

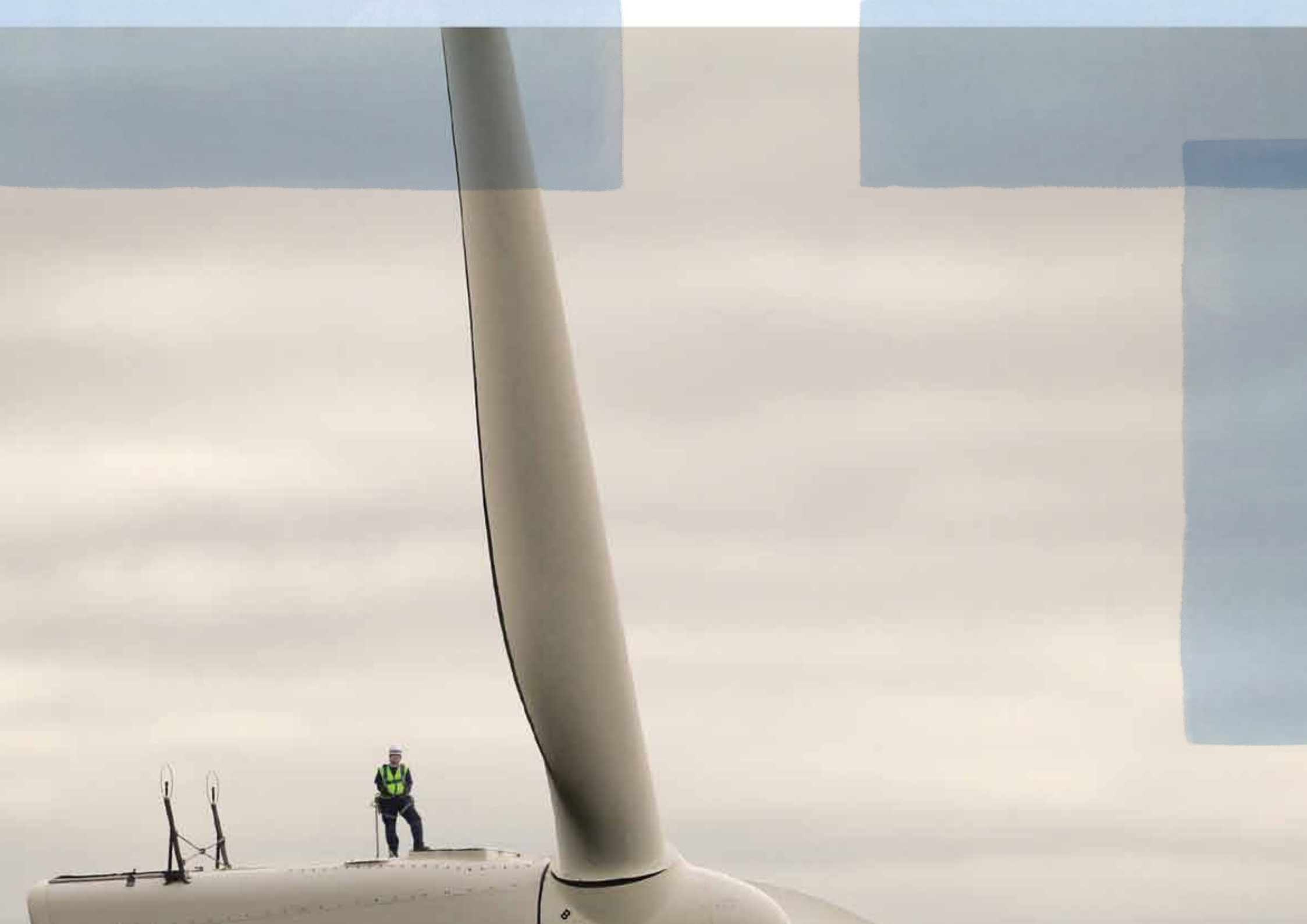
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REPORT

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CHIEF EXECUTIVE LETTER



This Annual Report provides a record of Infratil's performance over the year to 31 March 2011 and its financial position as at 31 March 2011. It also describes the Company's goals and approach to creating value for shareholders.

The detailed Financial Statements and other information contained in the latter part of the Report are prepared in accordance with accounting standards and regulatory requirements. Some of the statutory information is difficult for lay-readers to understand and consequently summarised financial results are restated in a more accessible way in the first half of this Report.

I have also set out below a review of some of the strategic considerations which define management's goals and actions.

Mandate

The board and management of Infratil have a mandate from shareholders to operate the business within parameters which evolve over time to reflect opportunities and market conditions.

The mandate defines the scope of Infratil's investment field, the approach to risk management, how the objectives of capital growth and cash returns are balanced, as well as operational factors.

The relative prioritisation of "investment and growth" versus "immediate returns" is a key consideration and has evolved. It is a common element of management's assessment of both new investments and whether existing businesses should be retained or sold. As noted in last year's Annual Report the decision to invest \$210 million to acquire 50% of what is now Z Energy was balanced against the alternatives of using the capital to retire debt, buy back Infratil shares or increase the dividend. The decision was based on a view of what would be of the greater benefit for most shareholders.

The focus on transport and energy infrastructure investment in New Zealand and Australia is another example of our current interpretation of the mandate. As with the Invest/Return decision noted above, the Sector/Geography decision has a context. In particular whether investing in New Zealand and Australian infrastructure is consistent with Infratil's return target without an undue increase in risk? Recognising that if it were not, our options would include lowering the return target, or looking elsewhere for investments. In the event it is our belief that Infratil's sector and geographic focus is consistent with the long term return target.

Goals

Infratil is managed with the primary aim of providing a good risk-adjusted return for its shareholders; specifically the targeted rate of return is 20% per annum after tax over the long term.

Specifying a rate of return target is unusual for a public listed company. It is aspirational, it creates a benchmark against which the company (and its management) can be measured and it helps clarify the types of investment Infratil will and will not make.

However, the goal is not as simple as it may seem. Return targets implicitly reflect a "risk appetite" and specifying this is more complicated than specifying the return target. Risk is a complex area and it is addressed on page 18 of this Report.

The return target obliges Infratil to focus on growth infrastructure. Companies such as TrustPower or Wellington Airport can deliver high total returns over the long term because of compounding and growth. In 1998 Infratil's 66% holding in Wellington Airport cost \$98 million and last year it provided a cash yield of \$27 million. This was possible because Wellington Airport has invested nearly \$300 million in expanding its facilities and services since 1998. Most of the \$27 million return derived last year relates to that expansion capital rather than the initial purchase outlay.

TrustPower and Wellington Airport also illustrate how long term returns can take a long time. The more capital providers require immediate yields the more challenging it is to pursue a high absolute return target.

The goal also means that Infratil invests in a portfolio of companies with different growth/return features. In part this diversification reduces risk and in part it allows different parts of Infratil's business to do the "heavy lifting" at different times. For instance, over the last five years Infratil Energy Australia has absorbed capital as it built its business. It is now providing positive operating cashflows and capital growth.

An investor who acquired shares in Infratil on the day the Company first listed in March 1994 and who subsequently reinvested all dividends and sold all warrants and rights and reinvested the proceeds, in short who neither put more money in nor took any money out, would have received an 18% per annum after tax return over the subsequent 17 years. So over that long run Infratil has not quite met its target, but it has got close and we believe we can do better in future.

Delivering on the Goals

As noted above, the first step in Infratil's pursuit of its return goal is to invest in companies which can grow and sustain reinvestment. There is significant value inherent in the development and investment options of our core businesses.

The second feature of Infratil's approach is to ensure its companies are welcomed members of their communities and deliver to customer expectations. After the launch of the "Z Energy" brand we received some feedback along the lines of "how can you target high returns AND talk about superior service?". In fact only by delivering good service and building customer loyalty can a business such as Z Energy hope to also provide a good return on its capital. Good relations with customers and communities comes first, rates of return on capital follows.

The third leg to Infratil's model is risk management; making sure that events will not damage our businesses and making sure that our exposure to debt repayment obligations, commodity risk and other commitments are not onerous.

Infratil's approach also means being willing to divest, to take profits. We need to be prepared to sell assets when we are no longer the highest value owner, when the opportunity cost of ownership is rising, or simply because others are willing to pay more than what we feel we are able to realise through ownership.

Alignment of Shareholder and Management Interests

For Infratil to deliver on its goal it must have good management who share the same interests as shareholders. Fortunately, Infratil's reputation enables it to attract and retain excellent people. This was reaffirmed recently with a number of new appointments, particularly at Z Energy, indicating that the group remains an employer of choice.

Alignment of management and owners' interests comes about in part because management are substantial shareholders in the company. It is also reflected in the very transparent manner in which the Company is managed and the accessibility of management to shareholders; including the NZ and Australian investor days held for institutional investors and broker analysts and the shareholder meetings held around the country.

Operational and Financial Results and Value-Add

This Report shows that in the year under review Infratil had strong growth in earnings, rolled all its debt obligations on favourable terms and delivered a positive outcome for shareholders (including an increase in the final dividend).

The increase in free cashflows and earnings in part reflects a change in approach and a subtle change in priorities. Infratil invests for the long term, however over the last couple of years this has been tempered by recognition that shareholders want to see cash returns and confirmation of the growth in capital values within shorter timeframes. So while the absolute priority remains long term capital growth the portfolio has been rebalanced towards free cash flow and earnings and last year saw the consequences of this change.

