**		**Consolidated & Parent**	
Dividends declared and paid by the Company for the year were as follows:	2013	2012	2013	2012
	cents per share	cents per share	$Millions	$Millions
Final dividend prior year	5.00	4.25	29.2	25.9
Interim dividend paid current year	3.25	3.00	19.0	18.2
	8.25	7.25	48.2	44.1

Executive redeemable shares	**Consolidated & Parent**	
	2013	2012
Balance at the beginning of the year	1,455,000	1,167,500
Shares issued	410,000	287,500
Shares converted to ordinary shares	(126,985)	-
Balance at end of year	1,738,015	1,455,000

During the year, certain executives left the Group, forfeiting their right to 55,000 shares (2012: 232,500) under the Scheme, which are held by the Trustee. 1,007,500 shares remain outstanding and available to Executives (2012: 924,000).

(8) Cash and cash equivalents	**Consolidated**	
	2013	2012
	$Millions	$Millions
Call deposits	117.9	73.6
Cash deposits held as security for retail energy market contracts & bank financing agreements	26.4	33.4
Total	144.3	107.0

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 2013, $26.4 million (2012: $33.4 million) of cash deposits are "restricted" and not immediately available for use by the Group.

(9) Property, plant and equipment

Consolidated	Land and civil works	Buildings	Vehicles, plant and equipment	Capital work in progress	Metering	Generation Plant (renewable)	Generation Plant (non renewable)	Total
2013	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Cost or valuation								
Balance at beginning of year	489.3	313.9	335.2	30.4	76.6	2,488.4	352.2	4,086.0
Additions	2.0	28.6	49.0	205.4	3.1	-	2.5	290.6
Disposals	(0.1)	(4.4)	(19.2)	-	-	(0.1)	-	(23.8)
Impairment	-	-	(4.8)	-	-	-	-	(4.8)
Revaluation	-	16.1	-	-	-	-	(41.7)	(25.6)
Transfers between categories	0.5	0.4	0.8	(1.7)	-	-	-	-
Transfer to assets held for sale	(1.9)	(25.8)	-	-	-	-	-	(27.7)
Transfers to intangible assets	-	-	-	-	-	-	-	-
Transfers from/(to) investment properties	-	(0.1)	-	-	-	-	-	(0.1)
Effect of movements in exchange rates	(0.2)	-	(0.4)	-	-	(8.0)	(5.6)	(14.2)
Balance at end of year	489.6	328.7	360.6	234.1	79.7	2,480.3	307.4	4,280.4
Accumulated depreciation								
Balance at beginning of year	6.4	11.8	111.3	-	42.3	-	-	171.8
Depreciation for the year	5.8	8.2	32.0	-	5.5	50.3	15.3	117.1
Transfer to investment properties	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	(15.3)	(15.3)
Disposals	(0.1)	(1.2)	(16.3)	-	-	-	-	(17.6)
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	(0.2)	-	-	(0.5)	-	(0.7)
Balance at end of year	12.1	18.8	126.8	-	47.8	49.8	-	255.3
Carrying value at 31 March 2013	**477.5**	**309.9**	**233.8**	**234.1**	**31.9**	**2,430.5**	**307.4**	**4,025.1**
2012								
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	19.4	1.2	120.9
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)	-	77.3	71.1	-
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								
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
Carrying value at 31 March 2012	**482.9**	**302.1**	**223.9**	**30.4**	**34.3**	**2,488.4**	**352.2**	**3,914.2**

Wellington International Airport ("WIAL")
Land was last revalued as at 31 March 2012 by independent registered valuers, Telfer Young Limited, in accordance with the New Zealand Institute of Valuers asset valuation standard (fair value $289.2 million), and the Directors are satisfied that there has not been a material movement in the fair value as at 31 March 2013.
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). The Directors are satisfied that there has not been a material movement in the valuation as at 31 March 2013.

At 31 March 2013 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 a material 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 2013, the carrying value of the vehicle business assets was revalued to $104.6 million (31 March 2012: $88.6 million).

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. Renewable generation assets were last independently valued, using a discounted cash flow methodology as at 31 March 2012, to their estimated market value as determined by Deloitte Corporate Finance.

Non-renewable generation plant and equipment held by Infratil Energy Australia were independently revalued at $154.8 million as at 31 March 2013 (2012: $176.7 million) by BDO Corporate Finance (QLD) Ltd using a discounted cash flow methodology.

Non-renewable generation plant held by Perth Energy Pty Limited were independently revalued at $152.6 million as at 31 March 2013 (2012: $175.6 million) by BDO Corporate Finance (QLD)using a discounted cash flow methodology.

