INFRATIL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Consolidated 2010 $Millions	Consolidated 2009 $Millions	Parent 2010 $Millions	Parent 2009 $Millions
Operating revenue		1,829.1	1,724.2	17.7	11.4
Dividends		6.8	9.6	36.0	1.1
Total revenue	5	1,835.9	1,733.8	53.7	12.5
Depreciation		90.0	82.5	-	-
Amortisation of intangibles		24.0	19.7	-	-
Employee benefits		197.6	221.3	-	-
Other operating expenses	6	1,275.0	1,155.8	17.8	20.5
Total operating expenditure		1,586.6	1,479.3	17.8	20.5
Operating surplus before financing, investment costs, derivatives, realisations and impairments		249.3	254.5	35.9	(8.0)
Net (loss)/gain on energy, foreign exchange and interest rate derivatives		(67.5)	(24.9)	1.0	(5.8)
Net gain on investment derivatives		-	32.9	-	-
Net investment realisations and (impairments)	5	83.8	(179.4)	(2.4)	(0.4)
Results from operating activities		265.6	83.1	34.5	(14.2)
Interest income		7.9	14.0	109.5	100.0
Interest expense		167.2	190.9	61.2	66.0
Net financing expense		159.3	176.9	(48.3)	(34.0)
Net surplus/(loss) before taxation		106.3	(93.8)	82.8	19.8
Taxation expense	15	11.3	34.6	-	-
Net surplus/(loss) for the year		95.0	(128.4)	82.8	19.8
Net surplus/(loss) attributable to owners of the company		29.0	(191.0)	82.8	19.8
Net surplus attributable to non-controlling interest		66.0	62.6		
Other comprehensive income, after tax					
Differences arising on translation of foreign operations		(31.1)	14.1	-	-
Effective portion of changes in fair value of cash flow hedges		20.1	(0.4)	-	-
Net change in fair value of cash flow hedges transferred to profit or loss		6.2	(15.5)	-	0.1
Net change in fair value of property, plant & equipment recognised in equity		19.9	236.5	-	-
Net change in fair value of available-for-sale financial assets		79.4	-	-	-
Movement of available-for-sale financial assets transferred to profit and loss		(79.4)	94.1	-	-
Other comprehensive income for the year, net of income tax		15.1	328.8	-	0.1
Total comprehensive income for the year		110.1	200.4	82.8	19.9
Total comprehensive income for the year - owners of the Company		29.2	23.4	82.8	19.9
Total comprehensive income for the year - non controlling interest		80.9	177.0		
Earnings per share					
Basic (cents per share)		5.2	(37.5)		
Diluted (cents per share)		5.2	(36.5)		
Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, investment costs, realisations and impairments (EBITDAF)		363.3	356.7	35.9	(8.0)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Notes	Consolidated 2010 $Millions	Consolidated 2009 $Millions	Parent 2010 $Millions	Parent 2009 $Millions
Cash and cash equivalents	10	180.9	251.1	-	1.8
Trade, accounts receivable and prepayments	18	333.4	259.2	6.6	4.8
Derivative financial instruments	18	5.5	22.8	-	-
Inventories	9	15.3	15.4	-	-
Assets held for sale		-	47.7	-	-
Investments	14	-	56.3	-	-
Income tax receivable		-	1.3	-	
Current assets		535.1	653.8	6.6	6.6
Property, plant and equipment	16	3,556.1	3,475.8	-	-
Investment properties	17	75.9	90.9	-	-
Derivative financial instruments	18	22.5	5.8	-	-
Intangible assets	12	67.1	72.7	-	-
Goodwill	12	242.0	246.3	-	-
Investments	14	9.7	162.4	-	-
Investment in subsidiaries	22	-	-	99.7	99.7
Advances to subsidiaries		-	-	1,224.6	1,080.5
Non current assets		3,973.3	4,053.9	1,324.3	1,180.2
Total assets		4,508.4	4,707.7	1,330.9	1,186.8
Accounts payable, accruals and other liabilities		273.5	252.7	11.3	8.9
Derivative financial instruments	18	60.9	21.3	0.6	0.5
Bank debt	8	302.0	159.1	-	-
Liabilities held for sale		-	3.8	-	-
Income tax payable		10.5	8.7	-	-
Infrastructure bonds	19	0.7	-	0.7	-
Total current liabilities		647.6	445.6	12.6	9.4
Bank debt	8	330.5	960.6	-	-
Other liabilities		13.8	6.9	-	-
Deferred tax	15	339.5	366.7	-	-
Derivative financial instruments	18	49.6	34.1	4.2	5.3
Infrastructure bonds	19	508.1	508.8	508.1	508.8
Perpetual Infratil infrastructure bonds	19	239.3	239.9	239.3	239.9
Wellington International Airport bonds	20	250.0	250.0	-	-
TrustPower bonds	20	398.7	260.7	-	-
Non current liabilities		2,129.5	2,627.7	751.6	754.0
Attributable to owners of the Company		880.7	791.0	566.7	423.4
Non controlling interest in subsidiaries		850.6	843.4	-	-
Total equity		1,731.3	1,634.4	566.7	423.4
Total equity and liabilities		4,508.4	4,707.7	1,330.9	1,186.8
Net tangible assets per share ($ per share)		$ 1.0	$ 0.9		

Approved on behalf of the Board on 17 May 2010

Director　　　　　　　　　　Director

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Consolidated 2010 $Millions	Consolidated 2009 $Millions	Parent 2010 $Millions	Parent 2009 $Millions
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		1,751.6	1,688.6	-	-
Dividends		2.4	8.4	-	-
Interest received		7.9	14.0	-	0.4
		1,761.9	1,711.0	-	0.4
Cash was disbursed to:					
Payments to suppliers and employees		(1,424.0)	(1,366.7)	(21.0)	(19.7)
Interest paid		(167.1)	(190.0)	(61.4)	(67.4)
Taxation paid		(43.9)	(36.4)	(1.0)	(1.8)
		(1,635.0)	(1,593.1)	(83.4)	(88.9)
Net cash inflow/(outflow) from operating activities	25	126.9	117.9	(83.4)	(88.5)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of investments		328.4	-	-	-
Proceeds from sale of property, plant and equipment		63.4	-	-	-
Return of security deposits		-	55.4	-	-
Proceeds from investment derivatives		-	72.3	-	-
Advanced from subsidiaries		-	-	20.0	50.2
		391.8	127.7	20.0	50.2
Cash was disbursed to:					
Cash outflow for investments		-	(34.4)	-	-
Lodgement of security deposits		(0.5)	(61.2)	-	-
Purchase of intangible assets		(13.0)	(14.5)	-	-
Interest capitalised on construction of fixed assets		(1.9)	(5.0)	-	-
Capitalisation of customer acquisition costs		(10.6)	(14.1)	-	-
Acquisition of additional shares in subsidiary companies		-	(17.1)	-	-
Purchase of property, plant and equipment		(201.5)	(287.8)	-	-
		(227.5)	(434.1)	-	-
Net cash inflow/(outflow) from investing activities		164.3	(306.4)	20.0	50.2
Cash flows from financing activities					
Cash was provided from:					
Proceeds from issue of shares		98.2	90.5	98.2	90.5
Proceeds from issue of shares to non-controlling shareholders		5.2	2.1	-	-
Bank borrowings		251.0	547.5	-	-
Issue of bonds		137.7	198.5	-	-
		492.1	838.6	98.2	90.5
Cash was disbursed to:					
Repay bank debt		(738.1)	(474.7)	-	-
Repay TrustPower bonds/PIIB buyback		(0.4)	(50.5)	(0.4)	-
Share buyback		-	(24.9)	-	(24.9)
Share buyback of non-wholly owned subsidiary		-	(1.6)	-	-
Dividends paid to non-controlling shareholders in subsidiary companies		(78.8)	(71.2)	-	-
Dividends paid to owners of the Company		(36.2)	(31.3)	(36.2)	(31.3)
		(853.5)	(654.2)	(36.6)	(56.2)
Net cash (outflow)/inflow from financing activities		(361.4)	184.4	61.6	34.3
Net (decrease)/increase in cash		(70.2)	(4.1)	(1.8)	(4.0)
Cash balances at beginning of year		251.1	255.2	1.8	5.8
Cash at end of year		180.9	251.1	-	1.8

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010

Consolidated	Attributable to equity holders of the Company								
	Capital	Revaluation reserve	Foreign currency translation reserve	Fair value reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2009	323.0	367.9	(8.8)	-	(4.5)	113.4	791.0	843.4	1,634.4
Total comprehensive income for the year									
Net surplus for the year	-	-	-	-	-	29.0	29.0	66.0	95.0
Other comprehensive income, after tax									
Differences arising on translation of foreign operations	-	-	(35.3)	-	-	4.2	(31.1)	-	(31.1)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	7.8	-	7.8	12.3	20.1
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	6.2	-	6.2	-	6.2
Net change in fair value of property, plant & equipment recognised in equity	-	17.3	-	-	-	-	17.3	2.6	19.9
Net change in fair value of available-for-sale financial assets	-	-	-	79.4	-	-	79.4	-	79.4
Movement of available-for-sale financial assets transferred to profit or loss	-	-	-	(79.4)	-	-	(79.4)	-	(79.4)
Total other comprehensive income	-	17.3	(35.3)	-	14.0	4.2	0.2	14.9	15.1
Total comprehensive income for the year	**-**	**17.3**	**(35.3)**	**-**	**14.0**	**33.2**	**29.2**	**80.9**	**110.1**
Contributions by non-controlling interest									
Outside equity interest arising on establishment of subsidiary	-	-	-	-	-	-	-	5.1	5.1
Total contributions by non-controlling interest	-	-	-	-	-	-	-	5.1	5.1
Contributions by and distributions to owners									
Warrants exercised and partly paid	86.6	-	-	-	-	-	86.6	-	86.6
Shares issued from underwrite of IFTWB exercise	11.6	-	-	-	-	-	11.6	-	11.6
Rights issue proceeds from partly paid shares	-	-	-	-	-	-	-	-	-
Less share buyback	(1.5)	-	-	-	-	-	(1.5)	-	(1.5)
Dividends to equity holders	-	-	-	-	-	(36.2)	(36.2)	(78.8)	(115.0)
Total contributions by and distributions to owners	96.7	-	-	-	-	(36.2)	60.5	(78.8)	(18.3)
Balance at 31 March 2010	**419.7**	**385.2**	**(44.1)**	**-**	**9.5**	**110.4**	**880.7**	**850.6**	**1,731.3**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009

Consolidated	Attributable to equity holders of the Company								
	Capital	Revaluation reserve	Foreign currency translation reserve	Fair value reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2008	257.4	251.7	(20.7)	(94.1)	9.7	329.3	733.3	737.1	1,470.4
Total comprehensive income for the year									
Net surplus/(loss) for the year	-	-	-	-	-	(191.0)	(191.0)	62.6	(128.4)
Other comprehensive income, after tax									
Differences arising on translation of foreign operations	-	-	11.9	-	-	-	11.9	2.2	14.1
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	6.5	-	6.5	(6.9)	(0.4)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(15.5)	-	(15.5)	-	(15.5)
Net change in fair value of property, plant & equipment recognised in equity	-	116.2	-	-	(5.2)	6.4	117.4	119.1	236.5
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Movement of available-for-sale financial assets transferred to profit or loss	-	-	-	94.1	-	-	94.1	-	94.1
Total other comprehensive income	-	116.2	11.9	94.1	(14.2)	6.4	214.4	114.4	328.8
Total comprehensive income for the year	**-**	**116.2**	**11.9**	**94.1**	**(14.2)**	**(184.6)**	**23.4**	**177.0**	**200.4**
Contributions by non-controlling interest									
Outside equity interest arising on establishment of subsidiary	-	-	-	-	-	-	-	2.1	2.1
Total contributions by non-controlling interest	-	-	-	-	-	-	-	2.1	2.1
Contributions by and distributions to owners									
Warrants exercised and partly paid	2.5	-	-	-	-	-	2.5	-	2.5
Shares issued from underwrite of IFTWB exercise	-	-	-	-	-	-	-	-	-
Rights issue proceeds from partly paid shares	88.0	-	-	-	-	-	88.0	-	88.0
Less share buyback	(24.9)	-	-	-	-	-	(24.9)	(1.6)	(26.5)
Dividends to equity holders	-	-	-	-	-	(31.3)	(31.3)	(71.2)	(102.5)
Total contributions by and distributions to owners	65.6	-	-	-	-	(31.3)	34.3	(72.8)	(38.5)
Balance at 31 March 2009	**323.0**	**367.9**	**(8.8)**	**-**	**(4.5)**	**113.4**	**791.0**	**843.4**	**1,634.4**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009

