

Australian Infrastructure Fund (AIX)

Results announcement

Total pages: 29

25 February 2010

Appendix 4D – Report for the half year ended 31 December 2009

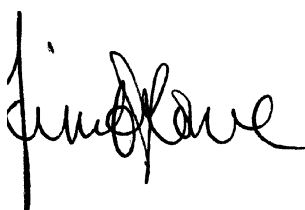
Please find enclosed the following documents:

- A. Results for announcement to the market
- B. Commentary on the results
- C. Financial report for the half year ended 31 December 2009
- D. Independent auditor's review report

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Kim Rowe
Company Secretary
Australian Infrastructure Fund

A. Results for announcement to the market

	Change from previous corresponding period		Half year to 31 December 2009 (\$'000)	Half year to 31 December 2008 (\$'000)
Revenue from ordinary activities ⁽¹⁾	Down 1%	to	142,100	142,882
Revenue from ordinary activities excluding gains and losses ⁽²⁾	Down 2%	to	31,098	31,722
Profit from ordinary activities after tax attributable to securityholders	Up 14%	to	129,791	114,212
Net profit for the period attributable to securityholders	Up 14%	to	129,791	114,212
Gross cash flow from assets ⁽³⁾	Down 12%	to	32,388	36,933
Net cash flows from operating activities ⁽⁴⁾	Up 44%	to	26,063	18,107

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

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

⁽³⁾ Gross cash flow from assets comprises cash received by AIX from assets (being distributions, dividends, interest on shareholder loans, returns of capital and repayments of shareholder loans) and excludes interest income from cash balances.

⁽⁴⁾ Net cash flows from operations comprise dividends, distributions, interest on shareholder loans and other income, net of finance costs paid, operating expenses paid and income tax refunded/(paid).

Refer to Section B for commentary on the results.

Distributions ⁽¹⁾	Amount per security	Franked amount per security at 30% tax	Tax-deferred amount per security
Distributions for the half year ended 31 December 2009			
Interim distribution – 31 December 2009	5.00 cents	3.90 cents	0.01 cents
Distributions for the year ended 30 June 2009			
Final distribution – 30 June 2009	5.00 cents	3.61 cents	0.69 cents
Interim distribution – 31 December 2008	8.00 cents	1.61 cents	3.92 cents
Record date for determining entitlements to the distribution			31 December 2009
Distribution payment date			26 February 2010

⁽¹⁾ For tax purposes, please refer to the Annual Distribution Statement which will be distributed following the end of the 2010 financial year. This statement will provide a more detailed account of the tax components of the 2010 financial year distributions.

Note: AIX's Distribution Reinvestment Plan (DRP) has been suspended until further notice. The suspension of the DRP applies to the final distribution for the year ended 30 June 2009 and all eligible securityholders will receive their distributions by way of cash payment.

Key performance indicators	Change from previous corresponding period	31 December 2009	31 December 2008
Net tangible asset backing	Up 23%	262.23 cents	214.04 cents ⁽¹⁾
Stapled security price	Up 5%	178.00 cents	169.70 cents ⁽²⁾

⁽¹⁾ The net tangible asset backing as at 31 December 2008 was 324.19 cents per security, however, it has been restated on an adjusted basis, using the higher number of securities on issue following the capital raising, for comparison to the 31 December 2009 net tangible asset backing.

⁽²⁾ The stapled security price at 31 December 2008 was 190.00 cents per security; however, it has been restated on an adjusted (theoretical ex-rights) basis as quoted on Bloomberg, for comparison to the 31 December 2009 security price following the capital raising.

B. Commentary on the results

AIX today announced its results for the half year to 31 December 2009. The portfolio return for the period was 11.27 percent, which comprised unrealised gains, cash flows and tax credits. The Australian airport assets continued to perform well, recording strong growth in passenger numbers and earnings for the half year.

Revenue from ordinary activities was \$142.1 million, in line with that of the prior corresponding period (pcp) of \$142.9 million. Revenue from ordinary activities includes unrealised gains and losses, which comprise increases or decreases in the independent valuation of the assets in the portfolio and movements in the exchange rate for HOCHTIEF AirPort Capital (HTAC). Unrealised gains for the half year to 31 December 2009 were \$111.1 million, in line with that of the pcp of \$111.1 million. Revenue from ordinary activities excluding gains/losses was \$31.1 million for the period, again in line with that of the pcp of \$31.7 million.