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$6.3m
Forecast Long Run $300 MWh cap price	A$14.20	A$16.20	+/- A$2.9m
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$5.4m
Reserve capacity price per MW	A$163,900	A$163,900	
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. Non- Aeronautical land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business. Residential land	MVEU approach - comprising MVAU valuation plus development and holding costs to provide land suitable for airport use. Residential land is valued at rateable value	Adopted rate per hectare prior to holding costs: $1.37 million per ha Holding costs 12.88% Holding period 5 years 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, base course $83 per m^3 and foundations $15 per m^3	+/- $6.7m
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	+/- $9.3m
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 Cost growth 3% per annum Discount rate 13%	+/- $2.7m
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:

2013

Revalued Assets at Deemed Cost	Cost $Millions	Assets under construction $Millions	Accumulated depreciation $Millions	Net book value $Millions
Land and civil works	208.8	0.5	(31.6)	177.7
Buildings	232.7	0.4	(53.1)	180.0
Vehicles, plant and equipment	34.9	0.3	(20.7)	14.5
Capital work in progress	10.2	(1.2)	-	9.0
Generation Plant (renewable)	1,529.3	191.9	(360.5)	1,360.7
Generation Plant (non renewable)	294.6	-	(32.2)	262.4
Total	2,310.5	191.9	(498.1)	2,004.3

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
	2,228.1	41.3	(422.9)	1,846.5

(10) Intangible assets

	Consolidated	
	2013 $Millions	2012 $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	146.4	110.9
FX adjustment on opening balance	(0.4)	(0.8)
Additions	19.1	36.5
Disposals	(0.4)	-
Impairment loss	(1.0)	-
Transfers to assets held for sale	-	(0.2)
Balance at the end of the year	163.7	146.4
Other intangible assets – Customer base assets		
Balance at beginning of the year	59.4	50.6
FX adjustment on opening balance	(1.1)	(3.3)
Additions	14.1	12.1
Balance at the end of the year	72.4	59.4
Amortisation and impairment losses		
Balance at beginning of the year	(119.9)	(94.6)
Amortisation for the year	(31.6)	(28.4)
Disposals	0.4	-
FX adjustment	1.0	3.0
Transfers to assets held for sale	-	0.1
Balance at the end of the year	(150.1)	(119.9)
Total other intangible assets	86.0	85.9
Total intangible assets	328.0	327.9

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 (2012: 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. Projected cashflows are for a 10 year period and are based on expected cashflows from existing public transport 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% (2012: 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% (2012: 13%).

(11) Investments

Investment in associates

Investments in associates are as follows:	**Consolidated** 2013 $Millions	2012 $Millions
Aotea Energy Holdings Limited	324.0	331.2
Mana Coach Holdings Limited	2.2	2.2
	326.2	333.4

Summary financial information for Aotea Energy Holdings Limited, not adjusted for the percentage ownership held by the Group:	**Consolidated** 2013 $Millions	2012 $Millions
Current assets	1,002.2	934.1
Non-current assets	667.5	691.7
Total Assets	1,669.7	1,625.8
Current liabilities	516.8	531.3
Shareholder loans	244.5	244.5
Shareholder Redeemable Preference Shares	115.0	115.0
Non-current liabilities	505.5	442.1
Total liabilities	1,381.8	1,332.9
Revenues	2,989.3	3,179.3
Net profit after tax	35.0	77.0

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):	**Consolidated** 2013 $Millions	2012 $Millions
Carrying value of investment in AEHL at 1 April	331.2	311.8
Share of associate's surplus before income tax	32.0	54.1
Share of associate's income tax (expense)	(14.5)	(15.6)
Share of associate's net profit after tax	17.5	38.5
Interest on shareholder loan (including accruals)	8.4	8.6
Dividend on RPS (including accruals)	5.1	5.2
Total share of associate's earnings in the period	31.0	52.3
Share of associate's other comprehensive income	(0.1)	(3.4)
Less: Distributions Received	(38.1)	(29.5)
Carrying value of investment in associate	324.0	331.2

(12) 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 15.

	Consolidated	
	2013 $Millions	2012 $Millions
Current liabilities		
Unsecured loans	34.5	36.4
Secured bank facilities	88.3	20.7
Less: Capitalised loan establishment costs	(0.7)	(0.3)
	122.1	56.8
Non-current liabilities		
Unsecured loans	688.6	537.5
Secured bank facilities	140.0	74.0
Redeemable preference shares - secured	-	140.0
Less: Capitalised loan establishment costs	(7.9)	(8.8)
	820.7	742.7
Facilities utilised at reporting date		
Unsecured bank loans	723.1	573.9
Unsecured guarantees	30.6	31.5
Secured bank loans	228.3	94.7
Secured guarantees	0.4	0.4
Redeemable preference shares - secured	-	140.0
Facilities not utilised at reporting date		
Unsecured bank loans	998.6	823.2
Secured bank loans	6.5	1.8
Unsecured bank guarantees	8.9	5.1
Vendor financing		
Vendor financing - current	17.7	16.6
Vendor financing - non current	1.5	19.6
	19.2	36.2
Interest-bearing loans and borrowings - *current*	139.8	73.4
Interest-bearing loans and borrowings - *non current*	822.2	762.3
Total Interest-bearing loans and borrowings	962.0	835.7

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.