This Annual Report and Other Information about Infratil

Infratil makes every effort to provide useful information to those interested in its activities. This naturally includes its capital providers; share and bond holders and bankers. It also includes the people who rely on the services provided by Infratil's businesses as they too have a right to understand the financial arrangements and motivations of the asset owner.

In addition to its Annual and Interim Reports, Infratil releases a semi annual update newsletter on a selected aspect of its business, monthly operational reports, occasional releases to NZX and ASX and has commenced providing credit reports to its bondholders. Infratil has also started using a Facebook page to facilitate a dialogue with a broader range of people interested in its activities.

I trust you find the Annual Report informative and useful.



Marko Bogoevski
Chief Executive

FINANCIAL PERFORMANCE: HIGHLIGHTS

Group Investment spending for the year was

\$504 MILLION

(+161% from \$193 million the previous year), including \$210 million invested to acquire 50% of Z Energy (previously Shell's NZ distribution and marketing activities).

Group earnings before interest, tax, depreciation and revaluations (EBITDAF) were

\$460 MILLION (+27%).

OPERATING EARNINGS

(after deducting interest, depreciation and amortisation) were \$173 million (+92%) and the Net Parent Surplus was \$65 million (+122%).

NET OPERATING CASHFLOWS

were \$179 million (+36%). This is the group's net receipt of cash after deducting all costs, taxes and changes in working capital.

The accounting measure of the parent company's income and value changes, **PARENT COMPREHENSIVE INCOME**, was \$118 million (+305%); or 19.6 cents per share.

Over the year all maturing bank facilities were renewed (or retired) and the Infratil Infrastructure bonds maturing in both FY11 and in FY12 were refinanced via the issue of new 5 and 6 year bonds. Both TrustPower and Greenstone Energy (as Z Energy was then called) undertook bond issues.

The final dividend per share was increased to 4.25 cents from 3.75 cents, making total dividends for the year 6.75 cents.

DIVIDEND

increases reflect Infratil's higher profit.

Consolidated Results & Guidance

Year ended 31 March \$Millions	Guidance 2012	Actual 2011	Guidance 2011	Actual 2010
Earnings (EBITDAF)	\$460-\$490	\$460	\$390-\$430	\$363
Net interest	(\$180-\$190)	(\$168)	(\$170-\$180)	(\$159)
Depreciation & amortisation	-	(\$118)	-	(\$114)
Operating earnings	-	\$173	-	\$90
Value changes and realisations	-	\$22	-	\$16
Income tax	-	(\$50)	-	(\$11)
Tax adjustment	-	(\$26)	-	-
Minorities	-	(\$55)	-	(\$66)
Net parent surplus	-	\$65	-	\$29
Net operating cashflow	\$150-\$170	\$179	\$140-\$180	\$132

Earnings and cashflow Guidance is only that; a guide. Part of the value of guidance is to show capital providers what management are anticipating for the year ahead, part of the value is as a measure against which actual performance can be assessed. Guidance and outlook statements will be updated when material changes occur in either the macro environment or within our respective businesses, which are likely to affect results.

In the table the FY2011 Guidance was provided by Infratil in May 2010. The FY2012 Guidance was initially provided in May 2011.

Earnings & Operating Cashflow for the Year to 31 March 2011 Versus Guidance

Earnings for the year ended 31 March 2011 outperformed guidance largely because Infratil Energy Australia's earnings were stronger than anticipated and Z Energy's first year contribution was higher than forecast at the time of acquisition.

As discussed on page 28 of this Report, Z Energy's reported earnings for the year will be higher if crude oil prices rise over the accounting period, and lower if prices fall. For the year ended 31 March 2011, oil prices rose which inflated Z Energy's contribution to Infratil's result to \$55 million from the \$39 million recorded on a Current Cost basis.

Guidance for the Year to 31 March 2012 Earnings & Operating Cashflow

Next year consolidated EBITDAF is expected to rise as a result of recent investments in the power stations at Kwinana, Port Stanvac and Mahinerangi and in the activities of Z Energy, Wellington Airport and NZ Bus. Infratil Energy Australia is expected to report slightly lower earnings. The situations and prospects of these businesses are described later in this Report.

The guidance for slightly lower Operating Cashflows reflects an expectation that increased EBITDAF will be offset by higher interest and tax and growth in working capital.

REPORT OF THE CHAIRMAN & CHIEF EXECUTIVE



The last year was perhaps Infratil's most successful with regards to earnings, value growth and investment in future value creation. Supporting these outcomes was effective liability and risk management and continued strengthening of the management team.

The standout event was the acquisition of Z Energy in partnership with the New Zealand Superannuation Fund. Infratil's 50% shareholding cost \$210 million and for the year contributed an exceptional return of \$116 million (\$55 million net surplus and \$61 million asset valuation uplift). The Z Energy team has also instigated a long-term programme to grow the business through investment in its logistics and marketing capabilities.

Another highlight was the \$55 million earnings contribution from Infratil Energy Australia. Infratil formed this company as a start-up and it is gratifying to see the return resulting from the capital and effort been committed.

Also deserving mention is Infratil's receipt of the INFINZ Excellence in Treasury Award. It represents acknowledgement by the Institute of the very high calibre of Infratil's risk management.

The earnings, value growth and risk management results were especially pleasing given the difficult economy, although a challenging trading environment can improve Infratil's relative ability to make good new investments because of its management capability, access to capital, and ability to act quickly; as shown with the Z Energy investment. The relationship with the New Zealand Superannuation Fund was also important in Infratil's participation in this transaction and is acknowledged.

While Infratil's recent earnings growth is pleasing it has occurred against a corporate New Zealand backdrop which has not helped sharemarket performance. New Zealand's corporate sector has generally had a difficult last 5 or 6 years.

Real GDP

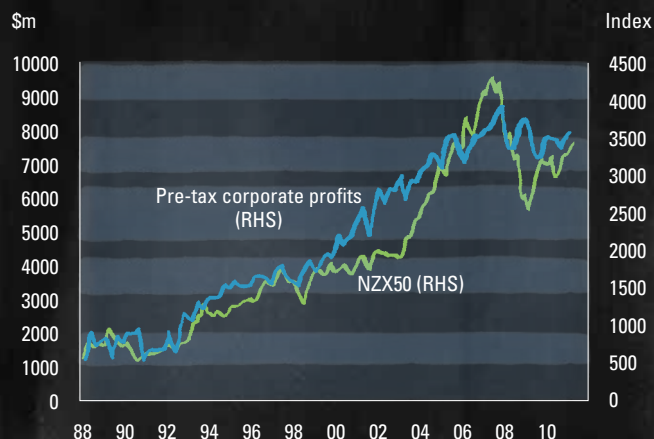
\$m 1995/96 prices



Source: ANZ New Zealand

It is expected that New Zealand's economy will start to gradually expand again having been stagnant for four years. Economic growth and Government measures to lower some business costs should generally raise corporate profitability.

NZ Corporate Profits and Equity Markets



Source: ANZ New Zealand

New Zealand's total corporate profits are the same as they were six years ago. It is no surprise that the sharemarket is also at the same level. A growing economy and growing corporate profits will assist the share market. This in turn should assist the Infratil share price which is likely to be influenced by overall performance.

The weak economy and uncertain financial markets obliges management to be more risk averse than usual. This is expensive, opportunities may be passed-over and "buffers" tend to come at a cost. There is no tangible sign the uncertainty is dissipating and Infratil is being managed accordingly.

Aside from the challenging economic conditions, there were a number of positive regulatory developments, including the ongoing deregulation of Australia's energy market; New Zealand's introduction of the Emission Trading Scheme; continued integration of the Australasian aviation markets; indications that the New Zealand Government is slowly opening the door on more private ownership of state owned businesses and infrastructure; and a more positive approach in Auckland towards privately provided public transport.

Changes to the financial, economic and regulatory environments as well as normal business opportunities influence decisions about where Infratil's capital should be deployed. Infratil's response to these changes has resulted in a shift in the Company's business mix and risk profile over the last four years.

\$428 million has been raised through divestment.

\$398 million has been invested by Infratil acquiring shares (for example in Z Energy).

\$948 million has been invested by subsidiaries acquiring or building assets or developing greenfield projects.

The changes instigated by the board and management, along with the natural development of Infratil's business, have resulted in the evolution of earnings and operating surplus shown in the two graphs on the left.



Some of this improvement is due to the natural growth and maturing of Infratil's businesses, but it also reflects the reallocation of capital and an increased focus on cash earnings.

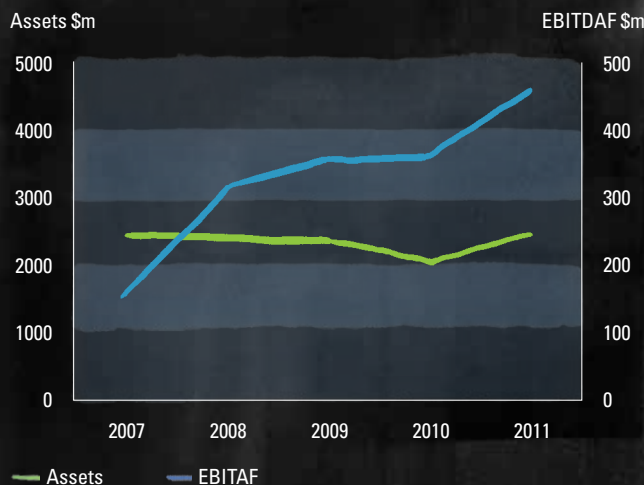
The graphs also illustrate a telling point about why infrastructure is an attractive asset class for long-term investors. As demand rises, revenue tends to increase faster than costs resulting in marked increases to net earnings.