Net profit after tax was \$129.8 million, up 13.6 percent from \$114.2 million in the pcp. This was predominantly due to lower interest expenses following repayment of the multi-option facility (MOF) in July 2009, as well as lower income tax expense as less unrealised gains were made on assets held in company structures although total unrealised gains were in line with pcp.

Net cash flows from operating activities were up, increasing 43.9 percent to \$26.1 million for the half year ended 31 December 2009 from \$18.1 million in the pcp. This was due largely to the lower amount of costs paid, particularly the comparatively lower finance costs following repayment of the MOF. Gross cash flow from assets, however, decreased 12.3 percent from \$36.9 million to \$32.4 million:

- As previously disclosed, HTAC participated in the third capital injection at Sydney Airport. This investment was financed by a bank loan and internal sources and as a result HTAC did not make any distributions (dividends or shareholder loan interest) to shareholders in the second half of 2009, instead partially repaying debt principal and interest;
- This was partially offset by a timing difference, being the receipt of the financial year 2009 dividend from Queensland Airports Limited (QAL) in financial year 2010, together with increased distributions from Statewide Roads.

Net tangible assets (NTA) of the portfolio increased by 22.5 percent from \$2.14 to \$2.62, reflecting the increased value of the assets, as independently assessed by KPMG Corporate Finance, and additional investments made in the portfolio. The performance of the listed market has shown some improvement, although the infrastructure sector continues to trade well below net tangible asset value. Both the AIX security price and the S&P ASX 200 Industrials Index recovered from trading levels in the previous year, with AIX increasing 31.9 percent from \$1.35 at 30 June 2009 to \$1.78 at 31 December 2009, compared with the S&P ASX 200 Industrials Index which rose 27.3 percent in the same period.

Directors declared an interim distribution of 5.0 cents per stapled security for the half year to 31 December 2009. The distribution will be paid on 26 February 2010.

B. Commentary on the results *continued*

Operating highlights for the half year ended 31 December 2009

GROWTH

- The airports in the AIX portfolio (comprising 93.6 percent of the portfolio by value) recorded growth in passenger numbers of 5.2 percent on the pcp, when weighted by AIX's interest. The Australian airports in the AIX portfolio (comprising 79.0 percent of the portfolio), recorded AIX-weighted growth of 6.3 percent on pcp. Queensland Airports Limited (QAL) and Perth Airport were highlights, with 8.9 percent and 6.6 percent growth on pcp respectively.
- QAL's Gold Coast Airport officially opened its redeveloped terminal on 25 January 2010, with The Hon Anthony Albanese, Federal Minister for Infrastructure, Transport, Regional Development and Local Government, in attendance to declare the new terminal open. The \$110 million terminal redevelopment was completed under budget and five weeks ahead of schedule. The redeveloped terminal provides an improved retail and food & beverage offering, as well as new common user facilities to support more efficient processing of passengers.
- Melbourne Airport's \$330 million international terminal (T2) expansion continues, with the unveiling of the first stage in December 2009. The new 7,000m² passenger concourse will allow T2 to operate three additional aircraft parking bays, including two gates with dual-level aerobridges to accommodate A380 aircraft. The expansion, which comprises a number of projects, is expected to be completed on budget and on schedule in late 2011.