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 2.9% to 8.1% (2012: 2.7% to 8.2%).

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

The Group's $140 million redeemable preference shares (RPS) were refinanced with a $140 million debt facility, secured by a general security charge over the other assets a subsidiary company which includes the 48.5 million TrustPower shares held by that subsidiary company.

A non-wholly owned subsidiary company obtained an unsecured A$1 million loan facility, maturing in August 2014, from one of its minority shareholders during they year. The interest rate on this loan is fixed at 12%.

(13) Infrastructure bonds

	Consolidated & Parent	
	2013	2012
	$Millions	$Millions
Balance at the beginning of the year	851.6	854.8
Issued during the year	111.4	99.5
Matured during the year	(21.0)	(83.4)
Exchanged during the year	(36.4)	(15.9)
Purchased by Infratil during the year	(0.8)	(2.5)
Bond issue costs capitalised during the year	(1.9)	(2.0)
Bond issue costs amortised during the year	1.4	1.1
Balance at the end of the year	904.3	851.6
Current	85.3	57.4
Non current fixed coupon	586.8	561.5
Non current perpetual - variable coupon	232.2	232.7
Balance at the end of the year	904.3	851.6
Repayment terms and interest rates:		
Maturing in November 2012, 7.75% per annum fixed coupon rate	-	57.4
Maturing in September 2013, 8.50% per annum fixed coupon rate	85.3	85.3
Maturing in November 2015, 8.50% per annum fixed coupon rate	152.8	152.8
Maturing in June 2016, 8.50% per annum fixed coupon rate	100.0	100.0
Maturing in June 2017, 8.50% per annum fixed coupon rate	66.3	66.3
Maturing in November 2017, 8.0% per annum fixed coupon rate	81.1	81.1
Maturing in November 2018, 6.85% per annum fixed coupon rate	111.4	-
Maturing in February 2020, 8.50% per annum fixed coupon rate	80.5	80.5
Perpetual Infratil infrastructure bonds (PIIBs)	234.9	235.8
Bond issue costs capitalised and amortised over term	(8.1)	(7.6)
Balance at the end of the year	904.3	851.6

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 of bonds issued prior to November 2011, 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 234,943,200 (2012: 235,762,200) 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 2013 the coupon is fixed at 3.97% 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. 819,000 (2012: 2,569,000) of PIIBs were repurchased by Infratil Limited during the year.

At 31 March 2013 the Infratil Infrastructure bonds (including PIIBs) had a fair value of $858.6 million (31 March 2012: $776.4 million).

(14) Unsecured bonds

	Consolidated	
	2013	2012
Unsecured subordinated bonds	$Millions	$Millions
TrustPower bonds		
Repayment terms and interest:		
Maturing in September 2012, 8.5% per annum fixed coupon rate	-	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
Maturing in December 2019, 6.75% per annum fixed coupon rate	140.0	-
Bond issue costs	(2.3)	(1.0)
Balance at the end of the year	292.4	262.3
Current	54.7	108.6
Non-current	237.7	153.7
Balance at the end of the year	292.4	262.3

At maturity the TrustPower bonds maturing in December 2015 and prior 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 2013 the bonds had a fair value of $312.9 million (31 March 2012: $273.2 million).

	Consolidated	
Unsecured senior bonds	2013	2012
TrustPower bonds	$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	(2.2)	(2.8)
Balance at the end of the year	212.8	212.2
Current	-	-
Non-current	212.8	212.2
Balance at the end of the year	212.8	212.2

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 2013 the bonds had a fair value of $230.7 million (31 March 2012: $224.7 million).

	Consolidated	
Unsecured subordinated bonds	2013	2012
Wellington International Airport bonds	$Millions	$Millions
Retail bonds maturing in November 2013, 7.50% per annum fixed coupon rate	100.0	100.0
Wholesale bonds maturing August 2017, 2.89% per annum to 2 May 2013, then repriced quarterly at BKBM plus 25bps	150.0	150.0
Bond issue costs	(0.8)	(1.3)
Balance at the end of the year	249.2	248.7
Current	99.8	-
Non-current	149.4	248.7
Balance at the end of the year	249.2	248.7

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 2013 the bonds had a fair value of $254.6 million (31 March 2012: $256.1 million).