Guidance for Infratil's earnings in the year to 31 March 2012 shows that further increases in profitability are expected. Mainly this is a result of the capital spending undertaken over the last couple of years. In particular Infratil subsidiaries have commissioned three new power stations which had a combined cost of \$344 million.

Looking further into the future, indications are that Infratil's businesses remain well placed to benefit from continuing demand for their energy and transport services. Rising global wealth means more people can afford to fly and more efficient aircraft and airline competition is lowering the price of air travel. Demand is also growing for "cleaner" electricity, and more effective metropolitan transport.

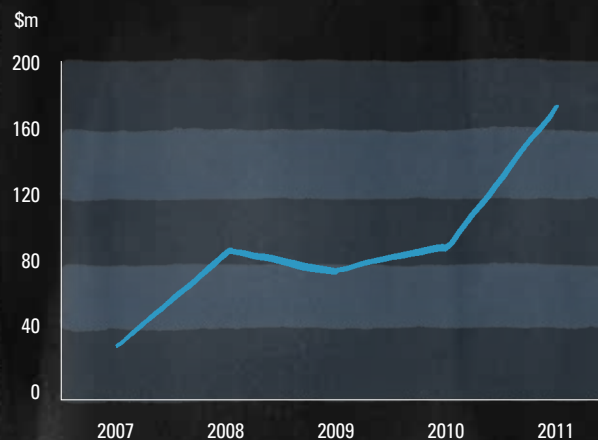
Another attraction of the sectors in which Infratil operates is that they seem likely to continue to offer new investment opportunities, whether from changes to private capital allocations (as occurred with Shell's divestment from New Zealand) or because governments now have less ability to fund infrastructure than was the case a few years ago.

Infratil Earnings and Assets



The book value of assets now is roughly the same as it was four years ago, but the level of consolidated earnings (before interest, depreciation, tax and revaluations) has more than trebled.

Infratil's Operating Earnings



Over the same period Infratil's consolidated earnings (ie. earnings after interest, depreciation and amortisation) has risen eleven fold.

Although Infratil will continue to seek attractive new investments in the current environment, growth is not dependent on acquisitions. Infratil's businesses offer significant organic opportunities for expansion, which is reflected in the \$948 million invested in internal capital expenditure over the last 4 years (over 70% of the total investment spend). The Z Energy result for its first year of local ownership was very pleasing, but at least as important for the medium term are the opportunities the Z Energy management team have found to profitably expand its business.

The last year was successful and Infratil is well placed to continue to deliver value for shareholders, however the board and management are aware that shareholder returns seem not to have fully reflected the growth in Infratil's underlying net asset values and this is a concern. When Infratil's shares trade at a discount to their net asset backing it raises the question of whether available capital should be applied to building up that asset backing (as the purchase of Z Energy did) or applied to increasing the dividend, repurchasing Infratil shares or repaying the debt. This problem is not unique to Infratil and is likely to reflect a complex set of factors, nevertheless it is being addressed as a part of the board and management mandate to deliver good risk-adjusted returns to shareholders.

The board and management thank Infratil's investors for their ongoing support.

David Newman
Chairman

Marko Bogoevski
Chief Executive

DIRECTORS



D A R **NEWMAN**

Chairman

David Newman has been an independent director of Infratil since 1994 and Chairman since 2004. He is Chairman of Wellington Airport and Loyalty New Zealand, a director of Infratil Airports Europe, Deputy Chairman of the board of the Guardians of the New Zealand Superannuation Fund. He is a chartered accountant and was previously Managing Director of BP New Zealand and Chief Executive of the Institute of Directors, of which he is a Fellow.



M **BOGOIEVSKI**

Chief Executive

Marko Bogoevski is Chief Executive of Infratil and its manager, Morrison & Co. He joined the Infratil board in 2009 and is currently Chairman of Aotea Energy Holdings (parent of the Z Energy group), and a director of TrustPower and an alternate director on Auckland International Airport. He was previously Chief Financial Officer of Telecom responsible for corporate finance, M&A and group strategy. He is a member of the New Zealand Institute of Chartered Accountants.



H R L **MORRISON**

Lloyd Morrison is Executive Chairman of H.R.L. Morrison & Co Group, the parent company of Infratil's manager, and has been on the Infratil board since 2002. He is the Chairman of Snapper, a director of Infratil Airports Europe, Auckland International Airport and an alternate director of TrustPower. He established the H.R.L. Morrison Music Trust to support New Zealand music and musicians and the H.R.L. Morrison Arts Trust to support the arts in New Zealand. In 2009 he was made a companion of the New Zealand Order of Merit for services to business. In 2011 he received the Wellington Gold Awards lifetime achievement award.

**H J D****ROLLESTON**

Humphry Rolleston has been an independent director of Infratil since 2006. He is a director of the NZX listed companies Property for Industry, Mercer Group, and SKY Television Network. He owns a number of private companies involved in tourism, security, manufacturing and finance. He is a Fellow of the New Zealand Institute of Directors and the Institute of Management.

**D P****SAVILLE**

Duncan Saville was appointed a director of Infratil in 1994 and is also a director of Morrison & Co Group, Infratil's manager. He is a chartered accountant and an experienced non-executive director in the utility sector having been on the boards of a number of water, airport and utility investment companies. He is a Fellow of the Institute of Chartered Accountants in Australia and of the Australian Institute of Directors.

**M****TUME**

Mark Tume joined the Infratil board as an independent director in 2007 and is the chair of the board's Audit and Risk Committee. He is also a director of the New Zealand Refining Company, New Zealand Railways Corporation and is a member of the board of the Guardians of The New Zealand Superannuation Fund. His professional experience has been in New Zealand banking and funds management.

SENIOR MANAGEMENT TEAM

Infratil's senior management team comprises the senior management of Infratil's manager, Morrison & Co and the chief executives of the operating businesses.



MARKO BOGOJEVSKI

Chief Executive



LIB PETAGNA

Investment



LLOYD MORRISON

Chairman, HRL Morrison & Co



BRUCE HARKER

Energy



KEVIN BAKER

Finance



JASON BOYES

Legal



TIM BROWN

Capital Markets



VAUGHAN BUSBY

Energy



FIONA CAMERON

Finance



ROGER CRAWFORD

Energy



MARK FLESHER

Capital Markets



PHILLIPPA HARFORD

Finance



ANTHONY MUH

Investment



PAUL NEWFIELD

Investment



PHIL WALKER

Airports



MIKE BENNETTS

Z Energy



PETER COMAN

Property



ZANE FULLJAMES

NZ Bus



STEVEN FITZGERALD

Wellington Airport/IAE



DARRYL FLUKES

Infratil Energy Australia



VINCE HAWKSWORTH

TrustPower



MIKI SZIKSZAI

Snapper

COMMUNITY RELATIONS



We have undiminished confidence in the region
and its people



Lumo Energy Bikes for Bush



Metrolink Captain Starship



Zealandia The Exhibition



Wellington High Performance Aquatics



2010 Wild at Heart Spirit Awards

Infratil's businesses provide facilities and services integral to the wellbeing of their communities. They also sponsor and assist groups involved with community work and celebrate achievement. This year the Christchurch earthquake resulted in an extra commitment to supporting emergency and recovery efforts.

NZ Bus provides promotion and transport to the Neonatal Trust supporting parents of premature or sick newborn babies, Wellington Free Ambulance, the Gillies McIndoe Institute for Reconstructive Surgery, Starship and Kidz First Hospital and NZ Breast Cancer Foundation.

Student academic, artistic, sporting and social accomplishments were assisted and celebrated through Wellington Airport's Wild at Heart Spirit

Awards, TrustPower's Youth Spirit Awards and through the support of Wellington High Performance Aquatics.

Lumo Energy's Do you have the Energy Foundation supports a range of community initiatives that aim to promote healthy and active lifestyles, partnering with Bicycle Victoria Light Up! Campaign and National Ride 2 School Day.

TrustPower's Community Awards celebrate and give recognition to many voluntary organisations.

The 4 September 2010 and 22 February 2011 earthquakes in Christchurch were New Zealand's largest economic and human events of recent times.

Infratil's businesses and people were relatively unscathed, but everyone was affected. A friend from Christchurch who had lost their house said "you don't like to complain because you know a lot of other people are worse off".

Z Energy ensured fuel was available. Infratil's NZ businesses made charitable contributions and our people did what they could to help. The longer-term rebuild will be harder than meeting the immediate challenges and the people and capital of the Infratil group will be available to play a proactive part in Canterbury's recovery. We have undiminished confidence in the region and its people.