DISCIPLINE

- AIX successfully completed a ~\$211 million rights issue in July 2009, with proceeds used to fully repay fund-level debt and the remainder to fund organic growth initiatives. Funding is now in place for all known asset equity capital requirements, with an additional ~\$30 million stand-by facility (undrawn) available.
- AIX assets exhibit sustainable levels of gearing and healthy coverage levels, as demonstrated by successful refinancings at a number of AIX assets
 - In October 2009, Perth Airport completed a refinancing process which successfully raised \$740 million through the establishment of new debt facilities, with shareholders committing a further \$142 million (AIX share \$42.2 million). Perth Airport used the funds to refinance then existing debt facilities of \$431 million, with the remainder to be used to meet the airport's planned capital expenditure over the next three years. The first tranche of shareholder equity was contributed in June 2009, with AIX's share being \$10.4 million. Perth Airport expects to commence construction of Terminal WA (for regional and interstate services) in the near term, once agreement is reached with its airline customers on aeronautical pricing.
 - Melbourne Airport successfully refinanced a \$300 million facility for a further three years to July 2012 and in October 2009, signed a new \$150 million loan facility with Calyon Australia. These funds will be invested in new and improved airport facilities.
 - QAL recently announced the rollover of an existing ~\$190 million debt facility, which was to mature in April 2010, for a further three years.

VALUE

- As at market close on 24 February 2010, AIX was trading at \$1.85, implying an FY09 EBITDA multiple of 11.2x, being a 24.5 percent discount to NAV¹. MAp Airports (MAP) and Auckland International Airport (AIA) were trading at multiples of 12.4x and 12.8x respectively based on their last close prices.
- AIX provides unique access to the value embedded in strategic infrastructure assets and, compared to industry and transaction multiples, appears to be undervalued.

¹ Based on NAV of \$2.45, after subtracting an estimated present value of management fees.

B. Commentary on the results *continued*

Outlook

The AIX airports, comprising 93.6 percent by portfolio value, have experienced a rebound in passenger growth rates over the half year ended 31 December 2009. The performance of the Australian airports (79.0 percent of the portfolio) has remained strong, with AIX-weighted growth of 6.3 percent on pcp. The European airports (14.7 percent of the portfolio) have returned to positive passenger growth, with 0.7 percent growth on pcp when weighted by AIX's interest.

The AIX portfolio is well positioned with a track record of strong passenger growth, disciplined capital management and a sound value proposition. The AIX Australian airports continue to benefit from the penetration of low cost carriers (LCCs) into the Australian aviation market and are ideally located to benefit from the significant growth potential in the Asia-Pacific region.

Performance

The table below summarises the performance of the assets in the portfolio for the half year and since inception.

	Value ⁽¹⁾ 31-Dec-09 (\$'000)	Dividends, distributions and interest received (\$'000)	Returns of capital/loan repayments received (\$'000)	Franking credits received (\$'000)	Revaluation during period ⁽²⁾ (\$'000)	Return for half year to 31-Dec-09 (%) ⁽³⁾	Return since inception (% p.a.) ⁽⁴⁾
Transport							
Airports							
Perth Airport ⁽⁵⁾	415,456	9,381	-	3,556	34,308	12.71	19.57
HOCHTIEF AirPort Capital	321,826	-	-	-	2,257	2.22	10.88
Melbourne Airport	320,100	6,825	-	2,925	20,700	10.17	24.78
Queensland Airports ⁽⁷⁾	259,200	8,553	-	3,259	47,300	24.28	46.10
NT Airports	80,900	2,870	-	1,211	6,600	14.57	29.02
Total airports	1,397,482	27,630	-	10,951	111,165	11.56	22.07
Seaports							
Port of Portland ⁽⁶⁾ ⁽⁷⁾	69,700	-	-	-	4,350	6.91	27.24
Port of Geelong	19,300	88	-	5	1,388	7.76	24.86
Total seaports	89,000	88	-	5	5,738	7.10	26.59
Roads and rail							
Statewide Roads	2,700	4,671	-	2,002	(5,900)	10.26	10.46
Metro Transport Sydney	3,100	-	-	-	100	3.33	(20.70)
Total roads and rail	5,800	4,671	-	2,002	(5,800)	8.29	2.66
Cash and other	n/a	1,181	-	n/a	-	n/a	n/a
TOTAL ⁽⁸⁾	1,492,282	33,569	-	12,958	111,103	11.27	19.11

⁽¹⁾ Investment value includes accrued interest as at 31 December 2009.

⁽²⁾ The revaluation amount during the period for each asset reflects the underlying change in the asset's value taking into account movements in accrued interest, distributions and dividends, realised/unrealised foreign exchange gains and losses and adjustments for shareholder loan repayments and returns of capital as shown separately.