(15) 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	
	2013 $Millions	2012 $Millions
Financial institutions with "AA" credit ratings from Standard & Poors or equivalent rating agencies	-	-
Financial institutions with "AA-" credit ratings from Standard & Poors or equivalent rating agencies	126.3	81.1
Financial institutions with "A" credit ratings from Standard & Poors or equivalent rating agencies	17.8	23.2

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:	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Not past due	268.6	265.7	0.9	0.6
Past due 0-30 days	16.2	18.6	-	-
Past due 31-90 days	14.6	8.7	-	-
Greater than 90 days	20.4	16.8	-	-
Total	319.7	309.8	0.9	0.6
The ageing analysis of impaired trade receivables is as follows:	2013	2012	2013	2012
Not past due	(3.2)	(2.8)	-	-
Past due 0-30 days	(1.5)	(1.5)	-	-
Past due 31-90 days	(4.6)	(3.0)	-	-
Greater than 90 days	(13.6)	(11.2)	-	-
Total	(22.9)	(18.5)	-	-
Movement in the provision for impairment of trade receivables for the year was as follows:				
Balance as at 1st April	18.5	21.5	-	-
FX adjustment on opening balance	(0.2)	-	-	-
Impairment loss recognised	4.6	(3.0)	-	-
Balance as at 31 March	22.9	18.5	-	-
Other current prepayments and receivables	126.0	79.7	0.7	-
Total Trade, accounts receivable and current prepayments	422.8	371.0	1.6	0.6

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
2013							
Accounts payable, accruals and other liabilities	358.9	356.6	336.5	15.7	0.5	0.6	3.2
Unsecured/Secured bank facilities and vendor financing	962.0	1,036.6	119.8	27.5	65.2	737.6	86.5
Infratil bonds	672.1	885.8	112.6	24.0	48.1	491.5	209.5
PIIBs	232.2	334.1	5.0	5.0	9.9	29.7	284.5
WIAL bonds	249.2	274.0	6.0	103.2	4.5	160.4	-
TPW bonds	505.2	654.6	19.5	74.0	157.7	403.3	-
Derivative financial instruments	115.6	121.1	17.0	20.1	30.6	47.2	6.1
	3,095.2	3,662.6	616.3	269.6	316.4	1,870.3	589.9
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

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
2013							
Accounts payable, accruals and other liabilities	10.9	10.9	10.9	-	-	-	-
Infratil bonds	672.1	885.8	112.6	24.0	48.1	491.5	209.6
PIIBs	232.2	334.1	5.0	5.0	9.9	29.7	284.5
Derivative financial instruments	26.2	26.2	2.8	2.7	5.1	12.0	3.6
	941.4	1,257.0	131.3	31.7	63.1	533.2	497.7
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

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	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
At balance date the face value of interest rate contracts outstanding were:				
Interest rate swaps	1,468.7	1,163.0	145.0	145.0
Fair value of interest rate swaps	(86.4)	(80.7)	(26.2)	(23.2)
The termination dates for the interest rate swaps are as follows:				
Between 0 to 1 year	313.8	82.0	-	-
Between 1 to 2 years	169.7	76.1	-	-
Between 2 to 5 years	455.8	449.9	-	-
Over 5 years	529.5	555.0	145.0	145.0

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	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Profit or loss				
100 bp increase	36.9	34.1	7.6	8.4
100 bp decrease	(39.0)	(36.3)	(8.2)	(9.1)
Other comprehensive income				
100 bp increase	1.3	10.9	-	-
100 bp decrease	(1.7)	(12.6)	-	-

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	
	2013 $Millions	2012 $Millions
At balance date the aggregate notional principal amounts of the outstanding forward foreign exchange were:		
Foreign exchange contracts	636.3	390.0
Fair value of foreign exchange contracts	3.7	6.6
The termination dates for foreign exchange contracts are as follows:		
Between 0 to 1 year	601.2	386.1
Between 1 to 2 years	35.1	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	
	2013 $Millions	2012 $Millions
Profit or loss		
Strengthened by 10 per cent	(26.0)	(30.9)
Weakened by 10 per cent	26.0	30.9
Other comprehensive income		
Strengthened by 10 per cent	(24.8)	(3.6)
Weakened by 10 per cent	24.7	3.5

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 2013 $Millions	Consolidated 2012 $Millions
Cash, short term deposits and trade receivables		
Australian Dollars (AUD)	278.2	215.7
Bank overdraft, bank debt and accounts payable		
Australian Dollars (AUD)	370.1	129.1

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 2013	Consolidated 2012
At balance date the aggregate notional volume of outstanding energy derivatives were:		
Electricity (GWh)	5,899.0	3,806.0
Oil (barrels)	40,500.0	-
Fair value of energy derivatives ($m)	(6.1)	5.0

As at 31 March 2013, the Group had energy contracts outstanding with various maturities up to September 2016. 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 2013 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the profit or loss.