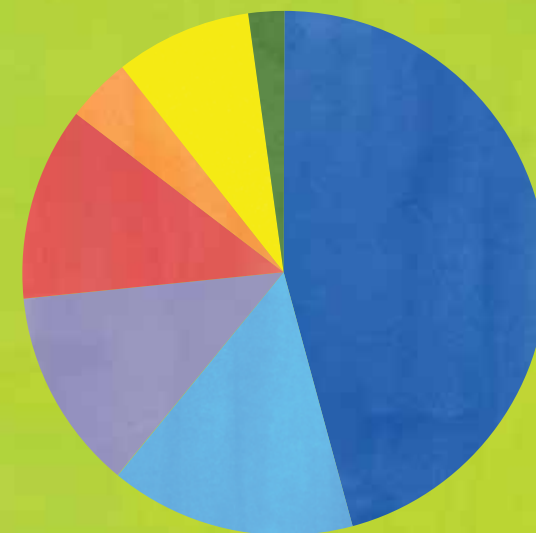
EXPLAINING THE FINANCIAL Information

The following pages provide information on key aspects of Infratil and its subsidiaries and associates. It is set out in a way intended to be accessible, pertinent and inclusive of what management believe to be of greatest relevance. However, the information is not comprehensive and more information is available on the Infratil website (www.infratil.com).

The latter half of this Report includes the audited financial statements of Infratil Limited (the parent company which issues shares that are listed on the NZX and ASX and bonds which are listed on the NZDX) and of the

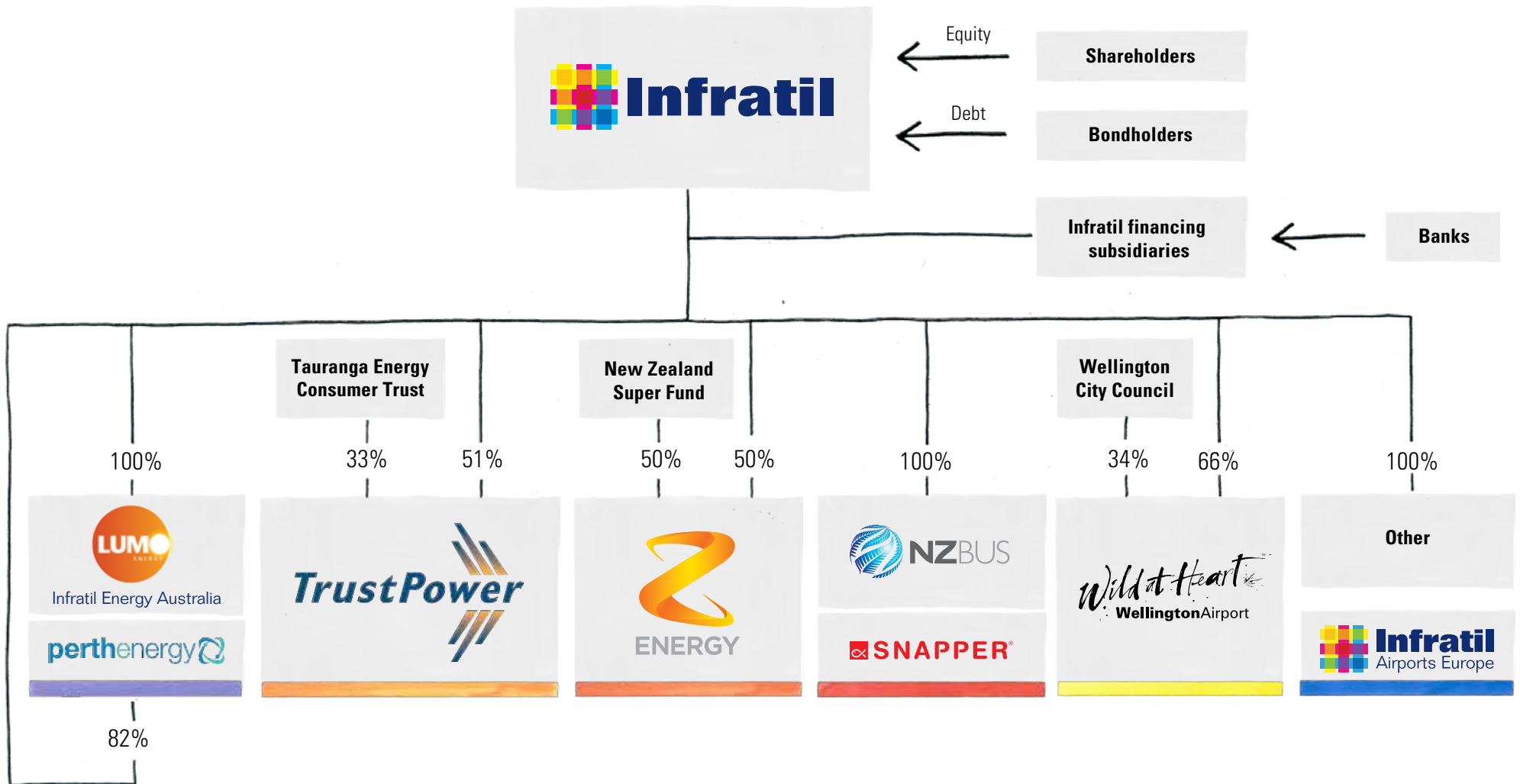
consolidated Infratil group, that is, Infratil and its subsidiaries, its investments and its associates.

Looking at the diagram below, the consolidated Infratil group comprises Infratil Energy Australia group, TrustPower, NZ Bus, Snapper, Wellington Airport and Infratil Infrastructure Property. It also includes Infratil's 50% interest in Z Energy and a number of smaller investments, but these are not consolidated.



Infratil Assets at 31 March 2011





RISK & LIABILITY MANAGEMENT

A summary of Infratil's risk management approach and activities is set out below. Risk management is complex and difficult to succinctly and clearly explain; consequently Infratil's receipt of the Institute of Financial Professionals New Zealand (INFINZ) best New Zealand corporate treasury award (for the second time) is an important third party recognition. The INFINZ judging panel endorsed how Infratil goes about managing risk, especially those associated with financial liabilities.

Infratil treasury is accountable for the debt needs and risks of the parent company and wholly owned businesses and directs and monitors the activities of non-wholly owned subsidiaries including Wellington Airport, TrustPower and Z Energy. Treasury undertakes its roles in accordance with policies determined and monitored by a treasury committee which oversees group positions and reviews global and domestic market themes.

The members of Infratil group uses a common monitoring/management system which ensures management are informed about what could go wrong and ranks risks by consequence and probability. The group's top 50 risks are reported regularly to the Infratil Board Audit & Risk Committee of Mark Tume, David Newman and Marko Bogoevski via the Infratil treasury

committee which comprises Marko Bogoevski, Kevin Baker, Tim Brown, Fiona Cameron and Lloyd Morrison. Each operating company also has a separate risk committee overseen by board representatives which report to their boards and to the Infratil Audit & Risk Committee.

Infratil's approach to treasury risk management reflects the following:

- Infratil is not risk averse, but is very active in its engagement with risk. Infratil has a stated goal of delivering a 20% per annum. after tax return to shareholders over the long run. Infratil allocates capital and manages its businesses and liabilities in accordance with this benchmark.
- Engagement with risk requires expertise. Infratil only invests in sectors where it has sufficient operational expertise to address material business or environmental risks. It also means clear policies, value-at-risk guidelines and compliance monitoring.
- A key aspect of the risk/debt strategies are their clear communication to Infratil's capital providers. This means adjusting goals when it becomes clear that capital providers preferred risk appetite is evolving or has changed.

- Risk management requires sensitivity to events with low probability but high impact. During the global financial crisis the management of Infratil's debt and liquidity was greatly assisted because of how the debt was structured, in particular the use of long dated bonds supported by asset coverage and resilient cash flows and because of the group's strong relationships with a panel of highly rated banks.

Infratil's debt management objectives include:

- Ensuring continuity and availability of funding consistent with the Group's investment requirements.
- The use of debt to minimise the overall cost of capital.
- The use of long dated debt with terms which minimise the annual roll-over burden and the risk of acceleration.
- Diversification of debt sources to minimise roll-over risk and the development of robust relationships with lenders/investors to encourage resilient support.
- Effective management of interest rate, duration and foreign exchange risk through utilisation of financial instruments.