Parent	Capital	Revaluation reserve	Foreign currency translation reserve	Fair value 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	$Millions
Balance as at 1 April 2009	315.8	-	-	-	0.1	107.5	423.4	-	423.4
Net surplus/(loss) for the year	-	-	-	-	-	82.8	82.8	-	82.8
Total comprehensive income for the year	-	-	-	-	-	82.8	82.8	-	82.8
Contributions by and distributions to owners									
Warrants exercised and partly paid	86.6	-	-	-	-	-	86.6	-	86.6
Shares issued from underwrite of IFTWB exercise	11.6	-	-	-	-	-	11.6	-	11.6
Rights issue proceeds from partly paid shares	-	-	-	-	-	-	-	-	-
Less share buyback	(1.5)	-	-	-	-	-	(1.5)	-	(1.5)
Dividends to equity holders	-	-	-	-	-	(36.2)	(36.2)	-	(36.2)
Total contributions by and distributions to owners	96.7	-	-	-	-	(36.2)	60.5	-	60.5
Balance at 31 March 2010	**412.5**	**-**	**-**	**-**	**0.1**	**154.1**	**566.7**	**-**	**566.7**
Balance as at 1 April 2008	250.2	-	-	-	-	119.0	369.2	-	369.2
Net surplus/(loss) for the year	-	-	-	-	-	19.8	19.8	-	19.8
Fair value gains	-	-	-	-	0.1	-	0.1	-	0.1
Total comprehensive income for the year	-	-	-	-	0.1	19.8	19.9	-	19.9
Contributions by and distributions to owners									
Warrants exercised and partly paid	2.5	-	-	-	-	-	2.5	-	2.5
Shares issued from underwrite of IFTWB exercise	-	-	-	-	-	-	-	-	-
Rights issue proceeds from partly paid shares	88.0	-	-	-	-	-	88.0	-	88.0
Less share buyback	(24.9)	-	-	-	-	-	(24.9)	-	(24.9)
Dividends to equity holders	-	-	-	-	-	(31.3)	(31.3)	-	(31.3)
Total contributions by and distributions to owners	65.6	-	-	-	-	(31.3)	34.3	-	34.3
Balance at 31 March 2009	**315.8**	**-**	**-**	**-**	**0.1**	**107.5**	**423.4**	**-**	**423.4**

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 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 International Financial Reporting Standards ('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. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Comparative figures have been restated where appropriate to ensure consistency with the current period.

The financial statements comprise statements of the following: comprehensive income; financial position; changes in equity; cash flows; significant accounting policies; and the notes to those statements are contained on pages 12 to 40 of this report. The financial statements are prepared on the basis of historical cost, except certain property, plant and equipment is valued in accordance with accounting policy (C), investment properties are valued in accordance with accounting policy (D), investments are valued in accordance with accounting policy (F), and financial derivatives are valued in accordance with accounting policy (L).

(A) Basis of preparation

Accounting estimates and judgements

The preparation of financial statements in conformity with 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

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

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

Valuation of investments

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

Accounting for income taxes

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

Goodwill

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

Derivatives

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

Revenue

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

Provision for doubtful debts

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

(B) Basis of preparing consolidated financial statements

Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in NZ IAS-27 'Consolidated and Separate Financial Statements' and equity accounted associates. A list of subsidiaries and associates is shown in note 22. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after remeasurement, the fair values of the identifiable net assets acquired exceeds the costs of acquisition, the deficiency is credited to profit and loss in the period of acquisition. Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the Group financial statements.

Subsidiaries

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

Associates

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

Acquisition during the year

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

Goodwill arising on acquisition

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

(C) Property, plant and equipment

Property, plant and equipment (PPE) is recorded at cost less accumulated depreciation (or fair value on acquisition), or valuation 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 independent valuation, 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, as required by NZ IAS 16. Depreciated replacement cost measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. For non-specialised assets where there is no observable market an income based approach is used.

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

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

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

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

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

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

Buildings and civil works	5-80	Vehicles, plant and equipment	3-20
Renewable generation	12-200	Non-renewable generation assets	30-75
Metering equipment	20	Land - not depreciated	

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

(D) Investment property

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

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

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

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

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

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

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

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

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

(K) Taxation
Income tax comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.
The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.
Deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(L) Derivative financial instruments

The Group is a party to derivative financial instruments as part of its day to day operating activities. When appropriate, it enters into agreements to manage its interest rate, foreign exchange, operating and investment risks.

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

Hedge accounting

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

Fair value hedges

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recognised in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Net investment hedge

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

(M) Foreign currency transactions

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

Foreign subsidiaries

The assets and liabilities of foreign subsidiaries including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at the average rate.

(N) Goods & Services Tax (“GST”) and Value Added Tax ("VAT")

The financial statements have been prepared on a GST/VAT exclusive basis (as applicable) except billed receivables and payables which include GST/VAT (as applicable).

(O) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. Impairment losses are recognised in profit or loss, except for revalued property, plant and equipment assets (refer note C).

(P) Employee benefits

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

Infratil Share Schemes and share based payments

Infratil has established the Infratil Executive Redeemable Share Scheme and Staff Share Purchase Scheme (together 'the schemes') as defined in the individual Trust Deeds for each scheme. The Schemes are administered by a trustee, Infratil Trustee Company Limited (the Schemes exclude staff and directors of the manager H.R.L Morrison & Co Limited and directors of Infratil).

Under the Infratil Executive Redeemable Share Scheme the fair value of the employee services received in exchange for the grant of the shares are recognised as an expense, with a corresponding increase in equity, over the vesting period during which employees become unconditionally entitled to the shares. The fair value is measured at grant date by reference to the fair value of the equity instruments granted, taking into account market performance conditions, measured using monte carlo simulation techniques. Non-market vesting conditions are included in the assumptions about the number of shares that are expected to become exercisable. At each balance sheet date, Infratil revises the amount to be recognised as an expense to reflect the expected entitlement from the executive share scheme.

The Staff Share Purchase Scheme was designed to allow certain employees of the Group participating in the Scheme to purchase shares in Infratil Limited at a discount to market price and using interest free loans as required by section DC12 of the Income Tax Act 2007. Under the Staff Share Purchase Scheme, Infratil shares are acquired by participants and held by the Trustee on trust for the participating employees until the applicable restrictive period and conditions have been met.

(Q) Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities.

Interest revenues are recognised as accrued, taking into account the effective yield of the financial asset. Revenue from services is recognised in the profit or loss over the period of service. Dividend income is recognised when the right to receive the payment is established.

(R) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate. Bond and bank debt issue expenses, fees and other costs incurred in arranging finance are capitalised and amortised over the term of the relevant debt instrument or debt facility.

(S) Cash and cash equivalents

Comprise cash on hand, cash at banks, financial institutions and investments in money market instruments, excluding outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(T) Financial instruments issued by the Group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(U) Provisions

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

(V) Financial guarantees

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

(W) Emission rights

The Group receives tradable emission rights from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these emission rights may be a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the Statement of Financial Position. Proceeds received on the sale of emission rights are recorded as deferred income in the Statement of Financial Position until the committed energy production levels pertaining to the emission rights sold has been generated.

Emission rights produced are recognised in the Statement of Financial Position if the right has been verified, it is probable that expected future economic benefits will flow to the Group, and the rights can be measured reliably. Emission rights are initially measured at cost. After initial recognition, the emission rights are carried at fair value with any changes taken to profit and loss. Fair value is determined by reference to an active market. If the emission rights cannot be revalued because there is no active market, the emission rights are carried at cost less any subsequent impairment losses.

(X) 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 2010, the Group is organised into six main business segments:

TrustPower, Wellington Airport, NZ Bus, Infratil Energy Australia, Infratil Airports Europe and Other.

(Y) Earnings per share

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

(Z) Adoption status of relevant new financial reporting standards and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009.

- NZ IAS 1 (revised), Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown the Statement of Comprehensive Income.

• NZ IFRS 8, Operating segments. NZ IFRS 8 replaces NZ IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the following presentation of segments: TrustPower, Wellington Airport, Infratil Airports Europe , NZ Bus, Infratil Energy Australia and Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors, which includes the Chief Executive of Infratil.

• NZ IFRS 7, Financial Instruments. Disclosures (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009, but are either not currently relevant for the Group or do not result in material accounting and/or disclosure changes:

• NZ IAS 23 (amendment), Borrowing costs
• NZ IFRS 2 (amendment), Share-based payment
• NZ IAS 32 (amendment), Financial instruments: Disclosure and presentation
• NZ IFRIC 13, Customer loyalty programmes
• NZ IFRIC 15, Agreements for the construction of real estate
• NZ IFRIC 16, Hedges of a net investment in a foreign operation
• NZ IAS 39 (amendment), Financial instruments: Recognition and measurement

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

• NZ IFRS 3 (revised), Business combinations and consequential amendments to NZ IAS 27, Consolidated and separate financial statements, NZ IAS 28, Investments in associates and NZ IAS 31, Interests in joint ventures, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group
• NZ IFRIC 17, Distributions of non-cash assets to owners, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group
• NZ IFRIC 18, Transfers of assets from customers, effective for transfers of assets received on or after 1 July 2009. This is not currently applicable to the Group
• IFRS 5 Non-current assets held for sale and discontinued operations (effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the group).
• IFRS 9 Financial Instruments: Classification and measurement (effective for annual periods beginning on or after 1 January 2013. This is not currently applicable to the group).
• NZ IAS 24 Related party disclosures (effective for annual periods beginning on or after 1 July 2011. This is not currently applicable to the group).
• IAS 38 Intangible assets (effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the group).

(2) Discontinued operations

There were no discontinued operations in the current year, or in the prior year.

(3) 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 97 The Terrace, Wellington, New Zealand.

(4) Business disposals

In April 2009 the Group sold its interest in the Fullers Ferry business for $40.0 million. In April 2009 the Group sold three commercial properties for a gross sale price of $23.1 million, with settlement completed in May 2009. The properties in Wiri, Glenfield and Swanson, Auckland were long term operational bus depots for New Zealand Bus. New Zealand Bus, an Infratil subsidiary, has 15 year leases in place for the three properties and the sale price reflected a blended yield of approximately 8.6% on current market rentals. The assets and liabilities relating to this transaction were part of the Other and New Zealand segments.

	2010 $Millions NZ Bus	2010 $Millions IFT Property	2009 $Millions NZ Bus	2009 $Millions IFT Property
Assets of disposal group classified as held for sale				
Property, plant and equipment	-	-	20.9	19.1
Inventory	-	-	1.9	-
Goodwill	-	-	4.3	-
Other current assets	-	-	1.5	-
Total held for sale assets	-	-	28.6	19.1
Liabilities of disposal group classified as held for sale				
Trade and other payables	-	-	1.1	-
Other current liabilities	-	-	2.7	-
Total held for sale liabilities	-	-	3.8	-

(5) Revenue

	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Trading/operating revenue	1,828.9	1,723.5	-	-
Dividends	6.8	9.6	36.0	1.1
Grant income	0.2	0.7	-	-
Inter-company charges	-	-	17.7	11.4
	1,835.9	1,733.8	53.7	12.5
Investment realisations and revaluations	127.0	18.4	0.2	-
Change in fair value of investment properties	(0.1)	(7.5)	-	-
Investment transaction costs expensed	(2.6)	(0.4)	(2.6)	(0.4)
Impairment of investments	-	(178.5)	-	-
Impairment of property, plant and equipment	(34.4)	(10.4)	-	-
Impairment of goodwill and other intangibles	(6.1)	(1.0)	-	-
	83.8	(179.4)	(2.4)	(0.4)

Investment realisations and revaluations

During the year the Group disposed of investments in Fullers Ferries, certain property assets, Lubeck Airport, Auckland International Airport and Energy Developments resulting in realisation gains of $127 million.