	Consolidated 2013 $Millions	Consolidated 2012 $Millions
The termination dates for the energy derivatives are as follows:		
Between 0 to 1 year	392.5	409.6
Between 1 to 2 years	227.5	92.1
Between 2 to 5 years	78.2	48.2
Over 5 years	-	-
	698.3	549.9

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 2013 $Millions	Consolidated 2012 $Millions
Profit or loss		
10% decrease in energy forward prices	(9.2)	(1.5)
10% increase in energy forward prices	11.6	2.1
Other comprehensive income		
10% decrease in energy forward prices	(9.6)	(5.3)
10% increase in energy forward prices	9.6	5.3

Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements is their fair value, with the exception of bonds debt held at amortised cost which have a fair value at 31 March 2013 of $1,656.8 million (31 March 2012: $1,530.4 million) compared to a carrying value of $1,658.7 million (31 March 2012: $1,574.8 million).

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

	Consolidated		Parent	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Assets				
Derivative financial instruments - energy	8.8	10.1	-	-
Derivative financial instruments - foreign exchange	12.7	9.3	-	-
Derivative financial instruments - interest rate	5.3	4.7	-	-
	26.8	24.1	-	-
Split as follows:				
Current	21.1	18.0	-	-
Non-current	5.7	6.1	-	-
	26.8	24.1	-	-
Liabilities				
Derivative financial instruments - energy	14.9	5.1	-	-
Derivative financial instruments - foreign exchange	9.0	2.7	-	-
Derivative financial instruments - interest rate	91.7	85.4	26.2	23.2
	115.6	93.2	26.2	23.2
Split as follows:				
Current	11.1	8.2	-	-
Non-current	104.5	85.0	26.2	23.2
	115.6	93.2	26.2	23.2

Estimation of fair values

The 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 3.8% to 4.9% (2012: 4.0% to 4.3%)

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 **2013**	Level 1 $millions	Level 2 $millions	Level 3 $millions	Total $millions
Assets per the statement of financial position				
Derivative financial instruments - energy	0.5	2.4	5.9	8.8
Derivative financial instruments - foreign exchange	-	12.7	-	12.7
Derivative financial instruments - interest rate	-	5.3	-	5.3
Total	0.5	20.4	5.9	26.8
Liabilities per the statement of financial position				
Derivative financial instruments - energy	-	-	14.9	14.9
Derivative financial instruments - foreign exchange	-	9.0	-	9.0
Derivative financial instruments - interest rate	-	91.7	-	91.7
Total	-	100.7	14.9	115.6

2012	Level 1 $millions	Level 2 $millions	Level 3 $millions	Total $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

The parent of the Infratil Group has interest rate swap derivatives that are classified as Level 2 an have a fair value liability of $26.2 million at 31 March 2013 (31 March 2012: $23.2 million)

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

	2013 $Millions Energy derivatives	2012 $Millions Energy derivatives
Assets per the statement of financial position		
Opening balance	8.4	3.5
Fx movement on opening balance	(0.1)	(0.1)
Gains and (losses) recognised in profit or loss	(2.4)	(3.6)
Gains and (losses) recognised in other comprehensive income	-	8.6
Closing balance	5.9	8.4
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	9.2	3.2
Liabilities per the statement of financial position		
Opening balance	4.7	18.5
Fx movement on opening balance	-	-
(Gains) and losses recognised in profit or loss	(6.9)	(22.4)
(Gains) and losses recognised in other comprehensive income	17.1	8.6
Closing balance	14.9	4.7
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	6.0	(5.6)
Settlements during the year	4.1	7.9

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- (2012: 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 funding.
• *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**	
	Note	2013 Millions	2012 Millions	2013 Millions	2012 Millions
Net debt					
Bank debt		942.8	799.5	-	-
Vendor financing		19.2	36.2	-	-
Infrastructure bonds		672.1	618.9	672.1	618.9
Perpetual Infratil infrastructure bonds		232.2	232.7	232.2	232.7
Wellington International Airport bonds		249.2	248.7	-	-
TrustPower bonds		505.2	474.5	-	-
less: Cash and cash equivalents		(144.3)	(107.0)	-	-
		2,476.4	2,303.5	904.3	851.6
Equity					
Total equity		1,935.5	2,006.6	639.3	634.7
		1,935.5	2,006.6	639.3	634.7
Total capital funding		4,411.9	4,310.1	1,543.6	1,486.3
Gearing ratio		56%	53%	59%	57%