Infratil and Wholly-Owned Subsidiary Funding

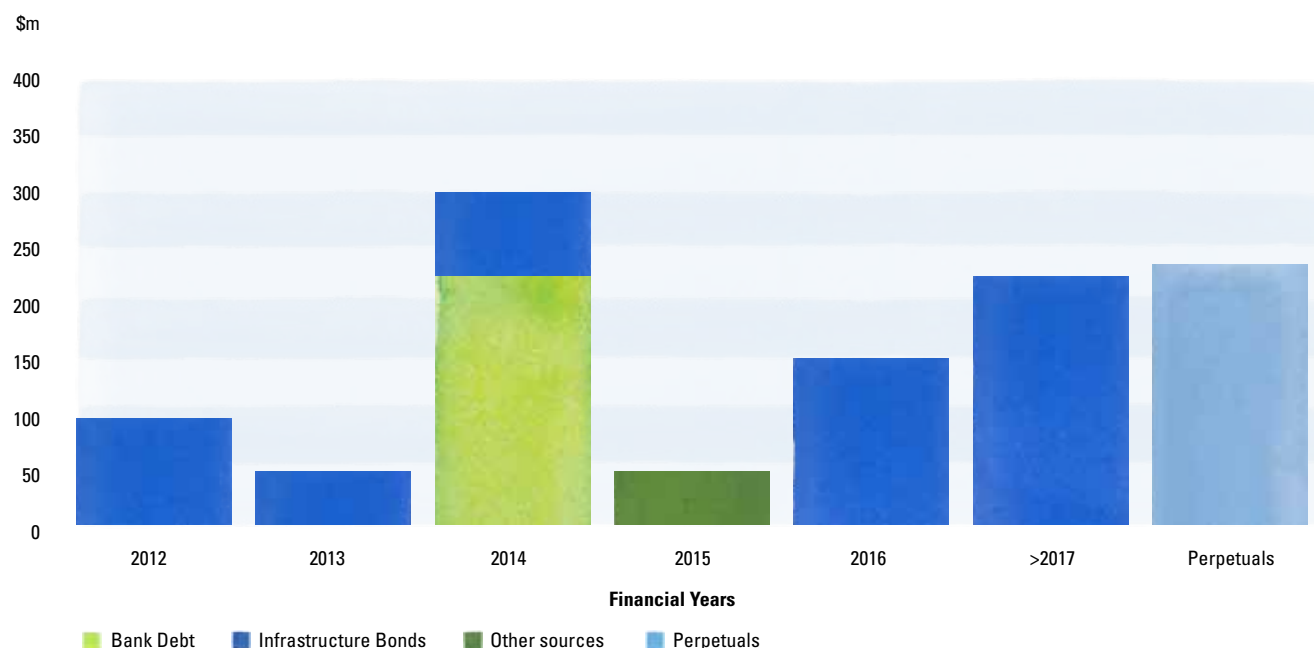
The following table shows the book value of the debt of Infratil and wholly owned subsidiaries and the market value of Infratil's equity.

Year ended 31 March \$Millions	2011	2010
Net bank debt	\$221	\$82
Fixed maturity bonds	\$623	\$509
Perpetual bonds	\$238	\$239
Vendor finance	\$49	-
Market value equity	\$1,151	\$1,002
Total capital	\$2,282	\$1,832
Bank debt / Total capital	10%	4%
Dated debt / Total capital	39%	32%

Over the year the main developments with this liability profile were:

- The use of debt increased by \$302 million; \$49 million being vendor finance provided for the construction of the Port Stanvac power station and \$210 million being the debt assumed to make the Z Energy investment.
- Infratil raised \$148 million by issuing 5 and 6 year bonds at yields of 8.5% per annum. This funding is replacing bonds which are maturing, which had an average yield of 8.3% per annum.
- Bank facilities which fell due over the year were renewed or retired. As at 31 March 2011 Infratil and wholly owned subsidiaries had \$692 million of bank facilities drawn to \$312 million, while \$92 million was on deposit with banks. A year prior the respective values were \$632 million, \$209 million and \$127 million.
- A net \$38 million of equity was raised over the year (via the exercise of warrants issued in 2004).

The Debt Maturity Profile of Infratil & Wholly Owned Subsidiaries



A recent survey of the 40 largest New Zealand corporate borrowers by treasury advisory firm Asia-Pacific Risk Management calculated that Infratil's average debt term was 6.08 years, the longest of any privately owned company in the survey.

INFRATIL'S ASSETS

Infratil's assets increased \$440 million over the year. This was as a result of investment (a total of \$504 million was invested by Infratil, subsidiaries and associates) and changes to asset book valuations (\$95 million), and depreciation and amortisations.

TrustPower's value reflects its NZX share price on the two dates, with the small value decline reflecting a 5 cent fall in the share price to \$7.20.

The increase to Infratil Energy Australia's value reflects the investment in completing the Kwinana and Port Stanvac power stations, a \$48 million increase to the valuation of generation assets and an improvement to the value of the hedge book from -\$80 million to -\$40 million.

Z Energy is shown at Infratil's cost plus retained earnings, including the fair value uplift to fixed assets of a net \$122 million, of which 50% was reflected in Infratil's shareholding. The value of Z Energy includes a \$27 million deferred tax liability.

Wellington Airport's change in value was mainly due to a \$20 million increase in the book value of the airport's civil works and buildings.

Infratil Airports Europe's decrease was due to a negative revaluation (\$35 million) of airport assets and investment properties.

Deferred tax is not reflected in the values except at Z Energy.

Year ended 31 March \$Millions	Infratil Ownership	2011	2010
TrustPower	51%	\$1,146	\$1,153
Infratil Energy Australia	82-100%	\$375	\$206
Z Energy	50%	\$312	-
Wellington Airport	66%	\$297	\$289
Infratil Airports Europe	100%	\$101	\$138
NZ Bus	100%	\$208	\$214
Other		\$56	\$55
Total		\$2,495	\$2,055

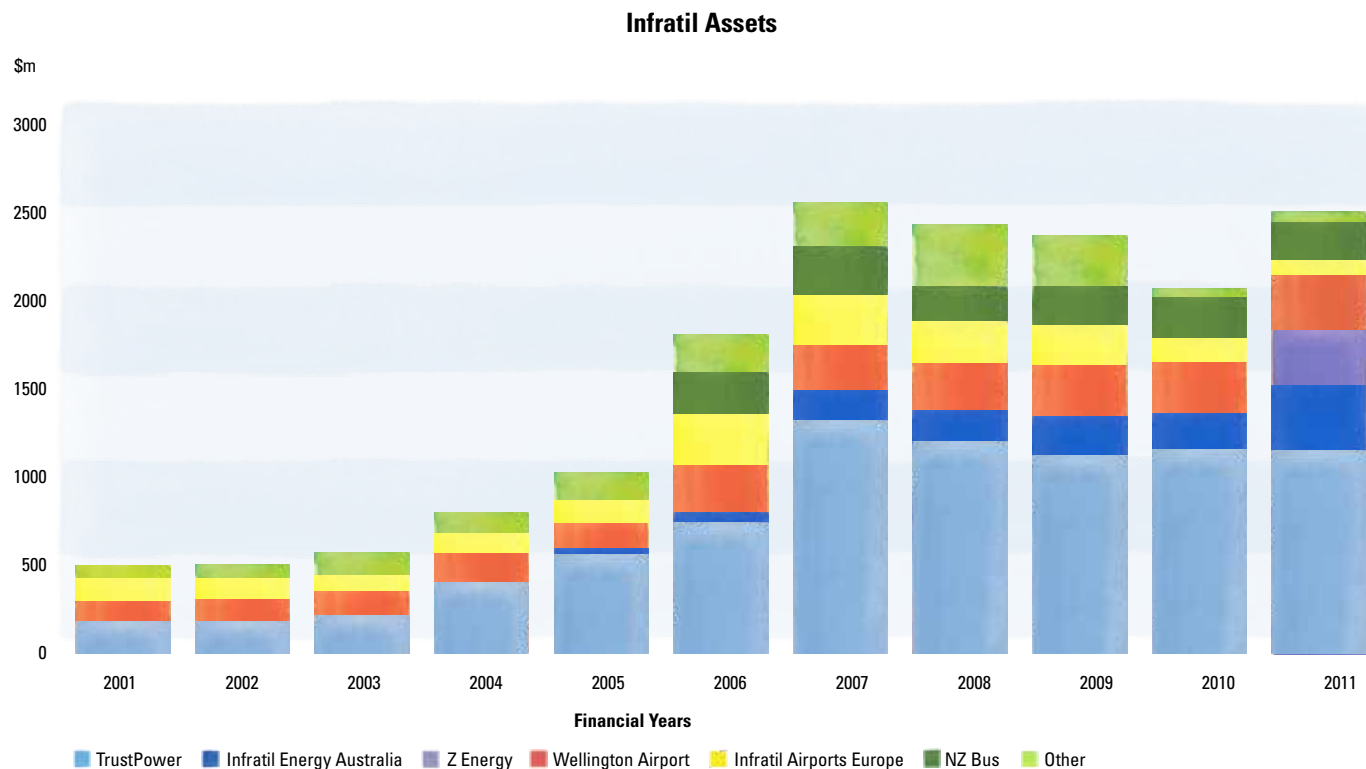
Group Investment Spending

Last year, Infratil, subsidiaries and associates invested \$504 million. Over the last 5 years investment in new businesses and assets has totalled \$1,850 million.

Year ended 31 March \$Millions	2011	2010	2009	2008	2007
TrustPower	\$109	\$29	\$93	\$177	\$187
Infratil Energy Australia group	\$116	\$116	\$53	\$31	\$77
Wellington Airport	\$15	\$23	\$23	\$32	\$35
Infratil Airports Europe	\$7	\$5	\$21	\$24	\$41
Public Transport	\$18	\$16	\$45	\$44	\$18
Other	\$0	\$4	\$40	\$66	\$146
Z Energy investment	\$210	-	-	-	-
Z Energy capex	\$29	-	-	-	-
Total	\$504	\$193	\$275	\$374	\$504

Infratil's Changing Asset Composition

Capital spending, divestments and valuation changes are reflected in the changing make up (and scale) of Infratil's assets as shown by the following graph.



EARNINGS AND NET SURPLUS

Consolidated Results

Year ended 31 March \$Millions	2011	2010
Operating revenue	\$2,028	\$1,836
Associate earnings	\$55	-
Earnings (EBITDAF)	\$460	\$363
Net interest	(\$168)	(\$159)
Depreciation & amortisation	(\$118)	(\$114)
Operating earnings	\$173	\$90
Derivative value changes	(\$4)	(\$68)
Realisations and other value changes	\$26	\$84
Income tax	(\$50)	(\$11)
Tax adjustment	(\$26)	-
Net surplus after tax	\$120	\$95
Minorities	(\$55)	(\$66)
Net parent surplus	\$65	\$29
Parent comprehensive income	\$118	\$29
Net operating cashflow	\$179	\$132

Associate Earnings are Infratil's 50% share of Z Energy's net surplus.