Impairment of property, plant and equipment

Airport assets are typically revalued at least every five years by independent valuers, with impairment considered at each balance date. The financial performance of Glasgow Prestwick Airport has deteriorated against expectations for the current year, with the Scottish economy remaining in recession and current year passenger and freight performance down significantly compared to the prior year. An updated independent valuation of Glasgow Prestwick as at 31 March 2010 has been obtained and as a result the value of the assets have been impaired by $34.4 million.

Impairment of goodwill and other intangibles

The impairment of software intangible assets relates to the partial abandonment of a project to replace billing software.

(6) Other operating expenses

	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Fees paid to group auditors				
Audit fees	0.7	0.7	0.1	0.2
Other assurance services	-	0.1	-	-
Taxation and other services	0.5	0.9	0.1	0.3
Audit fees paid to other auditors	0.3	0.3	-	-
Bad debts written off	11.3	6.6	-	-
Increase in provision for doubtful debts	13.0	2.3	-	-
Directors' fees	2.4	2.3	0.5	0.5
Administration and other	4.2	6.0	4.1	4.0
Management fee (to related party "MCIM")	16.5	18.7	13.0	15.5
Trading operations				
Energy and wholesale costs	520.3	449.7	-	-
Line, distribution and network costs	446.1	382.5	-	-
Other energy business costs	96.8	101.7	-	-
Other transportation business costs	77.8	91.6	-	-
Other airport business costs	85.1	92.4	-	-
Total other operating expenses	1,275.0	1,155.8	17.8	20.5

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

(7) Government grants

Capital based government grants of $4.5 million (2009 $5.6 million) are included within accounts payable, accrual and other liabilities in the Statement of Financial Position and credited to operating profit over the useful economic lives of the assets to which they relate. Other grants are credited to the profit and loss account when received.

(8) Interest-bearing 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 18.

	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Current liabilities				
Unsecured bank loans	223.6	159.1	-	-
Secured bank facilities	78.4	-	-	-
	302.0	159.1	-	-
Non-current liabilities				
Unsecured bank loans	190.5	819.4	-	-
Secured bank facilities	-	1.2	-	-
Redeemable preference shares - secured	140.0	140.0	-	-
	330.5	960.6	-	-
Facilities utilised at reporting date				
Unsecured bank loans	414.1	978.5	-	-
Unsecured guarantees	45.3	34.2	-	-
Secured bank loans	78.4	1.2	-	-
Secured guarantees	6.1	4.4	-	-
Redeemable preference shares - secured	140.0	140.0	-	-
Facilities not utilised at reporting date				
Unsecured bank loans	882.4	457.9	-	-
Secured bank loans	18.3	91.2	-	-
Unsecured bank guarantees	2.5	2.2	-	-

Financing arrangements

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

Throughout the year the Group has complied with all debt covenant requirements as imposed by lenders.

At year end the Group had unsecured bank debt and guarantee facilities of $1,344.3 million (2009: $1,472.8 million), redeemable preference shares (RPS) of $140 million (2009: $140 million) and secured bank and guarantee debt facilities of $102.8 million (2009: $96.8 million).

The secured and unsecured debt facilities are able to be drawn-down as required subject to the borrower being in compliance with undertakings in respect of those facilities. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the year ranged from 2.7% to 5.7% (2009: 3.2% to 9.7%).

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 has issued redeemable preference shares (RPS) which have a fixed interest rate of 7.93% (2009: 8.05%), and which mature in August 2013.
The RPS are secured by a specific charge over 48.5 million TrustPower shares held by a subsidiary company and a general security charge over the other assets of that subsidiary company.

A subsidiary company has entered into a fully defeased cross border lease in relation to generation assets with a book value of $65.5 million (2009: $65.5 million). The lease liability is not recognised in these financial statements as all obligations have been prepaid to the respective lessors. This lease creates restrictions on the disposal of the asset unless the subsidiary company holding the assets is part of the disposal. The lease expires in January 2018 and is subject to a potential termination payment, up to a maximum value of $4.9 million (2009 $5.4 million), in the event that the subsidiary wishes to terminate the lease.

(9) Inventories

	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Raw materials and consumables	3.1	3.8	-	-
Finished goods/trading products	12.2	11.6	-	-
Total	15.3	15.4	-	-

(10) Cash and cash equivalents

	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Call deposits	100.5	230.0	-	1.8
Cash deposits held as security for retail energy market contracts & RPS	80.4	21.1	-	-
Total	180.9	251.1	-	1.8

The Group conducts some of its electricity wholesale price hedging via the Sydney Futures Exchange and is required to maintain cash balances with its brokers, which contains payments for initial margin 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. $80.4 million (2009: $21.1 million) is "restricted" as it is not immediately available for use by the Group.

(11) Infratil shares and warrants

Ordinary shares (fully paid)	Consolidated & Parent	
	2010	2009
Total issued capital at the beginning of the year	520,211,418	531,416,545
Movements in issued and fully paid ordinary shares during the year		
Warrants exercised	40,531,919	1,539,244
Share placement - IFTWB underwrite	7,811,769	-
Share buyback	(900,000)	(12,744,371)
Total issued capital at the end of the year	567,655,106	520,211,418

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. There are 38,086,925 (2009: 84,398,343) and 52,825,458 (2009: 52,825,848) Infratil warrants on issue, referred to as IFTWBs and IFTWCs respectively. During the year 40,531,529 IFTWBs were converted to ordinary shares and 38,372,405 IFTWBs were partly paid to $0.55 with the remaining instalment amount of $1.12 to be paid on or before 21 May 2010. As part of IFTWB conversion, 5,779,889 warrants were not exercised and 7,811,769 shares were placed as part of the IFTWB series warrant underwrite and fully paid. 390 IFTWCs were converted to ordinary shares during the year (2009: 1,000).

Each Infratil warrant held entitles the holder to acquire a further share in the Company at a price of $1.12 (IFTWBs) and $4.15 (IFTWCs) on, or before, 21 May 2010 (IFTWBs) and on, or before, 29 June 2012 (IFTWCs) respectively.

	Consolidated & Parent	
Executive redeemable shares	2010	2009
Balance at the beginning of the year	293,500	-
Shares Issued	339,000	293,500
Balance at end of year	632,500	293,500

Pursuant to Infratil Limited's Executive Share Scheme, the Company issued on 3 November 2009 a further 339,000 (2009: 293,500) executive redeemable shares at an issue price per share of $1.6236 (2009: $2.0395), paid up to 1 cent per share. Redeemable shares may be issued annually to certain executives of the Company and its subsidiaries in accordance with the terms of the Infratil Executive Share Trust Deed, dated 22 August 2008. The Executive Redeemable Shares may be redeemed for ordinary shares on the payment of the unpaid issue price in accordance with the terms of issue under the Infratil Executive Share Scheme Trust Deed. The Executive Redeemable Shares have no entitlements to dividends or voting rights.

(12) Intangible assets

	Consolidated		
	Goodwill	Other Intangible Assets	Total
Carrying amounts	$Millions	$Millions	$Millions
At 1 April 2009	246.3	72.7	319.0
At 31 March 2010	242.0	67.1	309.1
At 1 April 2008	246.0	63.8	309.8
At 31 March 2009	246.3	72.7	319.0

	Consolidated	
	2010 $Millions	2009 $Millions
Goodwill		
Balance at beginning of the year	247.9	246.8
Arising on acquisition of subsidiaries	(0.3)	-
Transfer to assets held for sale	(4.0)	(4.3)
Arising on acquisition of non-controlling interest in subsidiaries	-	5.4
Balance at the end of the year	243.6	247.9
Impairment losses		
Balance at beginning of the year	(1.6)	(0.8)
Impairment	-	(0.8)
Balance at the end of the year	(1.6)	(1.6)
Total goodwill	242.0	246.3
Other intangible assets – lease agreements / software		
Balance at beginning of the year	85.3	68.4
FX adjustment on opening balance	(0.2)	0.4
Arising on acquisition of subsidiary companies	-	0.1
Additions at cost	13.8	16.4
Balance at the end of the year	98.9	85.3
Other intangible assets – Customer acquisition costs		
Balance at beginning of the year	26.0	14.1
FX adjustment on opening balance	0.3	-
Additions	10.6	11.9
Balance at the end of the year	36.9	26.0
Amortisation and impairment losses		
Balance at beginning of the year	(38.6)	(18.7)
Amortisation for the year	(24.5)	(19.4)
Impairment loss	(6.1)	(0.2)
FX adjustment	0.5	(0.3)
Balance at the end of the year	(68.7)	(38.6)
Total other intangible assets	67.1	72.7
Total intangible assets	309.1	319.0

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

	2010	2009
NZ Bus	55.2	59.2
TrustPower	108.9	108.9
Victoria Electricity	66.2	66.5
Units with insignificant goodwill	11.7	11.7
	242.0	246.3

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 (2009: $0.8 million).

NZ Bus assessment of recoverable amount of goodwill is based on value in use calculations. Those calculations use five year cash flow projections taking into account actual operating results, current business plans, budgets and forecasts for the business and include passenger, fare, subsidy, operating costs and capital expenditure assumptions. The key assumptions are revenue growth of between 3-4% p.a., operating cost growth of 2% p.a., a pre-tax discount rate of 12% (2009: 13%) and a growth rate of 2% (2009: 2%) applied to the terminal value has been used in discounting the projected cash flows.

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.

Victoria Electricity (VEL) 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 customer growth of 11% p.a. for 4 years, then nil growth thereafter, margin growth and operating costs growth in line with CPI and a pre-tax discount rate of 13%.

(13) Acquisition of subsidiaries

There were no acquisitions of subsidiary companies in either the current year or prior year.

(14) Investments

	Consolidated	
	As at 31 March 2010	As at 31 March 2009
	$Millions	$Millions
Current investments		
Investments in other companies (classified as fair value through the profit and loss)	-	56.3
Total current investments	-	56.3
Non-current investments		
Investment in associates	2.2	0.5
Investments in other companies (classified as available-for-sale)	7.5	161.9
Total non-current investments	9.7	162.4
Total investments	9.7	218.7

Investments classified as fair value through the profit and loss

Investments classified as fair value through the profit and loss in 2009 related to Flughafen Lübeck. On 30 October 2009 Infratil exercised its put option and ownership was transferred back to the City of Lubeck.

Available for sale investments and associates	Consolidated			
	Carrying value		Change in value	
	As at 31 March 2010	As at 31 March 2009	12 months ended 31 March 2010	12 months ended 31 March 2009
	$Millions	$Millions	$Millions	$Millions
Auckland International Airport Limited	-	81.1	6.2	(25.0)
Energy Developments Limited	-	73.3	94.6	(54.4)
Other investments	9.7	8.0	-	(5.0)
	9.7	162.4	100.8	(84.4)
Gain/(impairment) to profit and loss			100.8	(178.5)
Fair value reserve movement			-	94.1

The change in value shown above is due to the market movement in prices for these investments, inclusive of additions.

Energy Developments Limited (EDL)

On 8 January 2010 Infratil sold its stake in EDL (2009: 31.6%) for $175.1 million. In the prior year this investment was not equity accounted.