(16) 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	2013 Holding	2012 Holding	Principal activity	Country of incorporation
Investment activities				
New Zealand				
Infratil Finance Limited	100%	100%	Finance	New Zealand
Swift Transport Limited	100%	100%	Investment	New Zealand
Snapper Services Limited	100%	100%	Technology	New Zealand
Infratil Infrastructure Property Limited	100%	100%	Property	New Zealand
iSite Limited	100%	100%	Advertising	New Zealand
New Lynn Central Limited Partnership (financial year-end: 30 June)	58%	-	Property	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
Energy activities				
New Zealand				
TrustPower Limited	50.7%	50.7%	Electricity retail and generation	New Zealand
Tararua Wind Power Limited	50.7%	50.7%	Asset holding	New Zealand
TrustPower Australia (New Zealand) Limited	50.7%	50.7%	Asset holding	New Zealand
TrustPower Insurance Limited	50.7%	50.7%	Insurance	New Zealand
Australia				
Direct Connect Australia Pty Limited	100%	100%	Utility connections	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	80.0%	81.2%	Electricity retailer	Australia
Sellicks Hill Wind Farm Pty Ltd	50.7%	50.7%	Generation development	Australia
Snowtown Wind farm Pty Ltd	50.7%	50.7%	Electricity generation	Australia
TFI Partners Pty Limited	100%	100%	Utility connections	Australia
TrustPower Australia Financing Partnership	50.7%	50.7%	Finance	Australia
TrustPower Australia Holdings Pty Ltd	50.7%	50.7%	Generation development	Australia
WA Power Exchange Pty Limited	80.0%	81.2%	Electricity retailer	Australia
Western Energy Pty Limited	80.0%	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

(17) 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	
	2013 $Millions	2012 $Millions
Operating lease receivables as lessor		
Between 0 to 1 year	17.6	18.0
Between 1 to 2 years	10.6	15.4
Between 2 to 5 years	10.7	15.2
More than 5 years	8.7	4.8
	47.6	53.4

Electricity lease revenue during the year of $32.8 million (2012: $33.6 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	39.0	33.8
Between 1 to 2 years	36.9	32.9
Between 2 to 5 years	78.6	56.0
More than 5 years	64.1	41.6
	218.6	164.3

(18) Reconciliation of net surplus with cash flow from operating activities	Consolidated		Parent	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Net surplus for the year	77.0	127.0	60.0	50.8
(Gain)/Less items classified as investing activity				
Loss on investment realisations and impairments	60.9	21.5	76.2	398.9
Add items not involving cash flows				
Movement in financial derivatives taken to the profit or loss	14.4	(19.2)	3.0	13.6
Decrease in deferred tax liability excluding transfers to reserves	(24.8)	(0.5)	(9.4)	-
Changes in fair value of investment properties	(2.4)	0.2	-	-
Equity accounted earnings of associate net of distributions received	7.1	(22.8)	-	-
Non cash movements in advance to subsidiaries	-	-	(85.9)	(151.2)
Depreciation	120.7	110.8	-	-
Movement in provision for bad debts	21.8	14.1	-	-
Amortisation	31.6	27.3	-	-
Other	14.5	11.4	1.6	1.0
Movements in working capital				
Change in receivables	(61.8)	(85.9)	0.3	-
Change in inventories	18.9	(13.6)	-	-
Change in trade payables	56.9	8.8	(0.3)	0.6
Change in accruals and other liabilities	(37.1)	21.1	-	-
Change in current and deferred taxation	(9.7)	(12.3)	(7.0)	3.2
Net cash flow from operating activities	288.0	187.9	38.5	316.9

(19) 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:	2013 $Millions	2012 $Millions
Short-term employee benefits	17.8	16.6
Post employment benefits	-	-
Termination benefits	-	0.3
Other long-term benefits	0.2	2.6
Share based payments	0.4	-
	18.4	19.5

Directors fees paid to directors of Infratil Limited and its subsidiaries during the year were $2.8 million (2012: $2.6 million). $0.2 million of the total Directors fees during the year (2012: $0.2 million) were paid to Directors of Infratil Airports Europe Limited and are included with the result from discontinued operations.

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

(20) 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. 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.

410,000 Infratil Executive Redeemable Shares were granted at a price of $2.2695 on 11 December 2012 (2012: 287,500 shares at $1.8403 on 7 December 2011), 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	2013	2012
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	$ 0.288	$ 0.294
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.