Earnings EBITDAF increased 27% due to the inaugural contribution from Z Energy and a higher contribution from Infratil Energy Australia.

Details of the earnings contribution of each of Infratil's businesses are provided on the following pages.

Net Interest comprised costs incurred by Infratil and wholly owned subsidiaries of \$87 million (\$84 million the prior year), TrustPower \$63 million (\$59 million), Wellington Airport \$18 million (\$17 million) and Perth Energy \$5 million (\$1 million income). Interest income was \$5 million.

The (\$4 million) **Derivative Value Changes** included a \$46 million increase in the value of Infratil Energy Australia's energy price hedges and a \$50 million fall in the value of the group's currency and interest rate hedges. No hedges were speculative; all related to net assets held in foreign currencies, or liabilities and exposures under existing debt programmes or energy procurement or sales arrangements.

Realisations and Value Changes were a \$35 million impairment charge taken against the value of the assets of Infratil Airports Europe and a \$61 million fair value gain relating to Infratil's share of the revaluation of Z Energy's infrastructure.

The **Tax Adjustment** is not a cash item. It reflects adjustments to deferred tax arising from Government changes to the deductibility of buildings depreciation and the company tax rate.

Parent Comprehensive Income is the accounting measure of the aggregate of Infratil's net surplus and changes in asset, liability and derivative values.

SHAREHOLDER RETURNS AND OWNERSHIP

Over the year to 31 March 2011 the Infratil share price rose to \$1.91 from \$1.72 and dividends of 6.25 cents per share, fully imputed, were paid. The total return was 15% after tax; the previous year it was 22% per annum.

In the context of the earnings, value and risk outcomes achieved by Infratil over the year, the sharemarket performance was disappointing, but the shareholder return target is over the long term.

The NZX50 index of the New Zealand sharemarket, including dividends, returned 5% in the year to 31 March 2011.

Since listing (17 years ago) the cumulative return to shareholders has been slightly below 18% per annum. \$100 invested on 1 April 1994 would have increased to \$1,500 by 31 March 2011 (on a no cash in or out basis). As the graph shows, in seven of the last 10 years Infratil's return has been over or near the 20% per annum benchmark with the cumulative return for the period slightly below the aspirational goal.



Year ended 31 March	2011		2010	2009
Million Shares				
Utilico	113	19%	102	102
Morrison & Co	58	10%	51	46
NZ Institutions	146	24%	132	89
NZ Retail	245	41%	238	233
Australian Institutions	9	1%	20	30
Other	29	5%	26	20
Total Shares On Issue	603		568	520

As at 31 March 2011 Infratil had 28,250 share and bond holders. Over both of the last two years, about 7% of the shares held as at 1 April have changed hands over the course of the year (i.e. about 93% did not change hands).

Infratil listed on the Australian Stock Exchange in July 2010 but this has not, as yet, increased the level of Australian ownership.

Over the year the number of Infratil shares on issue increased by 35 million due to the exercise of warrants.

TrustPower's stable earnings in the year to 31 March 2011 indicate the diversified nature of its generation and retailing activities.



TRUSTPOWER

In TrustPower's catchments it was wet (hydro generation was up 301 GWh on the previous year) and calm (wind generation was down 77 GWh). Retail competition in New Zealand grew in intensity as the State owned generator/retailers "rebalanced" and grid and thermal power station outages and regulatory interventions added price volatility. With these countervailing factors stable earnings are testament to excellent systems and a well managed company.

With TrustPower increasing its capital spending on new generation and undertaking its first irrigation project, no special dividend was paid in the latest year which lowered Infratil's cash income for the period.

The last year saw extreme weather, heightened retail competition, volatile wholesale prices, a restructure of two of the three State owned generators, a new sector regulator, and the introduction of Emissions Trading. On top of which TrustPower completed construction of its first irrigation scheme and stage one of a new wind farm and progressed consenting for a further 500 MW of new generation projects.

TrustPower's stable earnings and profit draws attention to the success of the Company's risk management, in particular its hedging of electricity price volatility and uncertain generation volumes; which is intrinsic to hydro and wind powered generation. The comparison between FY2011 and FY2009 provides an even clearer indication of the value of this hedging. In FY2009, spot electricity prices (that is prices set in the very short term market which

reflect the cost of immediate supply) were 120% higher than was the case last year, but the FY2011 earnings were actually higher than in FY2009.

The muted impact of variable spot electricity prices also underlines that what matters for TrustPower's earnings and value are the longer term price levels; the prices that can be contracted for a number of years ahead, which is based off the cost of new generation.

The Ministry of Economic Development's Energy Outlook forecasts that approximately 3,100 MW of new generation will be required in New Zealand over the next 20 years to offset plant retirement and to ensure that forecast demand is met. The Ministry is also predicting an approximate 30% increase (excluding inflation) in wholesale electricity prices will occur over that period.

TrustPower is well placed to play a material role in the provision of this increased capacity. Last year TrustPower received consents for two hydro projects to add to its existing wind farm consents.

It took TrustPower almost a decade to gain consents for the two hydro power stations. Arnold is a major expansion of an existing station near Westport while Wairau is a totally new facility south of Blenheim. Since enactment of the Resource Management Act in 1991 the largest new hydro power station built in NZ is TrustPower's 6 MW Deep Stream station which was commissioned in 2008.

TrustPower's consented New Zealand generation projects are noted in the table.

Location	Size	Cost*
Arnold West Coast hydro	46 MW - 220 GWh (27,000 households)	\$180-200 million
Wairau Marlborough hydro	73 MW -370 GWh (47,000 households)	\$280-320 million
Kaiwera Southland wind	240 MW - 780 GWh (97,000 households)	\$500-550 million
Mahinerangi II Otago wind	164 MW - 530 GWh (66,000 households)	\$350-375 million

* Cost estimates are undertaken during consenting, but final figures are only prepared during detailed final stage civil design and geotechnical analysis.

The NZ projects listed in the table have an estimated total cost of \$1.4 billion and would provide sufficient electricity for approximately 250,000 households. They represent two to three years of normal National load growth. It is expected that construction will occur incrementally as demand grows and projected returns justify the allocation of capital.

Over the last decade TrustPower's investment in generation increased its output by approximately 60%.

TrustPower has also been working to progress the extension to its Snowtown wind farm in South Australia. As with the New Zealand projects, construction ultimately hinges on electricity prices being high enough to warrant the investment.

The third area of investment TrustPower is developing relates to irrigation. With high, and rising, food prices it seems inevitable that it will become economic to irrigate more land in New Zealand. Expansion of the irrigated area in Mid Canterbury alone is believed to have the capacity to provide sufficient food for over one million people. TrustPower's water management facilities, expertise and consents and its capital make this is an area with considerable opportunity.

The other unfolding development of relevance to TrustPower is Government's plan to sell some shares in the State owned generator/retailers. This will benefit the industry as a whole by improving commercial disciplines and transparency.

Year ended 31 March	2011	2010	2009	2008	2007
Generation output	2,615 GWh	2,390 GWh	2,587 GWh	2,320 GWh	1,950 GWh
Electricity customers	221,000	225,000	227,000	222,000	219,000
Average generation spot price	5.1c/kwh	5.0c/kwh	11.4 c/kwh	6.8 c/kwh	6.2 c/kwh
Earnings EBITDAF	\$274m	\$274m	\$261m	\$208m	\$196m
Infratil dividend income	\$61m	\$73m	\$65m	\$50m	\$31m
Investment spend	\$109m	\$29m	\$93m	\$177m	\$187m

Infratil Energy Australia markedly increased earnings notwithstanding intense retail competition in Victoria (IEA's main market).



INFRATIL ENERGY AUSTRALIA

Two new power stations were commissioned: at Port Stanvac (SA) and Kwinana (WA); which significantly raise IEA's generation capacity (to 275 MW from 99 MW a year prior) and in future will provide a level of core earnings to augment the group's retail activities.

A \$50 million revaluation of IEA's generation facilities and a \$40 million improvement in the market value of IEA's hedge book are not included in EBITDAF earnings, but are reflected in the increased business valuation.

The only shadow over IEA's FY11 result was the lack of growth in customer numbers resulting from intense competition in Victoria. IEA's willingness to cede customers is in part due to a more selective approach to gaining and retaining higher value accounts. In March 2011 Origin Energy and TRU Energy acquired the three NSW state owned retailing businesses at values of over A\$1,000 per customer; indicating the value of a larger and more stable dual-fuel customer base.

The IEA group has three parts:

1. Lumo, the electricity and gas retailer to mainly residential customers in Victoria, South Australia, Queensland and recently NSW.
2. IEA which provides Lumo with fixed price electricity and gas for its retailing business, with the electricity coming from either the wholesale market or IEA's own generation plant. Gas is purchased on medium term contracts and held in storage if not immediately needed.
3. Perth Energy (82% owned) which has completed the first stage of the Kwinana power station to provide back-up for its growing commercial customer energy sales.

As noted in the September Infratil Update, following the recent investment in generation and at the current scale of its retailing operations, IEA is believed to have a "normalised earnings potential" of about A\$65 million per annum, all other things being equal. Last year it delivered A\$43 million.