Auckland International Airport Limited (AIA)

On 10 November 2009 Infratil sold its 3.87% (47.4 million shares) investment in Auckland International Airport Limited for $87.3 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

(15) Taxation

	Consolidated		Parent	
	2010	2009	2010	2009
	$Millions	$Millions	$Millions	$Millions
Net surplus/(loss) before taxation	106.3	(93.8)	82.8	19.8
Taxation on the surplus/(loss) for the year	31.9	(28.1)	24.8	5.9
Plus/(less) taxation adjustments:				
Effect of tax rates in foreign jurisdictions	1.0	0.5	-	-
Net benefit of imputation credits	(0.7)	(1.1)	-	-
Exempt dividends	(1.3)	-	(10.8)	(0.3)
Tax losses not recognised/(utilised)	13.3	5.5	(14.4)	(5.8)
Temporary differences not recognised	0.1	0.1	0.1	0.2
Under/(over) provision in prior years	0.4	0.6	-	-
Net investments realisations/impairment	(30.4)	56.4	-	-
Other permanent differences	(3.0)	0.7	0.3	
Taxation expense	11.3	34.6	-	-
Current taxation	31.1	46.9	-	-
Deferred taxation	(19.8)	(12.3)	-	-
	11.3	34.6	-	-

Income tax recognised in other comprehensive income	31 March 2010			31 March 2009		
	Before tax	Tax (expense) /benefit	Net of tax	Before tax	Tax (expense) /benefit	Net of tax
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Differences arising on translation of foreign operations	(35.5)	4.4	(31.1)	10.5	3.6	14.1
Effective portion of changes in fair value of cash flow hedges	15.0	5.1	20.1	(10.4)	10.0	(0.4)
Net change in fair value of cash flow hedges transferred to profit or loss	6.2	-	6.2	(15.5)	-	(15.5)
Net change in fair value of property, plant & equipment recognised in equity	22.0	(2.1)	19.9	304.5	(68.0)	236.5
Net change in fair value of available-for-sale financial assets	79.4	-	79.4	-	-	-
Movement of available-for-sale financial assets transferred to profit and loss	(79.4)	-	(79.4)	94.1	-	94.1
Balance at the end of the year	7.7	7.4	15.1	383.2	(54.4)	328.8

Deferred Tax

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

	Consolidated		Parent	
	31 March 2010	31 March 2009	31 March 2010	31 March 2010
Balance at the beginning of the year	(366.7)	(324.6)	-	-
Charge for the year	19.8	12.3	-	-
Deferred tax recognised in equity	7.0	5.9	-	-
Effect of change in deferred tax rate	-	-	-	-
Revaluation of assets	(4.0)	(60.0)	-	-
Effect of movements in exchange rates	4.4	(0.3)	-	-
Balance at the end of the year	(339.5)	(366.7)	-	-

Deferred tax relating to tax losses carried forward not recognised amount to $10.9 million (2009: $11.8 million).

Recognised deferred tax assets and liabilities

	Consolidated					
	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Property, plant and equipment	2.7	2.1	(374.6)	(375.5)	(371.9)	(373.4)
Investment property	-	-	(8.2)	(11.5)	(8.2)	(11.5)
Financial assets at fair value through profit or loss	38.3	13.0	(15.5)	(5.0)	22.8	8.0
Employee benefits	4.0	3.2	-	-	4.0	3.2
Available-for-sale financial assets	-	-	-	-	-	-
Customer base assets	-	-	(11.5)	(9.3)	(11.5)	(9.3)
Provisions	3.0	3.2	-	-	3.0	3.2
Other items	22.8	13.1	(0.5)	-	22.3	13.1
Net tax assets/(liabilities)	70.8	34.6	(410.3)	(401.3)	(339.5)	(366.7)

Changes in temporary differences affecting

	Consolidated			
	Tax expense		Reserves	
	2010	2009	2010	2009
	$Millions	$Millions	$Millions	$Millions
Other property, plant and equipment movements	(0.3)	1.8	(2.1)	(66.6)
Intangible asset	0.3	(0.6)	-	-
Investment property	(0.5)	(9.5)	-	-
Financial assets at fair value through profit or loss	-	13.4	(3.6)	7.7
Available-for-sale financial assets	-	1.0	-	
Customer base assets	4.8	1.5	-	
Provisions	1.1	(0.8)	-	-
Other	14.4	5.5	13.1	4.5
	19.8	12.3	7.4	(54.4)

Imputation credit account

	Parent	
	2010	2009
	$Millions	$Millions
Balance at the beginning of the year	3.7	16.8
Imputation credits attached to dividends received during the year	15.9	0.5
Less imputation credits attached to dividends paid during the year	(14.0)	(13.6)
Balance at the end of the year	5.6	3.7
At balance date the imputation credits available to the shareholders of the parent company were:		
Through direct shareholding in the parent company	5.6	3.7
Through indirect interests in subsidiaries	8.1	11.7
Balance at the end of the year	13.7	15.4

(16) Property, plant and equipment

	Land and civil works	Buildings	Vehicles, plant and equipment	Capital work in progress	Metering	Generation Plant (renewable)	Generation Plant (non renewable)	Total
March 2010	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Cost or valuation								
Balance at beginning of year	476.0	341.4	243.4	71.7	64.8	2,304.5	70.0	3,571.8
Additions	4.8	4.9	11.7	142.9	3.6	5.6	0.2	173.7
Disposals	2.9	(3.2)	(3.3)	(0.4)	-	(0.7)	-	(4.7)
Impairment	-	-	-	-	-	-	-	-
Revaluation	(25.5)	(25.9)	(1.4)	0.2	-	0.2	27.5	(24.9)
Transfers between categories	(1.0)	7.4	20.9	(26.7)	-	(1.3)	0.7	(0.0)
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Transfers from/(to) investment properties	10.3	(0.2)	-	-	-	-	-	10.1
Effect of movements in exchange rates	(13.4)	(10.2)	(2.4)	4.3	-	22.0	5.1	5.4
Balance at end of year	454.1	314.2	268.9	192.0	68.4	2,330.3	103.5	3,731.4
Accumulated depreciation and impairment losses								
Balance at beginning of year	-	3.6	57.2	-	33.2	(0.1)	2.1	96.0
Depreciation for the year	8.2	9.7	24.2	-	2.8	44.2	0.9	90.0
Transfer to investment properties	-	-	-	-	-	-	-	-
Revaluation	(1.3)	(2.2)	(1.4)	-	-	-	(3.2)	(8.1)
Disposals	-	-	(2.6)	-	-	-	-	(2.6)
Transfer to assets held for sale	-	-	-	-	-	-	-	-
Effect of movements in exchange rates	(0.2)	(0.3)	0.3	-	-	-	0.2	-
Balance at end of year	6.7	10.8	77.7	-	36.0	44.1	-	175.3
March 2009								
Cost or valuation								
Balance at beginning of year	530.0	357.6	232.6	263.5	60.8	1,846.5	44.0	3,335.0
Additions	30.9	4.3	35.9	39.0	4.0	74.2	2.0	190.3
Disposals	(37.2)	(24.7)	(15.3)	(17.1)	-	(0.4)	-	(94.7)
Impairments	(9.5)	-	(0.9)	-	-	-	-	(10.4)
Revaluation	(0.6)	13.6	(4.3)	-	-	211.3	-	220.0
Transfers between categories	0.6	0.2	21.7	(217.9)	-	173.3	22.1	-
Transfer to assets held for sale	(19.1)	(1.1)	(27.2)	-	-	-	-	(47.4)
Transfers from/(to) investment properties	(22.7)	(9.7)	-	0.1	-	-	-	(32.3)
Effect of movements in exchange rates	3.6	1.2	0.9	4.1	-	(0.4)	1.9	11.3
Balance at end of year	476.0	341.4	243.4	71.7	64.8	2,304.5	70.0	3,571.8
Accumulated depreciation and impairment losses								
Balance at beginning of year	11.7	19.9	54.4	-	30.6	23.0	1.2	140.8
Depreciation for the year	8.6	12.4	24.2	-	2.6	33.9	0.8	82.5
Transfer to investment properties	(0.7)	(0.7)	-	-	-	-	-	(1.4)
Revaluation	(16.1)	(25.2)	(5.8)	-	-	(57.0)	-	(104.1)
Disposals	(3.9)	(2.2)	(8.7)	-	-	-	-	(14.8)
Transfer to assets held for sale	-	(0.7)	(6.7)	-	-	-	-	(7.4)
Effect of movements in exchange rates	0.4	0.1	(0.2)	-	-	-	0.1	0.4
Balance at end of year	-	3.6	57.2	-	33.2	(0.1)	2.1	96.0
Carrying amounts								
At 1 April 2009	476.0	337.8	186.2	71.7	31.6	2,304.6	67.9	3,475.8
At 31 March 2010	447.4	303.4	191.2	192.0	32.4	2,286.2	103.5	3,556.1
At 1 April 2008	518.3	337.7	178.2	263.5	30.2	1,823.5	42.8	3,194.2
At 31 March 2009	476.0	337.8	186.2	71.7	31.6	2,304.6	67.9	3,475.8

Wellington International Airport
All land, buildings and civil works were revalued at 31 March 2009 in accordance with the New Zealand Institute of Valuer's asset valuation standards. The valuation was undertaken by independent registered valuers, Telfer Young for land and buildings (fair value $487.9million), and Opus International Consultants for civil works (fair value $120.4 million). Where the fair value of an asset is able to be determined by reference to market-based evidence, such as sales of comparable assets or discounted cash flows, the fair value is determined using this information. 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, as required by the NZIAS 16. This 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. Where there is an observable market, an income based approach is used.

Airports Europe
Land, buildings and civil works at Glasgow Prestwick and Kent International Airport were fair valued at 31 March 2010 and 31 March 2009 respectively at $95.9 million (2009 $164.8 million) based on an external valuation performed by Drivers Jonas Deloitte, England. The valuation was performed by a fellow of the Royal Institution of Chartered Surveyors ("RICS") in accordance with the recommendations of the RICS as defined within the RICS appraisal and valuation manual. The key assumptions in these valuations include future passenger and freight volumes, commercial revenue yields, the ongoing operating and maintenance costs for each airport and the appropriate discount and capitalisation rates.

Generation property, plant and equipment
Generation (renewable) includes freehold land and buildings which are not separately identifiable from other generation assets. The Group's generation property, plant and equipment is stated at fair value as determined by an independent valuation undertaken on an at least three-yearly basis. The valuations are reviewed annually and if it is considered that there has been a material change then a new independent valuation is undertaken. The basis of the valuation is a discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the valuation model that require management judgement include the forward price path of electricity, sales volume forecasts, projected operational and capital expenditure profiles, discount rates and life assumptions for each generation station. These inputs are determined as per the table below. Renewable generation assets were independently valued, using a discounted cash flow methodology as at 31 March 2009, to their estimated market value as determined by Deloitte Corporate Finance. The key assumptions in this valuation include future wholesale electricity prices, the future output of the assets, the remaining life of the assets, the ongoing operating and maintenance costs for each asset and TrustPower's weighted average cost of capital. Non-renewable generation plant were valued at $103.5 million as at 31 March 2010 by BDO Corporate Finance (QLD). The basis of valuation is a discounted cash flow analysis of the future earnings of the assets.

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		
New Zealand Assets	**Low**	**High**
Forward electricity price path	Increasing in real terms from $73 to $82 by 2012 then constant.	Increasing in real terms from $78 to $87 by 2012 then constant.
Generation volume	2,032 GWh	GWh 2,483
Operating costs	$23 million pa	$29 million p.a.
Discount rate (post tax)	9%	8%
Australian Assets		
Forward electricity price path	(Stated in AUD) Until 2018 $72 in real terms. After 2018 declining to $60 by 2028 in real terms. Thereafter held constant	(Stated in AUD) Until 2018 $78 in real terms. After 2018 declining to $66 by 2028 in real terms. Thereafter held constant
Generation volume	GWh 350	GWh 428
Discount rate (post tax)	8%	8%
Generation-non renewable	Low	High
Weighted average cost of capital	10%	9%
$300 MWh Cap price based on Long Run Marginal Cost of new entrant peaking generator 31/3/09 terms increasing by CPI -0.5%	$13.5	$15.5
Plant reliability	98%	98%
Despatch	95%	95%
Airports Europe		
Discount rate (pre-tax)	12.5%	12.5%
Capitalisation rate	8.0%	9.75%
Pax and Freight Growth rates	3%	6%

Wellington International Airport

Asset classification and description	Valuation approach	Key valuation assumptions
Land		
Aeronautical land - used for airport activities and specialised non-aeronautical assets. Market land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business. Market land - used for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business.	Zonal approach - direct sales comparison with appropriate adjustment for intensity of development, location, titles, easement and services.	Sales value per square meter applied ranging from $38 to $800 per m2
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	Cost rates including concrete $700 per m3, asphalt $630-$900 per m3 and other foundation $5-$90 per m3
Buildings		
Specialised buildings used for identified airport activities.	Optimised depreciated replacement cost derived from modern equivalent asset rate (MEA)	Modern equivalent asset rates ranging from $175 to $5,000 per m2
Buildings other than for identified airport activities, including space allocated within the main terminal building for retail activities, carparking, offices and storage that exist because of the airport activities.	Optimised depreciated replacement cost derived from modern equivalent asset rate (MEA)	MEA range from $550 to $1,900 per m2
Vehicle assets		
Assets associated with car parking and taxi, shuttle and bus services (excluding land.)	Discounted cash flow	Revenue growth 3% pa Cost growth 3% pa Discount rate 12%
Plant, machinery and equipment	Book value	