(21) Earnings per share

	2013 $Millions	2012 $Millions
Net surplus attributable to ordinary shareholders	3.4	51.6
Basic earnings per share:		
	cps	cps
Basic earnings per share (cps)	0.6	8.6

Weighted average number of ordinary shares	2013 Millions	2012 Millions
Issued ordinary shares at 1 April	586.9	602.8
Effect of new shares issued under Executive Share Scheme	-	-
Effect of shares issued through dividend reinvestment plan	1.7	1.5
Effect of shares bought back	(4.4)	(6.1)
Weighted average number of ordinary shares at end of year	584.2	598.2
Diluted earnings per share recognising warrants on issue	cps	cps
Diluted earnings per share (cps)	0.6	8.6
Weighted average number of ordinary shares (diluted)	Millions	Millions
Weighted average ordinary shares (calculated above)	584.2	598.2
Effect of warrants on issue during the period	-	-
Weighted average number of ordinary shares at end of year (diluted)	584.2	598.2

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 period that the warrants were outstanding.

(22) 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. Other comprises investment activity not included in the specific categories. The principal investment in Other 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
2013	New Zealand $Millions	New Zealand $Millions	New Zealand $Millions	Australia $Millions	UK $Millions	New Zealand $Millions	$Millions	$Millions
Segment revenue - total	805.5	106.2	219.7	1,213.1	36.1	185.1	(196.7)	2,369.0
Share of earnings of Associate Companies	-	-	-	-	-	31.0	-	31.0
Inter-segment revenue	-	(1.4)	(3.3)	-	-	(155.9)	160.6	-
Segment revenue - external	805.5	104.8	216.4	1,213.1	36.1	60.2	36.1	2,400.0
EBITDAF	294.8	83.0	44.1	97.7	(9.9)	8.0	9.9	527.6
Interest revenue	1.5	0.1	0.1	1.7	-	25.2	(23.8)	4.8
Interest expense	(64.2)	(19.6)	(4.9)	(25.8)	(4.8)	(104.7)	23.8	(200.2)
Depreciation and amortisation	(66.0)	(16.0)	(26.3)	(35.4)	(3.5)	(5.0)	3.5	(148.7)
Financial derivative fair value movements	(5.6)	(0.7)	-	5.0	-	(13.1)	-	(14.4)
Realisations	-	(4.3)	(1.5)	(0.2)	(50.2)	(4.6)	50.2	(10.6)
Impairment losses	-	4.7	-	-	(2.3)	-	2.3	4.7
Taxation expense	(37.1)	(11.3)	(2.3)	(13.2)	4.2	39.8	(4.2)	(24.1)
Segment result	123.4	35.9	9.2	29.8	(66.5)	(54.4)	61.7	139.1
Equity accounted investment in associates	-	-	-	-	-	326.2	-	326.2
Total non current assets (excluding financial instruments and deferred tax)	2,872.8	794.1	270.7	420.0	31.9	406.1	(31.9)	4,763.7
Total assets	3,085.1	812.8	281.7	764.2	35.3	460.3	-	5,439.4
Total liabilities	1,424.5	385.1	38.5	297.0	15.3	1,343.5	-	3,503.9
Capital expenditure/investment (including accruals)	214.1	12.0	56.7	27.7	5.8	26.7	-	343.0
2012								
Segment revenue - total	807.1	109.1	219.8	1,008.9	44.4	155.6	(178.3)	2,166.6
Share of earnings of Associate Companies	-	-	-	-	-	52.3	-	52.3
Inter-segment revenue	-	-	(1.0)	-	-	(132.9)	133.9	-
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)	2,742.2	781.5	257.3	490.9	85.1	391.7	(85.1)	4,663.6
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	-	172.0

(22) 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.

2013	New Zealand $Millions	Australia $Millions	United Kingdom $Millions	Eliminations $Millions	Total $Millions
Segment revenue - total	1,278.6	1,251.0	36.1	(196.7)	2,369.0
Share of earnings of Associate Companies	31.0	-	-	-	31.0
Inter-segment revenue	(160.6)	-	-	160.6	-
Segment revenue - external	1,149.0	1,251.0	36.1	(36.1)	2,400.0
EBITDAF	406.6	121.0	(9.9)	9.9	527.6
Interest revenue	26.5	2.1	-	(23.8)	4.8
Interest expense	(175.8)	(43.4)	(4.8)	23.8	(200.2)
Depreciation and amortisation	(98.1)	(50.6)	(3.5)	3.5	(148.7)
Financial derivative fair value movements	(17.5)	3.1	-	-	(14.4)
Realisations	(10.4)	(0.2)	(50.2)	50.2	(10.6)
Impairment losses	4.7	-	(2.3)	2.3	4.7
Taxation expense	(15.4)	(8.7)	4.2	(4.2)	(24.1)
Segment result	120.6	23.3	(66.5)	61.7	139.1
Equity accounted investment in associates	326.2	-	-	-	326.2
Non current assets (excluding financial instruments and deferred tax)	3,875.1	888.6	31.9	(31.9)	4,763.7
Total assets	4,140.8	1,263.3	35.3	-	5,439.4
Total liabilities	2,782.7	705.9	15.3	-	3,503.9
Capital expenditure/investment (including accruals)	153.7	183.5	5.8	-	343.0