About half of the gap is explained by the new generation facilities being operational for only part of last year and the time it takes for their full earnings potential to be realised.

The other half of the earnings gap is essentially filled by the "other" line in the table. The major negative in this category has been ownership of too much gas purchased at a fixed price with excess gas having to be sold in the spot market at sometimes low prices (resulting in a cost of A\$18.6 million and A\$5.6 million in 2010 and 2011 respectively).

This situation arose because when IEA entered the Victorian market it could not purchase gas on flexible terms. The inflexibility of the purchase arrangement, and lower retail sales than originally anticipated, meant excess gas had to be sold back into the wholesale market at sometimes very low spot-prices. The improved financial result between FY2010 and FY2011 was because last winter was cold which increased residential heating demand, meaning little gas had to be sold at a loss. IEA has now arranged flexible storage and procurement arrangements which will take full effect from later in 2012.

Last year retail growth in Victoria proved to be difficult. During a period of intense competition almost 30% of residential customers changed company; about twice the normal rate (Victoria is rated as the world's most competitive residential energy market). This is expected to gradually calm down and in the meantime Lumo is progressing profitable growth opportunities in Queensland and SA while the largest state market in Australia, NSW, is only now genuinely opening for competition.

Further expansion of IEA's generation capacity is also under assessment. Specific projects include Stage Two of Kwinana and a power station at Bamarang which is in NSW south of Sydney. IEA purchased the consented Bamarang site from the NSW government in March 2011 for A\$9 million. In addition to its consents, the attraction of this 20 hectare site is its proximity to high voltage transmission, gas pipelines and water. IEA's growth is based on building retail energy sales with electricity and gas purchased (and the price fixed) via the wholesale markets. Generation plant may then be built or acquired if it becomes attractive relative to the wholesale market purchases.

Year ended 31 March	2011	2010	2009	2008	2007
Generation capacity	275 MW	99 MW	99 MW	70 MW	70 MW
Electricity customers	409,730	411,971	386,900	286,000	186,000
Revenue	A\$691m	A\$540m	A\$456m	A\$237m	A\$118m
Hedge value	(A\$30m)	(A\$65m)	(A\$5m)	A\$15m	A\$23m
Investment spend	NZ\$116m	NZ\$116m	NZ\$53m	NZ\$31m	NZ\$77m
Infratil's investment *	NZ\$375m	NZ\$206m	NZ\$221m	NZ\$206m	NZ\$172m
Earnings contributions					
Retail	A\$44.4m	A\$31.6m	(A\$0.3m)		
Generation	A\$8.3m	A\$8.4m	A\$6.1m		
Perth Energy	A\$4.5m	A\$0.7m	A\$12.8m		
Other	(A\$14.5m)	(A\$31.9m)	(A\$1.6m)		
Earnings EBITDAF	A\$43m	A\$9m	A\$17m	A\$11m	A\$13m

* Fluctuation in the book value of Infratil's investment in IEA reflects investment spending, the revaluation of generation plant, changes in the value of electricity price hedges and changes in the NZ\$/A\$ exchange rate. The Lumo retailing business is included in this valuation on the basis of capital absorbed less accumulated losses. The implied valuation is about A\$180 per customer, plus working capital.

Having acquired 50% of Z Energy
in April 2010 for \$210 million, Infratil's first year returns were \$116 million.



Z ENERGY

Z Energy's exceptional accounting result is explained below. More pertinent to the Company's performance for the year is the \$157 million of Current Cost Earnings before interest, tax, depreciation, amortisations and revaluations. This was \$19 million more than achieved under the last year of multinational ownership and 30% more than the business' average earnings of the last five years.

It was an excellent outcome especially as it included \$6 million of costs resulting from the Christchurch earthquake and \$10 million of costs associated with the transition from multinational to local ownership. The increased earnings have given management and shareholders the confidence to back a material capital upgrade programme.

Z Energy's \$232 million return to its two shareholders (50% being Infratil's share) reflects a \$122 million asset revaluation which IFRS accounting rules require be taken through the P&L. It also incorporates the Historic Cost measure of earnings which includes revaluation of inventory.

The Current Cost Earnings result is regarded as more reflective of underlying cash earnings and hence tends to be regarded as the more appropriate measure of annual performance.

Year ended 31 March 2011 Year ended 31 December Previously	2011	2009	2008	2007	2006
Average crude price	NZ\$115/bbl	NZ\$95/bbl	NZ\$129/bbl	NZ\$93/bbl	NZ\$95/bbl
Sales (litres)	2,654m	2,508m	2,610m	2,538m	2,479m
Sourced from refinery	64%	70%	67%	64%	70%
Distributed to retail	47%	50%	47%	49%	50%
Inventory (litres)	524m	428m	456m	533m	516m
Inventory value	\$549m	\$334m	\$305m	\$450m	\$347m
Revenue ex-tax	\$2,795m	\$2,152m	\$2,942m	\$2,174	\$2,206m
Gross margin	\$400m	\$368m	\$399m	\$288m	\$315m
Operating costs	(\$243m)	(\$230m)	(\$245m)	(\$208m)	(\$204m)
Current cost earnings	\$157m	\$138m	\$154m	\$80m	\$111m
Stock value adjustment	\$62m	\$38m	(\$160m)	\$70m	\$47m
NZRC contribution	\$10m	\$3m	\$32m	\$33m	\$41m
Historic cost earnings	\$228m	\$179m	\$26m	\$183m	\$199m
Depreciation & amortisation	(\$27m)	(\$22m)	(\$21m)	(\$20m)	(\$23m)
Hedge revaluations	(\$10m)				
External interest	(\$30m)	\$4m	-	-	-
Tax	(\$52m)	(\$38m)	-	-	-
Asset revaluations	\$122m	-	-	-	-
Shareholder surplus	\$232m	\$123m			
Shareholder cash income	\$28m				
Investment spend	\$29m	\$25m	\$31m	\$33m	\$30m
Average gross margin *	15.1c/litre	14.7c/litre	15.3c/litre	11.3c/litre	12.7c/litre
Average net margin *	5.9c/litre	5.5c/litre	5.9c/litre	3.2c/litre	4.5c/litre

* The margin per litre is calculated on the basis of Current Cost earnings. The normalised after tax surplus amounts to 2.6 cents per litre (including the contribution from service station shop sales).

The first year goals for Z Energy were conservative; to transition to local ownership while maintaining safety standards, continuity of supply and earnings, and for management to prepare a plan to take the business forward.

Each goal was met and the development of a medium term plan was progressed further than expected. Developing such a plan is no small matter when amongst other things it involves asking 17,000 people what they want when they visit a service station.

The background to the Z Energy's business plan is worth noting to provide context. Over the last 20 years the New Zealand fuel distribution industry has evolved as one of the world's most competitive and lean. The most obvious example of this was the halving of the number of service stations and while much of the capacity taken out will have been redundant, gradually the gaps between stations have become less convenient for motorists. At a point increased efficiency can mean less resilience and less convenience.

At least in part Shell's decision to exit is likely to have been based on a view that it was better to extract all its capital from its NZ subsidiary via a sale rather than by high dividends as it gradually shrank the business. Over the last five years of Shell ownership, the NZ operations generated about \$400 million of Net Profits with about 65% paid out as dividends. Capital spending seems to have been minimised. Shell's position in NZ was not unique; in fact over the period it increased its market share implying that some of its competition were shrinking even faster.

When Infratil and the New Zealand Superannuation Fund acquired the business it was felt that the industry was due for a change and that a locally owned company with a different business model and focus could effect that

change. The initial challenge to management was to develop a plan to grow rather than shrink the business. The plan to have three obvious parts, a competitive offering (clearly growth only occurs when price and convenience are attractive), an investment programme to increase capacity, and the profitability necessary to justify the money allocated to the expansion.

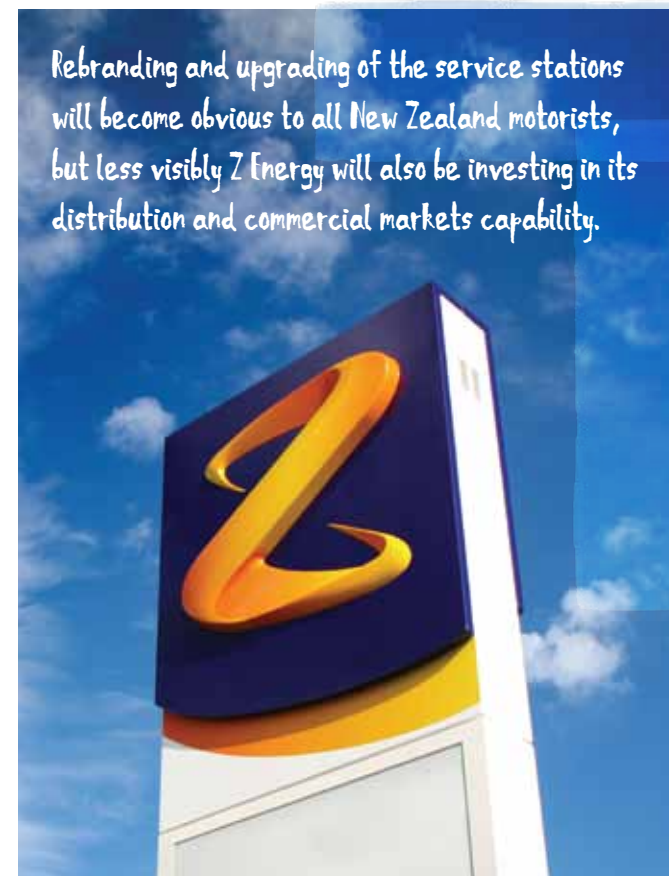
The latter point, profitability, is the most uncertain of these variables as Z Energy operates in a highly competitive market. However, over the last year competition has been rational and margins have increased in some areas and are encouraging for future investment. It is early days, but the better margins and hence profitability have encouraged the shareholders to back management's expansion plans which for FY2012 involve capital spending of \$90 million, approximately three times the rate of recent years.