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;

	Land and civil works	Buildings	Vehicles, plant and equipment	Capital work in progress	Generation Plant (renewable)	Generation Plant (non renewable)	Total
Revalued Assets at Deemed Cost							
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Cost	336.9	280.4	262.9	170.2	1,380.6	74.4	2,505.4
Assets under construction (at cost)	7.2	0.1	0.1	16.6	13.2	-	37.2
Less accumulated depreciation	(50.8)	(65.7)	(85.5)	-	(221.7)	3.2	(420.5)
Net book value 31 March 2010	293.3	214.8	177.5	186.8	1,172.1	77.6	2,122.1
							-
Cost	326.5	290.1	239.0	-	1,348.0	-	2,203.6
Assets under construction (at cost)	-	-	-	-	7.7	-	7.7
Less accumulated depreciation	(26.6)	(46.3)	(65.4)	-	(172.3)	-	(310.6)
Net book value 31 March 2009	299.9	243.8	173.6	-	1,183.4	-	1,900.7

(17) Investment properties

	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Balance at beginning of year	90.9	67.5	-	-
Additions	-	-	-	-
Transfer (to)/from property, plant and equipment	(10.1)	30.9	-	-
Change in fair value	(0.1)	(7.5)	-	-
FX movement	(4.8)	-	-	-
Balance at end of year	75.9	90.9	-	-

Airports Europe investment properties were valued at 31 March 2010 by Drivers Jonas Deloitte, an independent registered valuer in the United Kingdom. This valuation was performed by a fellow of the Royal Institution of Chartered Surveyors ("RICS") in accordance with the recommendations of the RICS as defined within the RICS appraisal and valuation manual. Fair value of the investment properties valued was $27.2 million (2009: $31.4 million).

Wellington International Airport investment properties were valued at 31 March 2010 by Telfer Young, an independent registered valuer. The fair value of the investment properties valued was $48.7 million (2009: $59.5 million).

	Consolidated		Parent	
Amounts recognised in profit or loss for:	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Rental income from investment properties	4.7	4.4	-	-
Direct operating expenses arising from investment properties that generate income	(0.7)	(0.6)	-	-
	4.0	3.8	-	-

	Wellington International Airport		Infratil Airports Europe Limited	
The principal assumptions in establishing the valuations were as follows:	2010	2009	2010	2009
Discounted cash flow - average (%)	10.8%	10.8%	n/a	n/a
Capitalisation rate - average (%)	8.8%	8.7%	10-12%	10-12%
Weighted average lease term (years)	4.4	5.4	4.5	3.6

(18) Financial instruments

The Group has exposure to the following risks due to its business activities and financial policies:
• Credit risk
• Liquidity risk
• Market risk (interest rates, foreign exchange and energy prices)
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 Board 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. The Group had credit risk with finance institutions at balance date from cash deposits held including: $108.6 million with financial institutions with "AA" credit ratings from Standard & Poors (2009: $181 million) and $72.3 million with financial institutions with 'A' credit ratings (2009: $70.1 million) from Standard & Poors or equivalent from other rating agencies.

Credit risk refers to 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 has adopted a policy of only dealing with credit-worthy counterparties, as a means of mitigating the risk of financial loss from defaults. 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 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.
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 these trade receivables is as follows:	2010	2009	2010	2009
Not past due	249.3	194.3	6.6	4.8
Past due 0-30 days	15.4	8.6	-	-
Past due 31-90 days	11.0	15.9	-	-
Greater than 90 days	11.7	0.1	-	-
Total	287.4	218.9	6.6	4.8
The movement in the provision for impairment of trade receivables for the year was as follows;				
Balance as at 1st April	12.5	1.9	-	-
Impairment loss recognised	5.0	10.6	-	-
Balance as at 31 March	17.5	12.5	-	-
Other prepayments and receivables	63.5	52.8	-	-
Total Trade, accounts receivable and prepayments	**333.4**	**259.2**	**6.6**	**4.8**

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, as far as possible, 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, and the spreading of debt maturities.

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 $Millions	Contractual cash flows $Millions	6 months or less $Millions	6-12 month $Millions	1 to 2 years $Millions	2 to 5 years $Millions	5 years + $Millions
2010							
Accounts payable, accruals and other liabilities	287.3	287.3	272.8	0.6	13.9	-	-
Unsecured/Secured bank facilities	632.5	669.0	318.9	5.6	193.4	151.1	-
Infratil bonds	508.1	703.7	25.1	21.9	165.8	195.7	295.2
PIIBs	239.3	334.5	5.9	5.9	11.9	11.9	298.8
WIAL bonds	250.0	312.5	6.0	6.0	12.0	125.6	162.9
TPW bonds	398.7	555.7	16.7	16.5	33.3	308.8	180.5
Derivative financial instruments	110.5	110.4	36.1	28.2	34.6	6.1	5.4
2009							
Accounts payable, accruals and other liabilities	259.6	259.6	82.0	170.7	6.9	-	-
Unsecured/Secured bank facilities	1,118.5	1,279.2	67.9	202.7	501.8	407.8	99.0
Infratil bonds	508.8	720.7	21.3	21.9	42.5	520.3	114.7
PIIBs	239.9	395.1	8.3	6.4	14.5	36.0	329.9
WIAL bonds	250.0	329.4	6.5	6.5	13.1	136.6	166.7
TPW bonds	260.7	380.2	11.3	11.0	22.3	215.7	119.9
Derivative financial instruments	55.4	55.4	13.9	18.1	23.4	-	-

Parent

	Balance sheet $Millions	Contractual cash flows $Millions	6 months or less $Millions	6-12 month $Millions	1 to 2 years $Millions	2 to 5 years $Millions	5 years + $Millions
2010							
Accounts payable, accruals and other liabilities	11.3	11.3	11.3	-	-	-	-
Infratil bonds	508.1	703.7	25.1	21.9	165.8	195.7	295.2
PIIBs	239.3	334.5	5.9	5.9	11.9	11.9	298.8
Derivative financial instruments	4.8	4.8	0.3	4.6	-	-	-
2009							
Accounts payable, accruals and other liabilities	8.9	8.9	8.9	-	-	-	-
Infratil bonds	508.8	720.7	21.3	21.9	42.5	520.3	114.7
PIIBs	239.9	395.1	8.3	6.4	14.5	36.0	329.9
Derivative financial instruments	5.8	5.8	0.3	5.5	-	-	-

Market Risk

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 exposure. Borrowing 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	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
At balance date the face value of interest rate contracts outstanding were:				
Interest rate swaps in place at year end	1,206.9	947.2	100.0	100.0
Fair value of interest rate swaps	(13.8)	(30.7)	(4.8)	(5.8)
The termination dates for the interest rate swaps are as follows:				
Between 0 to 1 year	379.5	115.0	-	-
Between 1 to 2 years	-	302.4	-	-
Between 2 to 5 years	158.4	265.0	-	-
Over 5 years	669.0	264.8	100.0	100.0

Sensitivity analysis

At 31 March 2010, if bank interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been $35.1 million lower/higher (2009: $13.3 million) and equity would have been $37.1 million higher/lower (2009: There would have been no material effect on other components of equity).

Foreign currency

The Group has exposure to 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.

The aggregate notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2010 was $186.2 million (2009: $248.0 million). At balance date the fair value of forward foreign exchange contracts outstanding were assets of $6.7 million (2009: $4.1 million).

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month and twelve months from balance sheet date. Gains and losses recognised in the cash flow hedge reserve in equity on forward foreign exchange contracts as at 31 March 2010 will be recognised in the cost of any asset acquired when the cash flow from the anticipated underlying transactions occur.

Sensitivity analysis

At 31 March 2010, 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, post-tax profit for the year would not have been materially different.
Other components of equity would have been $2.4million higher/lower (2009: $4.5 million), arising from foreign exchange gains/losses on revaluation of foreign exchange contracts in a cash flow hedge relationship.

The Group incurs foreign currency risk as a result of offshore investments denominated in a currency other than the Group's functional currency.
The currencies giving rise to the currency risk are pounds sterling and Australian dollars (refer below).

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

	Consolidated	
	2010 Millions	2009 Millions
Cash, short term deposits and trade receivables		
Great British Pounds (GBP)	5.1	2.5
Australian Dollars (AUD)	209.0	166.8
Bank overdraft, bank debt and accounts payable		
Great British Pounds (GBP)	(7.3)	(2.6)
Australian Dollars (AUD)	(273.5)	(92.5)

(The 2009 amounts above exclude a hedged euro currency exposure of $56.3million relating to Flughafen Lubeck investment).

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.

The aggregate notional volume of the outstanding energy derivatives at 31 March 2010 was 5,815 GWh (2009: 9,086GWh) of electricity and 2.7Tj (2009: 1.2Tj) of gas and 6,500 (2009 9,000) barrels of oil.

As at 31 March 2010, the Group had energy contracts outstanding with various maturities up to November 2011. 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 2010 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	
	2010	2009
Termination dates for financial derivatives - energy are as follows:	$Millions	$Millions
Between 0 to 1 year	(50.6)	13.5
Between 1 to 2 years	(28.3)	(2.6)
Between 2 to 5 years	9.3	(4.1)
Over 5 years	-	-
	(69.6)	6.8

Sensitivity analysis

The following tables summarise the impact of increases/decreases of the relevant forward electricity prices on the Group's post-tax profit for the year and on other components of equity. The sensitivity analysis is based on the assumption that the relevant forward energy prices had increased/decreased with all other variables held constant.

	Consolidated	
	2010	2009
	$Millions	$Millions
Impact on profit of a 10% decrease in energy forward price	(15.9)	(13.8)
Impact on profit of a 10% increase in energy forward price	15.2	14.2
Impact on equity of a 10% decrease in energy forward price	9.8	(9.4)
Impact on equity of a 10% increase in energy forward price	(9.8)	9.4
Impact on profit of a 5.3% decrease in gas derivative contract value	0.5	-
Impact on profit of a 5.3% increase in gas derivative contract value	(0.5)	-

Fair values The carrying amount of financial assets and financial liabilities recorded in the financial statements is their fair value, with the exception of debt held at amortised cost.

	Assets		Liabilities		Net	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Derivative financial instruments - energy	18.6	15.9	88.2	9.1	(69.6)	6.8
Derivative financial instruments - investments and other (S&P options prior year)	9.4	12.7	22.3	46.3	(12.9)	(33.6)
	28.0	28.6	110.5	55.4	(82.5)	(26.8)
Split as follows:						
Current	5.5	22.8	60.9	21.3	(55.4)	1.5
Non-current	22.5	5.8	49.6	34.1	(27.1)	(28.3)
	28.0	28.6	110.5	55.4	(82.5)	(26.8)

Estimation of fair values

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

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:
- forward price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

The selection of variables requires significant judgment 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.

Effective 1 April 2009 the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

• 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 assets and liabilities that are measured at fair value.