2012	New Zealand $Millions	Australia $Millions	United Kingdom $Millions	Eliminations $Millions	Total $Millions
Segment revenue - total	1,255.3	1,045.2	44.4	(178.3)	2,166.6
Share of earnings of Associate Companies	52.3	-	-	-	52.3
Inter-segment revenue	(133.9)	-	-	133.9	-
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)	3,833.3	830.3	85.1	(85.1)	4,663.6
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)	137.9	27.2	6.9	-	172.0

The group has no significant reliance on any one customer.

(23) Capital Commitments

Capital commitments	Consolidated 2013 $Millions	2012 $Millions
Committed but not contracted for	8.7	2.5
Contracted but not provided for	407.1	38.4
	415.8	40.9

The capital commitments include construction contracts relating to the construction of the Esk Valley Hydro scheme in Hawke's Bay as well as stage two of the Snowtown Wind Farm in South Australia.

(24) Contingent liabilities

No subsidiaries have outstanding letters of credit to suppliers at 31 March 2013 (2012: nil). Certain subsidiaries have performance bonds totalling $4.2 million (March 2012: $4.2 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 several 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 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 2012, the investigation was formally extended to include the put option arrangements as well. It is possible that final decisions will be made later 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 $30.6 million (March 2012: $31.5 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 the Group 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 based on 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. The Group 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. The case is currently scheduled to be heard in the High Court in August 2013. 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 $5,924,000 and interest expense of $2,854,000. Based on the principle of the assessments, the Group 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 $4,475,000 and interest expense of $1,142,000 in respect of the 2009 to 2013 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 $3,900,000 for all years up to 2013.

(25) 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 in accordance with the management agreement of $20.1 million (2012: $18.3 million). $2.2million (excluding GST) is included in trade creditors (2012: $1.8 million (excluding GST)) at 31 March 2013. $0.4 million of the total management fees during the year (2012: $0.3 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	
	2013 $Millions	2012 $Millions	2013 $Millions	2012 $Millions
Consulting	0.7	1.4	-	-
Financial management, accounting, treasury, compliance and administrative services	1.3	1.0	1.3	1.0
Risk management reporting	-	0.2	-	-
Investment banking services	0.9	0.6	0.9	0.5
Total other fees and services	2.9	3.2	2.2	1.5

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

	2013	2012
Wellington International Airport	NZD 124,828	NZD 89,469
Infratil Airports Europe	GBP 73,750	GBP 60,208
NZ Bus	NZD 160,000	NZD 155,625
Lumo Energy	AUD 248,303	AUD 259,463
TrustPower	NZD 220,000	NZD 220,000
Infratil Energy Australia	AUD 64,640	AUD 66,996
Perth Energy	AUD 90,000	AUD 22,500
Snapper Services	NZD 50,000	NZD 65,500
Aotea Energy Holdings and subsidiaries	NZD 177,500	NZD 205,000
iSite Limited	NZD 30,000	NZD 45,307

Parent company advances
Advances due from subsidiary companies are repayable on demand and are at interest rates up to 12% (2012: 11.4%).

Note 16 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 (2012: $0.2 million) in relation to the Infratil Staff Share Purchase Scheme.

(26) 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.

(27) Events after balance date

Subsequent to balance date, TrustPower has entered into an AUD $171.9m financing facility in respect to Snowtown II.

Dividend
Subsequent to 31 March 2013 the Directors have approved a fully imputed final dividend of 6 cents per share to holders of fully paid ordinary shares to be paid on the 14th of June 2013.

Directory

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D A R Newman (Chairman)
M Bogoievski
P Gough
H J D Rolleston
D P Saville
M Tume
A Y Muh (alternate to D P Saville)

Company Secretary
K Baker

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Industrial and Commercial Bank of China
220 George Street
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Kiwibank
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Wellington

Westpac Banking Corporation
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Auckland

Independent auditor's report

To the shareholders of Infratil Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Infratil Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 1 to 33. The financial statements comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 1 to 33:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 March 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Infratil Limited as far as appears from our examination of those records.

KPMG

13 May 2013
Wellington