⁽³⁾ The return for the half year ended 31 December 2009 is calculated by reference to the opening asset value as at 1 July 2009, all cash inflows and outflows to/from AIX during the period and franking credits & revaluation gains or losses booked during the period.

⁽⁴⁾ The return since inception is calculated by reference to the initial capital investment, all cash inflows and outflows from/to AIX since initial investment and franking credits & revaluation gains or losses since initial investment.

⁽⁵⁾ Perth Airport includes an interest in the Perth Airport convertible note.

⁽⁶⁾ Port of Portland Holdings comprises investments in Port of Portland Pty Ltd and Technical Services Agreements for Perth Airport.

⁽⁷⁾ Investment value includes accrued distributions as at 31 December 2009.

⁽⁸⁾ The total portfolio return and valuation as of 31 December 2009 is for the portfolio of transport assets and does not include cash held on deposit.

C. Financial report for the half year ended 31 December 2009

Australian Infrastructure Fund Limited

ABN 97 063 935 553

Australian Infrastructure Fund Trust

ARSN 089 889 761

Condensed Consolidated Interim Financial Statements for the half year ended 31 December 2009

Directors' Report

The directors of Australian Infrastructure Fund Limited (AIFL or the Company) submit their report together with the condensed consolidated interim financial statements of the Company and its controlled entities for the half year ended 31 December 2009.

Structure of condensed consolidated interim financial statements

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

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

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

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

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

The condensed consolidated interim financial statements include:

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

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

Directors

The following persons held office as directors of the Company during the half year and up to the date of this report unless otherwise stated:

Paul Espie	Chairman
Steve Boulton	
John Harvey	
Robert Humphris	
Mike Hutchinson	
Robert Tsenin	

Company secretaries

The company secretaries of the Company in office during the half year and up to the date of this report are Claire Filson (resigned 31 December 2009) and Kim Rowe.

Principal activities

The principal activity of AIX during the half year was to invest in infrastructure investments so as to optimise total shareholder return. There has been no change in the principal activity of AIX during the half year.

Company information

The Company is incorporated and domiciled in Australia. The registered office of the Company is located at Level 16, 90 Collins Street, Melbourne, Victoria, 3000.

At 31 December 2009 the Company had no employees, apart from the non-executive directors of the Company (2008 – nil).

Directors' Report (continued)

Review and results of operations

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

Results

The profit after income tax attributable to securityholders of AIX for the half year ended 31 December 2009 was \$129,791,000 (2008 – \$114,212,000).

Distributions and Dividends

An interim AIX dividend and distribution of \$28,839,000 (5.00 cents per stapled security) was declared for the six months ended 31 December 2009 and will be paid on 26 February 2010 (six months to 31 December 2008 – 8.00 cents per stapled security).

Matters subsequent to the end of the half year

No other significant events have occurred since the end of the reporting period which would impact on the financial position of AIX disclosed in the Condensed Consolidated Statements of Financial Position as at 31 December 2009 or on the results and cash flows of AIX for the half year ended on that date.

Rounding

AIX is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

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



Paul Espie
Chairman

25 February 2010

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

As lead auditor for the review of Australian Infrastructure Fund Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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



JF Power
PricewaterhouseCoopers

Melbourne
25 February 2010

Directors' Report

The directors of Hastings Funds Management Limited (Hastings) as Responsible Entity for Australian Infrastructure Fund Trust (the Trust) submit their report together with the condensed consolidated interim financial statements of the Trust and its controlled entities for the half year ended 31 December 2009.

The condensed consolidated interim financial statements incorporate the assets and liabilities of the entity controlled by the Trust, being Australian Infrastructure Fund International 1 Trust and its controlled entities as at 31 December 2009. The consolidated entity is known as Australian Infrastructure Fund Trust (AIFT) or the Trust.