GROUP	**Level 1**	**Level 2**	**Level 3**	**Total**
31 March 2010	$millions	$millions	$millions	$millions
Assets per the statement of financial position				
Derivative financial instruments	0.3	9.3	18.5	28.1
Total	0.3	9.3	18.5	28.1
Liabilities per the statement of financial position				
Derivative financial instruments	62.2	44.0	4.3	110.5
Total	62.2	44.0	4.3	110.5

	Level 1	**Level 2**	**Level 3**	**Total**
31 March 2009	$millions	$millions	$millions	$millions
Assets per the statement of financial position				
Derivative financial instruments	1.5	24.0	3.1	28.6
Total	1.5	24.0	3.1	28.6
Liabilities per the statement of financial position				
Derivative financial instruments	4.5	45.3	5.6	55.4
Total	4.5	45.3	5.6	55.4

PARENT	**Level 1**	**Level 2**	**Level 3**	**Total**
31 March 2010	$millions	$millions	$millions	$millions
Assets per the statement of financial position				
Derivative financial instruments	-	-	-	-
Total	-	-	-	-
Liabilities per the statement of financial position				
Derivative financial instruments	-	4.8	-	4.8
Total	-	4.8	-	4.8

	Level 1	**Level 2**	**Level 3**	**Total**
31 March 2009	$millions	$millions	$millions	$millions
Assets per the statement of financial position				-
Derivative financial instruments	-	-	-	-
Total	-	-	-	-
Liabilities per the statement of financial position				
Derivative financial instruments	-	5.8	-	5.8
Total	-	5.8	-	5.8

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

	2010 $Millions Gas contracts treated as derivatives	2010 $Millions Electricity price derivatives	2010 $Millions Total	2009 $Millions Gas contracts treated as derivatives	2009 $Millions Electricity price derivatives	2009 $Millions Total
Assets per the statement of financial position						
Opening balance	-	3.1	3.1	-	22.9	22.9
Gains and (losses) recognised in profit or loss	-	(1.0)	(1.0)	-	0.7	0.7
Gains and (losses) recognised in other comprehensive income	-	16.4	16.4	-	(20.5)	(20.5)
Closing balance	-	18.5	18.5	-	3.1	3.1
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period		2.3	2.3	-	2.8	2.8
Liabilities per the statement of financial position						
Opening balance	2.3	3.3	5.6	-	2.4	2.4
Fx movement on opening balance	0.1	-	0.1	-		-
(Gains) and losses recognised in profit or loss	0.2	0.8	1.0	2.3	(1.1)	1.2
(Gains) and losses recognised in other comprehensive income	-	(2.0)	(2.0)	-	2.0	2.0
Closing balance	2.6	2.1	4.7	2.3	3.3	5.6
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	0.2	(1.2)	(1.0)	2.3	1.0	3.3
Settlements during the year	0.2	24.4	24.6	2.3	(38.6)	(36.3)

Gas contracts treated as derivatives - The favourable and unfavourable effects of using reasonably possible alternative assumptions for fair value derivative assets and liabilities have been calculated by adjusting the unobservable model inputs in the models at 31 March 2010. The unobservable input in gas is an available market price.

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

Asset and liability fair value classification

	Designated Fair Value	Cash/loans receivables/ payables	Total carrying amount	Fair value
2010				
Assets				
Other investments, including derivatives	37.7	-	37.7	37.7
Cash and cash equivalents	-	180.9	180.9	180.9
Trade, accounts receivables and prepayments	-	333.4	333.4	333.4
Total assets	37.7	514.3	552.0	552.0

	Designated Fair Value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Liabilities				
Bonds	-	1,396.1	1,396.1	1,331.9
Loans and other borrowings	-	632.5	632.5	632.5
Derivatives	110.5	-	110.5	110.5
Accounts payables, accruals and other liabilities	-	273.5	273.5	273.5
Total liabilities	110.5	2,302.1	2,412.6	2,348.4

	Designated Fair Value	Cash/loans receivables/ payables	Total carrying amount	Fair value
2009				
Assets				
Other investments, including derivatives	248.6	-	248.6	248.6
Cash and cash equivalents	-	251.1	251.1	251.1
Trade, accounts receivables and prepayments	-	259.2	259.2	259.2
Total assets	248.6	510.3	758.9	758.9

	Designated Fair Value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Liabilities				
Bonds	-	1,259.4	1,259.4	1,097.2
Loans and other borrowings	-	1,119.7	1,119.7	1,119.7
Derivatives	55.4	-	55.4	55.4
Accounts payables, accruals and other liabilities	-	252.7	252.7	252.7
Total liabilities	55.4	2,631.8	2,687.2	2,525.0

Capital management

The key factors in determining Infratil's optimal capital structure are:
- Nature of its 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 minority interests. 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 held as treasury stock for 12 months. Buy and sell decisions are made on a specific transaction basis by the Board. 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 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.

(19) Infrastructure bonds	**Consolidated**		**Parent**	
	2010 Millions	2009 Millions	2010 Millions	2009 Millions
Balance at the beginning of the year	748.7	748.8	748.7	748.8
Issued during the year	-	-	-	-
Purchased by Infratil during the year	(0.6)	(0.1)	(0.6)	(0.1)
Balance at the end of the year	748.1	748.7	748.1	748.7
Current	0.7	-	0.7	-
Non current fixed coupon	508.1	508.8	508.1	508.8
Non current perpetual - variable coupon	239.3	239.9	239.3	239.9
Balance at the end of the year	748.1	748.7	748.1	748.7
Repayment terms and interest rates:				
Maturing in November 2010, 7.25% per annum fixed coupon rate	0.7	0.7	0.7	0.7
Maturing in May 2011, 8.25% per annum fixed coupon rate	112.1	112.1	112.1	112.1
Maturing in November 2011, 8.5% per annum fixed coupon rate	20.0	20.0	20.0	20.0
Maturing in November 2012, 7.75% per annum fixed coupon rate	57.4	57.4	57.4	57.4
Maturing in September 2013, 8.5% per annum fixed coupon rate	85.3	85.3	85.3	85.3
Maturing in November 2015, 8.5% per annum fixed coupon rate	152.8	152.8	152.8	152.8
Maturing in February 2020, 8.5% per annum fixed coupon rate	80.5	80.5	80.5	80.5
Perpetual Infratil infrastructure bonds (PIIBs)	239.3	239.9	239.3	239.9
Balance at the end of the year	748.1	748.7	748.1	748.7

Fixed coupon

The fixed coupon bonds the Company has on issue are at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. 25 days prior to the maturity date, Infratil shall 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 239,315,100 (2009: 239,900,000) 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 2010 the coupon is fixed at 4.97% 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. 584,900 (2009: 100,000) of PIIBs were repurchased by Infratil Limited during the year. At 31 March the Infratil Infrastructure bonds had a fair value of $659.7 million (2009: $569.8 million).

(20) Unsecured bonds

	Consolidated	
	2010 Millions	2009 Millions
Unsecured subordinated bonds		
TrustPower bonds		
Repayment terms and interest:		
Maturing in September 2012, 8.5% per annum fixed coupon rate	108.6	108.6
Maturing in March 2014, 8.5% per annum fixed coupon rate	54.7	54.7
Maturing in December 2015, 8.4% per annum fixed coupon rate	100.0	100.0
Bond issue costs	(2.1)	(2.6)
Balance at the end of the year	261.2	260.7

At maturity the TrustPower bonds can be converted at the option of TrustPower to ordinary shares based on the market price of ordinary shares at the time. The bonds are fully subordinated behind all other creditors. At 31 March 2010 the bonds had a fair value of $274.3 million (31 March 2009: $279.1 million).

Unsecured senior bonds	2010	2009
TrustPower bonds	Millions	Millions
Repayment terms and interest:		
Maturing in December 2014, 7.6% per annum fixed coupon rate	75.0	-
Maturing in December 2016, 8.0% per annum fixed coupon rate	65.0	-
Bond issue costs	(2.5)	-
Balance at the end of the year	137.5	-

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

At 31 March 2010 the bonds had a fair value of $143.4 million (31 March 2009:nil).

Unsecured subordinated bonds	2010	2009
Wellington International Airport bonds	Millions	Millions
Retail bonds maturing in November 2013, 7.50% p.a.	100.0	100.0
Maturing August 2017, 2.99% per annum to 3 May 2010 (3.71% per annum to 1 May 2009), then repriced quarterly at BKBM plus 25bp	150.0	150.0
Balance at the end of the year	250.0	250.0

At 31 March 2010 the WIAL bonds had a fair value of $254.5 million (31 March 2009: $248.3 million).

(21) Emission rights

	(Tonnes CO2-e)	(Tonnes CO2-e)
Verified Voluntary Emission Reductions	000's	000's
Balance at beginning of year	321	360
Rights verified during the year	-	29
Rights sold during the year	(30)	(23)
Rights used internally	-	(45)
Rights unsold at end of the year	291	321

The Verified Voluntary Emission Reductions above relate to completed generation production for the period from 1 January 2004 to 31 December 2007.

Kyoto Carbon Credits

TrustPower has received 1,476,000 (2009: 1,476,000) tonnes of carbon emission rights from the New Zealand Government in relation to completed or under construction generation facilities. This represents the maximum rights based upon specified levels of generation output from the new facilities for the period from 1 January 2008 to 31 December 2012 and is reliant on the ongoing support of the Kyoto protocol and emission rights within the international community. TrustPower believes that it will be able to utilise 1,310,000 tonnes of these carbon emission rights. This potential revenue source is taken into consideration in the evaluation of generation development projects and in the valuation of the generation assets. A contract has been signed with Electrabel, a European energy company, for the sale of 228,000 tonnes of carbon emission rights over five years from 2008-2012. This sale is dependent on TrustPower's Tararua Stage II wind farm producing a minimum level of output. A contract has been signed with The Kansai Electric Power Company, a Japanese energy company, for the sale of 300,000 tonnes of carbon emission rights over five years from 2008-2012. Further contracts have been signed covering emission rights generated over the same period. These sales are dependent on the Group's Tararua Stage III wind farm producing a minimum level of output.

Kyoto Carbon Credits	(Tonnes CO2-e)	(Tonnes CO2-e)
	000's	000's
Balance at the beginning of the year	65	-
Rights verified during the year	231	216
Rights sold during the year	(198)	(151)
Rights unsold at end of the year	98	65

(22) 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.

	2010	2009		
Subsidiaries	Holding	Holding	Principal activity	Country of incorporation
Investment activities				
New Zealand				
Infratil Investments Limited	100%	100%	Investment	New Zealand
Infratil Securities Limited	100%	100%	Investment	New Zealand
Infratil Gas Limited	100%	100%	Investment	New Zealand
Infratil 1998 Limited	100%	100%	Investment	New Zealand
NZ Airports Limited	100%	100%	Investment	New Zealand
Infratil Australia Limited	100%	100%	Investment	New Zealand
Infratil Finance Limited	100%	100%	Finance	New Zealand
Infratil UK Limited	100%	100%	Investment	New Zealand
Infratil Ventures Limited	100%	100%	Investment	New Zealand
Infratil Europe Limited	100%	100%	Investment	New Zealand
Swift Transport Limited	100%	100%	Investment	New Zealand
Infratil Energy Limited	100%	100%	Investment	New Zealand
Infratil Energy NZ Limited	100%	100%	Investment	New Zealand
Snapper Services Limited	100%	100%	Technology	New Zealand
Infratil No. 1 Limited	100%	100%	Investment	New Zealand
Infratil Infrastructure Property Limited	100%	100%	Property Investment	New Zealand
Infratil Outdoor Media Limited	100%	-	Advertising	New Zealand
Infratil Insurance Co Limited	100%	100%	Insurance	New Zealand
Infratil No. 5 Limited	100%	100%	Dormant	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
Fullers Group Limited	0%	100%	Public transport	New Zealand
Transportation Auckland Corporation Limited	100%	100%	Public transport	New Zealand
Auckland Integrated Ticketing Limited	83%	87%	Ticketing	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
Wellington Integrated Ticketing Limited	63%	63%	Ticketing	New Zealand
Stagecoach New Zealand Limited	100%	100%	Non-trading	New Zealand
Airport activities				
New Zealand				
Wellington International Airport Limited	66%	66%	Airport	New Zealand
i-site Limited	66%	66%	Advertising	New Zealand
North West Auckland Airport Limited	75%	75%	Airport	New Zealand
United Kingdom				
Infratil Airports Europe Limited	100%	100%	Holding company	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
PIK MRO Limited	100%	100%	Maintenance/repair/overhaul aircraft	United Kingdom
The Airport Driving Range Company Limited	100%	100%	Non-trading	United Kingdom
Prestwick Airport Infrastructure Limited	100%	100%	Property	United Kingdom
Prestwick Airport Property Limited	100%	-	Property	United Kingdom
Energy activities				
New Zealand				
TrustPower Limited	50.5%	50.5%	Electricity retailer/generator	New Zealand
Cobb Power Limited	50.5%	50.5%	Generator	New Zealand
Tararua Wind Power Limited	50.5%	50.5%	Generator	New Zealand
TrustPower Metering Limited	50.5%	50.5%	Metering	New Zealand
Esk Hydro Power Limited (acquired 26 November 2009)	50.5%	-	Generation Development	New Zealand

Australia				
Infratil Energy Australia Pty Limited	100%	100%	Wholesale energy/holding company	Australia
Western Energy Pty Limited	81.2%	77.5%	Electricity generation	Australia
Victoria Electricity Pty Limited	100%	100%	Electricity retailer	Australia
VE Telecommunications Pty Limited	100%	100%	Electricity retailer	Australia
Direct Connect Pty Limited	100%	100%	Utility connections	Australia
Queensland Electricity Pty Limited	100%	100%	Electricity retailer	Australia
New South Wales Electricity Pty Limited	100%	100%	Electricity retailer	Australia
South Australia Electricity Pty Limited	100%	100%	Electricity retailer	Australia
Perth Energy Pty Limited	81.2%	77.5%	Electricity retailer	Australia
WA Power Exchange Pty Limited	81.2%	77.5%	Non-trading	Australia
Infratil Energy Group Pty Limited	100%	100%	Non-trading	Australia
Emagy Pty Limited	100%	100%	Wholesale energy	Australia
TrustPower Australia Holdings Pty Ltd and Subsidiaries	50.5%	50.5%	Retail and generation	Australia
Associates				
Mana Coach Holdings Limited	26%	26%	Public Transport	New Zealand
Just Cruising Charters Limited	0%	50%	Public Transport	New Zealand

(23) Defined contribution plans

The Company makes contributions to a number of defined contribution plans. During the year the amount recognised as an expense was $3.3 million (2009 $2.6 million).