It is the opinion of Infratil's management and board that the acquisition of 50% of Z Energy captured considerable value for Infratil. Confidence is now increasing that Z Energy's management team can substantially grow that value through profitable expansion of its business.

Tangible examples in the last year include the three new petrol stations which Z Energy opened. Fuel sales at these outlets has been at an average rate of approximately 10 million litres per annum. Z Energy's average per-station sales are 5.8 million litres and the average of the rest of the industry is less than 3 million litres. The approximately \$3 million cost of a new petrol station is being vindicated by the sales achievements.

These investments also show that in an industry where capital has been in short supply, there can be excellent opportunities for the growth-orientated Z Energy.

Rebranding and upgrading of the service stations will become obvious to all New Zealand motorists, but less visibly Z Energy will also be investing in its distribution and commercial markets capability.





INFRATIL AIRPORTS EUROPE

Infratil's two remaining European airports continued to experience very difficult trading conditions. Notwithstanding excellent cost control, losses grew as traffic continued to weaken.

The airports in Glasgow and Kent represent 4% of Infratil's assets and contributed an EBITDAF loss of £5 million (NZ\$10 million) for the year.

Management is very aware of this disproportionate value/contribution aspect and the situation is receiving the urgent attention it warrants. There are several solutions possible, but regrettably the preferred one, an improving European aviation scene lifting activity and hence income, seems the least likely.

Year ended 31 March	2011	2010	2009	2008	2007
Passengers	1,556,655	1,718,070	2,748,184	3,003,874	3,085,797
Freight (tonnes)	38,312	48,582	42,012	64,359	56,445
Aeronautical income	£12m	£13m	£17m	£22m	£21m
Pax services income	£6m	£7m	£8m	£8m	£8m
Property/other income	£3m	£4m	£4m	£6m	£7m
Operating costs	(£26m)	(£27m)	(£37m)	(£37m)	(£35m)
Earnings EBITDAF	(£5m)	(£4m)	(£7m)	£1m	£0m
Depreciation, interest, tax	(£2m)	(£0m)	(£2m)	(£5m)	(£7m)
Revaluations	(£16m)	(£16m)			

Wellington Airport had stable total passenger numbers
as growth on the Tasman and regional services balanced less domestic trunk traffic



WELLINGTON AIRPORT

The increase in earnings largely reflected an increase in passenger services income. Increases to aeronautical income and costs balanced out.

Wellington Airport's opening of "The Rock" international terminal was the highlight of the year. It was the culmination of a five year, \$130 million, investment programme.

Infratil's cash income from Wellington Airport was \$27 million, up 12% on the previous year. Wellington Airport's \$20 million asset revaluation is not reflected in EBITDAF earnings.

Wellington Airport had a difficult year, but one which will be memorable for accomplishments and the resilience of the business. The weak economy, the Christchurch earthquakes and the cessation of domestic services by Pacific Blue were significant head winds. The ongoing Commerce Commission review of airport disclosure information continued to provide an expensive diversion.

But the year will be recalled for the opening of "The Rock" international terminal and a good financial outcome based on an excellent performance

from the Airport's provision of services to passengers. Five years ago the Airport's transport, retail and advertising activities provided average earnings of \$4.10 per passenger, last year that had risen to \$5.65 per passenger.

One especially notable area of success was the Airport's introduction of on-line car park booking. Wellington was able to draw on management's European experience to introduce the first version of this service seen at a New Zealand airport. By the end of the year over 10% of the car park use was being booked on-line which included over 40% of longer-term bookings.

The introduction of the on-line booking capability was part of a broader strategy of making sure there is a wide a range of efficient access options to and from the Airport; with the price of each a fair balance of cost and demand. Some people want to pay to have secure covered parking 20 metres from the terminal door, others want to catch the bus or use their bikes (Wellington Airport has a secure bike rack which is provided free of charge). Approximately 300,000 journeys per annum to and from the Airport are now made by bus.

In FY12 Wellington Airport will be progressing an expansion to its car parks, the construction of a new hangar for medium-sized jets and a number of upgrades to the domestic terminal. The Airport will also be fully participating in the region's welcome for Rugby World Cup and has been assisting the airlines in their scheduling of services over the tournament.

Longer range, Airport management are closely following the inaugural commercial flights of the Boeing 787. The aircraft offers the potential for direct Wellington – Asia services in the future.

Year ended 31 March	2011	2010	2009	2008	2007	5 year change
Domestic passengers	4,479,651	4,491,260	4,645,402	4,416,097	4,060,211	+10%
International passengers	654,576	626,646	610,996	603,344	575,500	+14%
Aeronautical income	\$57m	\$55m	\$53m	\$49m	\$42m	+22% *
Pax services income	\$29m	\$26m	\$24m	\$22m	\$19m	+38% *
Property/other income	\$8m	\$8m	\$8m	\$8m	\$6m	+33%
Operating costs	(\$22m)	(\$20m)	(\$20m)	(\$18m)	(\$17m)	+29%
Earnings EBITDAF	\$72m	\$68m	\$65m	\$60m	\$50m	+44%
Investment spend	\$15m	\$23m	\$23m	\$32m	\$35m	
Infratil cash income	\$27m	\$24m	\$23m	\$19m	\$19m	+42%

* on a per passenger basis

NZ Bus had a year of positive achievement, showing what can be delivered when bus operators work constructively with regional and central transport agencies and industrial relations are positive.



NZ BUS

The positive working relationship between the staff and management at Auckland Transport and NZ Bus has contributed to service improvements that have driven very positive patronage increases. However, even better outcomes are pending finalisation of the new form of public transport contract.

The period underlined the complexity of the regulatory environment and the relatively slow rate this is improving despite positive endeavours by both operators and authorities.

Infratil acquired NZ Bus from multinational ownership in late 2005 at a time when relieving traffic congestion in Auckland was becoming a high profile political concern. As the major provider of public transport into this region, NZ Bus was well placed to play a positive role improving the urban mobility. It was also hoped that local ownership would be an advantage in the relationship with the transport agencies.

In the event, almost six years later the contracting regime is still to be finalised due to an inconsistent and complex regulatory environment and the different models and approaches of the operators.

Positively, progress is now being made in Auckland and it is believed that the first of the new form of contract will be agreed in FY12. These contracts are expected to be of a longer term and will incentivise operators to grow patronage.

The prospect of the new contracts and anticipation that their terms will provide positive commercial incentives has encouraged Infratil to support the purchase by NZ Bus of 118 new buses from Europe's leading public transport bus manufacturer, the UK's ADL. If the contracts progress as expected it is likely to encourage further investment in fleet renewal.

The potential of bus public transport to play a much bigger role in alleviating urban road congestion in times of fiscal austerity are clearly shown by the financial performance of NZ Bus over the last five years. Over that time contract income (ie. the tax/rate payer subsidy) has risen from \$1.30 to \$1.40 per passenger trip, an 8% increase. Over the same period the CPI has risen 15% and NZ Bus's Road User Charges have risen 64% to \$11.2 million.

Management of NZ Bus have achieved considerable progress in making the Company an example of efficiency.

Year ended 31 March	2011	2010	2009 *	2008	2007
Passengers North	36,475,026	34,448,919	39,958,541	36,648,393	37,210,897
Passengers South	20,359,263	20,090,368	20,018,724	19,723,961	20,276,179
Bus distance (kilometres)	47.4 million	47.0 million	46.7 million	44.6 million	44.6 million
Bus numbers	1,068	1,036	1,072	1,084	1,019
Passenger income	\$117m	\$107m	\$130m	\$119m	\$114m
Contract income	\$80m	\$83m	\$88m	\$77m	\$75m
Earnings EBITDAF	\$40m	\$29m	\$40m	\$39m	\$41m
Capital spend	\$12m	\$15m	\$42m	\$44m	\$18m

* Before FY2010 the figures include Fullers Ferries which was sold at the end of the FY2009 year. For that year Fullers contributed 4.4 million passengers and EBITDA of \$4 million

SNAPPER

Acceptance on Wellington's buses, ferries and taxis is being replicated in Auckland. By the end of FY12 it is possible that half of all public transport rides in New Zealand will be paid for using Snapper.

Ultimately the goal remains for Snapper to be a popular payment tool for a wide range of low-value transactions and "smart-card" applications such as library cards, venue access, discount schemes and so on.

Illustrative of the wider capability was the range of services Snapper provided to the Asia-Pacific Out Games held in Wellington. 2,000 participants were issued with a co-branded Snapper Outgames ID card that contained credentials, enabled them to get around by taxi and public transport, and could be loaded with event tickets purchased over the net.

The next step is to have Wellington City's car park meters accept Snapper.



Snapper progressed towards the goal of being New Zealand's leading provider of public transport payment services.