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

Directors

The following persons held office as directors of the Responsible Entity during the half year and up to the date of this report unless otherwise stated:

Alan Cameron	Appointed as Chairman on 6 October 2009 and Director since 14 April 2009
Steve Boulton	
Jim Evans	Appointed on 6 October 2009
William Forde	
Alan Freer	Retired on 6 October 2009
Stephen Gibbs	
Mike Hutchinson	Retired on 31 December 2009
Jim McDonald	
Sean McElduff	Retired on 6 October 2009
Les Vance	Appointed on 6 October 2009

Company secretaries

The company secretaries of the Responsible Entity in office during the half year and up to the date of this report are Claire Filson (resigned 31 December 2009) and Kim Rowe.

Principal activities

The principal activity of the Trust during the year was to invest in infrastructure investments so as to optimise total investor return. During the year the Trust has continued to invest in infrastructure investments in accordance with the Constitution. There has been no change in the principal activity of the Trust during the year.

Review and results of operations

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

Results

The profit after income tax attributable to securityholders of the Trust for the half year ended 31 December 2009 was \$119,797,000 (2008 – \$108,422,000).

Distributions

The AIX interim distribution of \$28,839,000 (5.00 cents per stapled security) for the six months ended 31 December 2009 will be paid on 26 February 2010. The Trust distribution represents \$21,539,000 (2008 – \$27,964,000) of the total amount paid.

Matters subsequent to the end of the half year

No other significant events have occurred since the end of the reporting period which would impact on the financial position of Consolidated AIFT disclosed in the Statements of Financial Position as at 31 December 2009 or on the results and cash flows of Consolidated AIFT for the half year ended on that date.

Directors' Report (continued)

Rounding

The Trust is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 6.

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

A handwritten signature in black ink, appearing to read 'Alan Cameron', followed by a long horizontal flourish.

Alan Cameron
Chairman

25 February 2010

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

As lead auditor for the review of Australian Infrastructure Fund Trust for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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



JF Power
PricewaterhouseCoopers

Melbourne
25 February 2010

Condensed Consolidated Statements of Comprehensive Income

		AIX							
		Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
		Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec
Note		2009	2008	2009	2008	2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income									
	Interest	8,177	9,025	1,008	146	8,177	9,025	3,328	3,644
	Dividends	22,618	12,125	6,777	5,055	15,840	7,070	15,840	7,070
	Distributions	0	10,411	0	525	0	9,886	0	14,386
	Net gain/(loss) - securities	111,003	111,138	3,582	371	107,421	110,767	105,306	37,485
2	Net gain/(loss) - subsidiaries	0	0	0	0	0	0	6,988	67,935
3	Net gain/(loss) - other	(1)	22	0	0	(1)	22	(1)	22
	Other	303	161	0	0	303	161	303	161
	Total income	142,100	142,882	11,367	6,097	131,740	136,931	131,764	130,703
Expenses									
	Management fees	4,733	4,077	0	0	4,733	4,077	4,733	4,077
	Securityholder and investor relations expenses	320	340	0	0	320	340	320	340
	Investment acquisition costs	0	70	0	0	0	70	0	70
	Investment bid costs	77	153	0	0	77	153	77	153
	Investment costs	94	140	0	0	94	140	94	140
	Directors' fees	381	352	0	0	381	352	381	352
	Directors' retirement expense	32	88	0	0	32	88	32	88
	Board administration expenses	17	14	0	0	17	14	17	14
	Other prudential expenses	273	240	0	0	273	240	273	240
	Audit fees	54	63	0	0	54	63	54	63
	Tax fees	35	67	0	0	35	67	35	67
	Other expenses	45	152	0	0	45	152	33	137
	Finance costs	1,354	5,870	0	0	2,361	6,016	2,361	6,016
	Total expenses	7,415	11,626	0	0	8,422	11,772	8,410	11,757
	Net profit/(loss) before income tax for the half year	134,685	131,256	11,367	6,097	123,318	125,159	123,354	118,946
	Income tax expense/(benefit)	4,894	17,044	1,373	307	3,521	16,737	0	0
	Net profit/(loss) after income tax for the half year	129,791	114,212	9,994	5,790	119,797	108,422	123,354	118,946
	Other comprehensive income	0	0	0	0	0	0	0	0
	Total comprehensive income for the half year	129,791	114,212	9,994	5,790	119,797	108,422	123,354	118,946