(24) Leases

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

	Consolidated	
	2010 $Millions	2009 $Millions
Operating lease receivables as lessor		
Between 0 to 1 year	17.9	16.4
Between 1 to 2 years	16.1	14.0
Between 2 to 5 years	30.3	31.3
More than 5 years	9.2	13.8
	73.5	75.5

Electricity lease revenue during the year of $30.6 million (2009 $20.3 million), is revenue recognised in connection with Snowtown Wind Farm Pty Ltd's (a subsidiary of the Company) 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 and the lease of gas storage facilities. These commitments expire as follows:

Operating lease commitments as lessee		
Between 0 to 1 year	20.3	7.7
Between 1 to 2 years	12.5	6.5
Between 2 to 5 years	30.0	12.4
More than 5 years	41.6	17.7
	104.4	44.3

iSite Limited leases a large number of billboard and light-box sites under operating leases including those with additional rent payments based on site revenue. The leases run for periods ranging from 1 to 20 years.

(25) Reconciliation of net surplus/(loss) with cash flow from operating activities	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Net surplus/(loss) for the year	95.0	(128.4)	82.8	19.8
(Gain)/Less items classified as investing activity				
(Gain)/loss on investment realisations and impairments	(86.5)	171.5	-	-
Add items not involving cash flows				
Movement in financial derivatives taken to the profit or loss	67.5	(8.0)	(1.0)	5.8
Decrease in deferred tax liability excluding transfers to reserves	(8.5)	(0.3)	-	-
Changes in fair value of investment properties	0.1	7.5	-	-
Non cash movements in advance to subsidiaries	-	-	(164.2)	(117.5)
Depreciation	90.0	82.5	-	-
Provision for bad debts	24.3	8.9	-	-
Amortisation	24.0	19.7	-	-
Other	(4.5)	0.6	-	-
Movements in working capital				
Change in receivables	(77.2)	(36.4)	(1.9)	2.7
Change in inventories	-	(5.5)	-	-
Change in trade payables	5.6	(19.4)	0.9	(0.9)
Change in accruals and other liabilities	21.2	26.7	-	-
Change in current and deferred taxation	(24.1)	(1.5)	-	1.6
Net cash flow from operating activities	126.9	117.9	(83.4)	(88.5)

(26) Key management personnel disclosures

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

Key management personnel remuneration comprised:	Consolidated	
	2010 $Millions	2009 $Millions
Short-term employee benefits	16.6	14.1
Post employment benefits	0.4	-
Termination benefits	0.1	0.1
Other long-term benefits	2.2	2.6
Share based payments	0.1	0.2
	19.4	17.0

Directors fees paid during the year were $2.4 million (2009 $2.3 million).

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

(27) Segment analysis

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

For the year ended 31 March 2010

	TrustPower	Wellington Airport	NZBus	Infratil Energy Australia	Infratil Airports Europe	All other segments and corporate	Eliminations	Total
	New Zealand $Millions	New Zealand $Millions	New Zealand $Millions	Australia $Millions	UK $Millions	New Zealand $Millions	$Millions	$Millions
Segment revenue - total	759.3	104.6	196.5	711.0	55.9	18.1	-	1,845.4
Inter-segment revenue	-	-	(3.0)	-	-	(6.5)	-	(9.5)
Segment revenue - external	759.3	104.6	193.5	711.0	55.9	11.6	-	1,835.9
EBITDAF	273.9	68.3	29.1	11.0	(8.6)	(10.4)	-	363.3
Interest revenue	0.4	0.8	0.4	2.7	1.5	31.1	(29.0)	7.9
Interest expense	(59.1)	(17.6)	(9.3)	(16.9)	(4.5)	(88.8)	29.0	(167.2)
Depreciation and amortisation	(55.0)	(15.8)	(16.2)	(15.2)	(8.2)	(3.6)	-	(114.0)
Financial derivative fair value movements	12.5	(4.5)	-	(75.4)	-	(0.1)	-	(67.5)
Investment transaction costs expensed	-	-	-	-	-	(2.6)	-	(2.6)
Realisations	-	(0.7)	11.3	-	15.2	104.9	-	130.7
Impairment losses	(6.1)	-	(0.1)	-	(38.1)	-	-	(44.3)
Taxation expense	(47.1)	(6.5)	1.6	28.2	9.9	2.6	-	(11.3)
Segment result	119.5	24.0	16.8	(65.6)	(32.8)	33.1	-	95.0
Non current assets (excluding financial instruments and deferred tax)	2,512.9	682.0	218.7	327.8	155.2	54.2	-	3,950.8
Total assets	2,667.7	726.9	237.0	601.2	166.9	108.7	-	4,508.4
Total liabilities	1,121.7	357.0	37.3	275.3	43.1	942.7	-	2,777.1
Capital expenditure/investment (including accruals)	29.3	22.5	16.2	116.2	5.4	3.4	-	193.0

For the year ended 31 March 2009

	TrustPower	Wellington Airport	NZBus	Infratil Energy Australia	Infratil Airports Europe	All other segments and corporate	Eliminations	Total
Segment revenue - total	785.4	96.1	231.2	531.9	78.6	16.9	-	1,740.1
Inter-segment revenue	-	-	(0.9)	-	-	(5.4)	-	(6.3)
Segment revenue - external	785.4	96.1	230.3	531.9	78.6	11.5	-	1,733.8
EBITDAF	260.0	65.4	40.0	19.9	(18.9)	(9.7)	-	356.7
Interest revenue	3.0	1.1	0.3	4.4	0.6	34.0	(29.4)	14.0
Interest expense	(55.3)	(21.2)	(9.5)	(10.6)	(10.5)	(113.2)	29.4	(190.9)
Depreciation and amortisation	(44.4)	(14.1)	(15.5)	(12.7)	(13.9)	(1.6)	-	(102.2)
Financial derivative fair value movements	(19.6)	7.8	-	(24.4)	(1.3)	45.5	-	8.0
Investment transaction costs expensed	-	-	-	-	-	(0.4)	-	(0.4)
Realisations	-	(7.3)	-	-	18.2	-	-	10.9
Impairment losses	-	(0.9)	(0.1)	-	(2.1)	(186.8)	-	(189.9)
Taxation expense	(38.5)	(7.7)	(6.3)	6.4	2.5	9.0	-	(34.6)
Segment result	105.2	23.1	8.9	(17.0)	(25.4)	(223.2)	-	(128.4)
Non current assets (excluding financial instruments and deferred tax)	2,521.8	674.5	200.5	167.8	236.5	247.0	-	4,048.1
Total assets	2,636.0	753.6	281.8	386.7	301.9	347.7	-	4,707.7
Total liabilities	1,097.0	378.8	52.3	113.8	63.7	1,367.7	-	3,073.3
Capital expenditure/investment (including accruals)	92.8	38.1	44.6	70.5	20.7	7.6	-	274.3

(27) Segment analysis (continued)

Geographical segments
The Group operated 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.

	New Zealand $Millions	Australia $Millions	United Kingdom $Millions	Eliminations $Millions	Total $Millions
Segment revenue - total	1,028.8	751.2	55.9	-	1,835.9
Inter-segment revenue	-	-	-	-	-
Segment revenue - external	1,028.8	751.2	55.9	-	1,835.9
EBITDAF	329.1	42.8	(8.6)	-	363.3
Interest revenue	23.0	3.2	1.5	(19.8)	7.9
Interest expense	(151.4)	(31.1)	(4.5)	19.8	(167.2)
Depreciation and amortisation	(77.3)	(28.5)	(8.2)	-	(114.0)
Financial derivative fair value movements	(1.4)	(66.1)	-	-	(67.5)
Investment transaction costs expensed	(2.6)	-	-	-	(2.6)
Realisations	115.5	-	15.2	-	130.7
Impairment losses	(6.2)	-	(38.1)	-	(44.3)
Taxation expense	(46.4)	25.2	9.9	-	(11.3)
Segment result	182.3	(54.5)	(32.8)	-	95.0
Non current assets (excluding financial instruments and deferred tax)	3,467.8	327.8	155.2	-	3,950.8
Total assets	3,245.5	1,096.0	166.9	-	4,508.4
Total liabilities	2,219.7	514.3	43.1	-	2,777.1
Capital expenditure/investment (including accruals)	70.6	117.0	5.4	-	193.0

	New Zealand $Millions	Australia $Millions	Europe $Millions	Eliminations $Millions	Total $Millions
For the year ended 31 March 2009					
Segment revenue - total	1,092.9	562.3	78.6	-	1,733.8
Inter-segment revenue	-	-	-	-	-
Segment revenue - external	1,092.9	562.3	78.6	-	1,733.8
EBITDAF	331.5	44.1	(18.9)	-	356.7
Interest revenue	27.4	5.9	0.6	(19.9)	14.0
Interest expense	(174.5)	(25.8)	(10.5)	19.9	(190.9)
Depreciation and amortisation	(67.3)	(21.0)	(13.9)	-	(102.2)
Financial derivative fair value movements	44.6	(35.3)	(1.3)	-	8.0
Investment transaction costs expensed	(0.4)	-	-	-	(0.4)
Realisations	(7.3)	-	18.2	-	10.9
Impairment losses	(187.8)	-	(2.1)	-	(189.9)
Taxation expense	(48.2)	11.1	2.5	-	(34.6)
Segment result	(82.0)	(21.0)	(25.4)	-	(128.4)
Non current assets (excluding financial instruments and deferred tax)	3,220.0	591.6	236.5	-	4,048.1
Total assets	3,595.3	810.5	301.9	-	4,707.7
Total liabilities	2,639.2	370.4	63.7	-	3,073.3
Capital expenditure/investment (including accruals)	120.9	132.7	20.7	-	274.3

The group has no significant reliance on any one customer.

(28) Share scheme

Infratil Executive Redeemable Share Scheme

During the year selected key eligible executives and senior managers of Infratil and certain of its subsidiaries were invited to participate in the Infratil Executive Redeemable Share Scheme to acquire Executive Redeemable shares ('Executive Shares'). The Executive Shares have certain rights and conditions and cannot be traded until those conditions have been met. The Executive Shares confer no rights to receive dividends or other distributions or vote. Up to 3 million Executive Shares may be issued which will convert to ordinary shares after three years (other than in defined circumstances) provided that the issue price has been fully paid and vesting conditions have been met. The vesting conditions include share performance hurdles with minimum future share price targets which need to be achieved over the specified period. The number of shares that "vest" (or LTI bonus paid) is based on the share price performance over the relevant period of the Infratil ordinary shares. If the executive is still employed by the Group at the end of the specified period, provided the share performance hurdles are met the employee receives a long term incentive bonus (LTI) which must be used to repay the outstanding balance of the Executive Shares and the Executive Shares are then converted to fully paid ordinary shares of Infratil.
339,000 (2009 293,500) Infratil Executive Redeemable Shares were granted at a price of $1.6236 on 3 November 2009 ($2.0395 on 16 October 2008), 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:

Year ended 31 March	Consolidated 2010	2009
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	$ 0.174	$ 0.174
Adjustment for lack of transferability	35%	35%
Forecast returns to Shareholders	12%	12%

Executive Shares are valued based on the market price at date of grant adjusted for dividends that are not received. Volatility is based on historic volatility in Infratil's share price. The performance hurdles noted above are included in the valuation model used in determining the fair value of options issued during the year. In the event that there is a consolidation or subdivision of the ordinary shares, then the number of Executive Shares offered will increase (or decrease as the case may be) and the issue price will decrease (or increase respectively) in the same proportion. In the event of an offer for the ordinary shares of the company, the LTI bonus determination date will be accelerated to the date the offer becomes unconditional. The carrying amount of the liability for the long term incentive bonus at 31 March 2010 was $0.1 million (2009 $0.1 million).

Infratil Staff Share Purchase Scheme

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

The balance of the loans owing by the Group to the Trustee at 31 March 2010 is $0.3 million (2009 $0.3 million).

Effective date	Expiry date	Balance at 1 April No.	Held on Trust No.	Withdrawals from scheme during year No.	Balance at 31 March held on Trust No.
Opening balance March 2009		196,442			196,442
16/12/2009 (issue price $1.7)	16/12/2012	-	107,576		304,018
24/12/2009 (issue price $1.7)	24/12/2012	-	3,132		307,150
Closing balance March 2010				(22,302)	284,848
Opening balance March 2008		-			-
2/12/2008 (issue price $1.5)	2/12/2011	-	187,256		187,256
8/10/2008 (issue price $1.9)	8/10/2011	-	11,816		199,072
Closing balance March 2009				(2,630)	196,442

The total charge recognised in the profit and loss for both the schemes in the 2010 year was $0.1 million (2009 $0.1 million).

(29) Commitments

Capital commitments	Consolidated	
	2010 $Millions	2009 $Millions
Committed but not contracted for	9.7	12.4
Contracted but not provided for	94.1	149.7
	103.8	162.1

Wellington International Airport has contracted to complete the development of the new international passenger terminal.

Infratil Energy Australia has contracted to develop a 65MW generation plant in South Australia.

Perth Energy group is investing in a turnkey power generation plant project. Contractural agreements for the supply of the significant components of this development have been entered into.

Energy purchase commitments

TrustPower has a long term contract with Mighty River Power to purchase the output from the Rotokawa geothermal power station until 31 March 2013. This commitment cannot be quantified. TrustPower has a contract with Pioneer Generation to purchase all of the output from its various generation sites. This commitment cannot be quantified. TrustPower has a contract with Ngawha Generation Limited to purchase all of the output from its Ngawha power station. This commitment cannot be quantified. TrustPowers electricity lease revenue is revenue recognised in connection with Snowtown Wind Farm Pty Ltd's (a subsidiary of the Company) 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.

(30) Contingent liabilities

Subsidiaries have outstanding letters of credit to suppliers totalling $0.3 million (2009 $0.5 million), and performance bonds totalling $3.7 million (2009 $3.7 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 reallocates assets in the future and exceeds the performance thresholds in respect to incentive fees.

NZ Bus Limited has guaranteed Mobil the payment of all monies payable under trade arrangements between Mobil and NZ Bus group companies.

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.

The Company has agreed to underwrite an equity issue by Perth Energy for an amount of up to A$53 million, to be issued over the period from March 2008 to July 2010 of which A$45.7/NZ$58.9 million had been issued to 31 March 2010 (2009: A$37.1/NZ$47.8 million).

During 2008 the European Commission opened formal proceedings alleging state aid in relation to Lübeck airport (owned and operated by Flughafen Lübeck GmbH, one of the Group's subsidiaries at that time). Infratil has now exercised a put option and sold its interest in Lübeck Airport back to the City of Lübeck. Lübeck is one out of six airports in Germany where the European Commission opened a formal proceeding. Infratil understands a significant number of other airports in Germany and elsewhere in the European Union are in earlier stages of investigation. Of the four matters being investigated, three relate to arrangements with Ryanair which were entered into prior to the sale of the airport to the Infratil Airports Europe Limited ("IAE"). IAE and Flughafen Lübeck GmbH have been working with Ryanair, the Hanseatic City of Lübeck and the government of the Federal Republic of Germany to refute these allegations of state aid, and their outcome is not expected to affect IAE's financial position. In relation to the fourth, IAE and Flughafen Lübeck GmbH fully maintain their legal and factual position that the open tender process in 2005 that resulted in the purchase of Flughafen Lübeck GmbH cannot by its very nature involve state aid and continue to be confident that they will be able to demonstrate this to the Commission and, if necessary, the European Court of Justice. 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 $51.4 million (2009 $38.6 million) have been issued to a range of counterparties to facilitate trading in the various energy markets and related transmission networks. These guarantees have the benefit of a Deed of Negative Pledge, Subordination and Guarantee from Infratil Limited and its wholly owned guaranteeing subsidiaries.

Inland Revenue is currently disputing the tax treatment adopted by TrustPower in relation to feasibility expenditure in the 2006, 2007 and 2008 financial years. The TrustPower believes the tax treatment adopted is correct and is defending its position. Should Inland Revenue be successful in its claim, the resulting liability would give rise to an additional tax payment of $6.8 million and interest expense of $2.8 million. Further TrustPower would need to revise its policy for claiming tax deductions for feasibility expenditure in the 2009 and future years. This would give rise to further tax expense of $2.9 million and interest expense $0.2 million in respect of 2009 and 2010 years.

TrustPower has provided a guarantee to Rangitata Diversion Race Management Limited (RDR) to allow RDR to borrow funds to purchase land. The maximum amount the Group could be liable to pay is $756,000 (2009: nil). This maximum liability would only be payable if RDR was unable to service its debt and was unable to sell the land.

(31) Earnings per share

	2010 $Millions	2009 $Millions
Net surplus attributable to ordinary shareholders	29.0	(191.0)
Basic earnings per share:		
	cps	cps
Basic earnings per share (cps)	5.2	(37.5)

Weighted average number of ordinary shares	2010 Millions	2009 Millions
Issued ordinary shares at 1 April	520.2	487.4
Effect of new shares issued	5.5	
Effect of issue of partly paid shares	-	28.6
Effect of shares issued through warrant exercise	29.6	0.8
Effect of shares bought back	-	(7.2)
Weighted average number of ordinary shares at end of year	555.3	509.6
Diluted earnings per share recognising warrants on issue		
	cps	cps
Diluted earnings per share (cps)	5.2	(36.5)
Weighted average number of ordinary shares (diluted)		
Weighted average ordinary shares (calculated above)	555.3	509.6
Effect of warrants on issue	6.6	14.0
Weighted average number of ordinary shares at end of year	561.9	523.6

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

(32) 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 $16.5 million excluding GST (2009: $18.7 million excluding GST). Included in trade creditors is an amount of $1.4 million excluding GST (2009:$1.4 million excluding GST) for management fees for the month of March 2010.

MCIM is owned by H.R.L. Morrison & Co Group Limited ('MCO'). Messrs H R L Morrison and D P Saville are directors of the Company and Mr Bogoievski is Chief Executive Officer of MCO. Entities associated with Mr Morrison and Mr Saville own shares in MCO.

In the prior year Ingot Capital Management Pty Limited provided investment manager services to Infratil in respect of S&P option contract investments. Ingot Capital Management Pty Limited is a related party to Mr Saville, a Director of the Company. Ingot Capital Management Pty Limited, received a fee in 2009 of $2.0 million for these investment management services in the financial year. Infratil earned in 2009 a realised profit of $32.9 million on the S&P option contracts managed by Ingot Capital Management Pty Limited.

Other fees paid by the Group to MCIM, MCO or related parties are:	Consolidated		Parent	
	2010 $Millions	2009 $Millions	2010 $Millions	2009 $Millions
Consulting	0.2	0.4	0.2	0.4
Financial management, accounting, treasury, compliance and administrative services	1.0	0.8	1.0	0.8
Risk management reporting	0.3	0.3	0.3	-
Investment banking services	3.6	-	3.6	-
Operations management and analysis	-	0.3	-	-
Electricity market advisory services	-	0.1	-	-
Generation development and project management	-	1.2	-	-
Total other fees and services	5.1	3.1	5.1	1.2

Investment banking services in the 2010 year related to fees for the divestment of Fullers, EDL and the investment in the Shell New Zealand energy business, and were approved by the independent directors prior to the commitment.

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

Wellington International Airport	NZD 80,000	NZD 80,000
Infratil Airports Europe	STG 75,000	STG 117,500
NZ Bus	NZD 130,000	NZD 105,000
Victoria Electricity	AUD 200,000	AUD 125,000
TrustPower	NZD 195,000	NZD 195,000
Infratil Energy Australia	AUD 100,000	AUD 30,000
Snapper Services	NZD 80,000	NZD 52,500

Parent Company advances
Advances due from subsidiary companies are repayable on demand and are at interest rates up to 10% (2009 10.5%).
Note 22 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 $0.3 million (2009 $0.3 million) in relation to the Infratil Staff Share Purchase Scheme.

(33) 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.

(34) Events after balance date

Dividend
Subsequent to 31 March 2010 the Directors have approved a final dividend of 3.75 cents per share to holders of fully paid ordinary shares to be paid on the 25th of June 2010.

Dividend reinvestment plan
Infratil will provide shareholders with the opportunity to opt in to a dividend reinvestment plan for the final dividend. The Plan will give shareholders the option of receiving some or all of their dividends as shares. Any shareholder who does not apply to be included in the Plan will receive their normal cash dividend. A document describing the Plan and an application form has been mailed to shareholders.

Investment Purchase
A consortium owned 50% by Infratil Limited and 50% by the Guardians of New Zealand Superannuation announced it had completed the acquisition of Shell New Zealand's distribution and retail energy businesses, and a 17.1% interest in the New Zealand Refining Company. The base purchase price is $696.5 million plus an adjustment for actual net working capital in excess of $208 million at settlement date. Normal net working capital levels are estimated to average $250 million during a 12 month period. In addition to an extensive retail network and commercial customer base, the acquisition includes NZ-wide distribution, storage, marine and aviation assets; the rights to use the Shell retail brand; a 25% share in Loyalty New Zealand (Fly Buys); and the ongoing supply of Shell fuels and products. Total funding provided by Infratil and the Guardians of the New Zealand Superannuation Fund as shareholders of the holding Company which holds the investment in the Shell New Zealand businesses and the New Zealand Refining Company will amount to $420 million with the balance of the purchase consideration bank funded. Infratil's investment will include a combination of ordinary shares, redeemable preference shares and shareholders loans.

TrustPower
TrustPower has incurred additional capital commitments of $62 million relating to the construction of stage one of its Mahinerangi Wind Farm. Additional contracts are expected to be signed in the coming months,

Directory

Directors
D A R Newman (Chairman)
M Bogoievski
H R L Morrison
A Y Muh
H J D Rolleston
D P Saville
M Tume

Registered Office
97 The Terrace
PO Box 320
Wellington
Telephone: 04 473 3663
Internet address: www.infratil.com

Manager
Morrison & Co Infrastructure Management
97 The Terrace
PO Box 1395
Wellington
Telephone: 04 473 2399
Facsimile: 04 473 2388
Internet address: www.hrlmorrison.com

Share Registrar
Link Market Services
138 Tancred Street
PO Box 384
Ashburton
Telephone: 03 308 8887
E-mail: lmsenquiries@linkmarketservices.com

Auditor
KPMG
Maritime Tower
10 Customhouse Quay
PO Box 996
Wellington

Bankers
ANZ National Bank
215-229 Lambton Quay
Wellington

Bank of New Zealand
80 Queen Street
Auckland

Commonwealth Bank of Australia
135 Albert Street
Auckland

Hong Kong and Shanghai Banking Corporation
HSBC Tower
195 Lambton Quay
Wellington

Industrial and Commercial Bank of China
220 George Street
Sydney

Westpac Banking Corporation
188 Quay Street
Auckland

Audit report

To the shareholders of Infratil Limited

We have audited the financial statements on pages 1 to 40. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 12.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 March 2010 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 1 to 40:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 31 March 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 17 May 2010 and our unqualified opinion is expressed as at that date.

KPMG

Wellington