		AIX							
		Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
		Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec
		2009	2008	2009	2008	2009	2008	2009	2008
Earnings per security for total comprehensive income for the half year:									
	Basic earnings per security (cents)	23.03	29.99	1.77	1.52	21.26	28.47	21.89	31.24

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

Condensed Consolidated Statements of Financial Position

	AIX		AIFL		Consolidated AIFT		AIFT		
	Consolidated AIFL								
	Note	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000
Assets									
Cash and cash equivalents		73,793	36,351	0	0	73,793	36,351	73,657	36,201
Receivables		2,437	10,043	42,235	14,544	1,588	9,106	7,355	14,873
Other assets		395	648	0	0	395	648	396	649
Subsidiaries		0	0	0	0	0	0	316,191	309,202
Unlisted securities		1,490,115	1,360,516	147,267	141,825	1,342,848	1,218,691	1,021,021	903,826
Total assets		<u>1,566,740</u>	<u>1,407,558</u>	<u>189,502</u>	<u>156,369</u>	<u>1,418,624</u>	<u>1,264,796</u>	<u>1,418,620</u>	<u>1,264,751</u>
Liabilities									
Payables		29,982	20,186	7,300	8,700	22,682	11,486	22,682	11,486
Current income tax liability		291	290	295	285	(4)	5	0	0
Provisions		640	608	0	0	640	608	640	608
Borrowings		0	159,672	0	0	41,386	173,280	41,386	173,280
Deferred income tax liability		23,342	18,751	7,251	6,184	16,091	12,566	0	0
Total liabilities		<u>54,255</u>	<u>199,507</u>	<u>14,846</u>	<u>15,169</u>	<u>80,795</u>	<u>197,945</u>	<u>64,708</u>	<u>185,374</u>
Net assets		<u>1,512,485</u>	<u>1,208,051</u>	<u>174,656</u>	<u>141,200</u>	<u>1,337,829</u>	<u>1,066,851</u>	<u>1,353,912</u>	<u>1,079,377</u>
Equity									
Contributed equity	4	965,002	761,520	148,021	117,259	816,981	644,261	816,981	644,261
Retained earnings	5	547,483	446,531	26,635	23,941	520,848	422,590	536,931	435,116
Total equity		<u>1,512,485</u>	<u>1,208,051</u>	<u>174,656</u>	<u>141,200</u>	<u>1,337,829</u>	<u>1,066,851</u>	<u>1,353,912</u>	<u>1,079,377</u>

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

Condensed Consolidated Statements of Changes in Equity

AIX

Consolidated AIFL

	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
At 1 July 2008	755,137	395,631	1,150,768
Net profit/(loss) after income tax for the half year	0	114,212	114,212
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	114,212	114,212
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the period:			
Dividends and distributions paid and payable to securityholders	0	(30,464)	(30,464)
As at 31 December 2008	755,137	479,379	1,234,516
At 1 July 2009	761,520	446,531	1,208,051
Net profit/(loss) after income tax for the half year	0	129,791	129,791
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	129,791	129,791
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the period:			
- pursuant to market placement	211,487	0	211,487
Adjustment to security issue costs pursuant to market placement	(8,005)	0	(8,005)
Dividends and distributions paid and payable to securityholders	0	(28,839)	(28,839)
As at 31 December 2009	965,002	547,483	1,512,485
AIFL	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
At 1 July 2008	116,301	24,764	141,065
Net profit/(loss) after income tax for the half year	0	5,790	5,790
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	5,790	5,790
Transactions with owners in their capacity as owners:			
Ordinary securities issued during the half year			
Dividends paid and payable to securityholders	0	(2,500)	(2,500)
Total comprehensive income for the half year	116,301	28,054	144,355
At 1 July 2009	117,259	23,941	141,200
Net profit/(loss) after income tax for the half year	0	9,994	9,994
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	9,994	9,994
Transactions with owners in their capacity as owners:			
Ordinary securities issued during the half year			
- pursuant to market placement	30,762	0	30,762
Dividends paid and payable to securityholders	0	(7,300)	(7,300)
At 31 December 2009	148,021	26,635	174,656

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

Condensed Consolidated Statements of Changes in Equity (continued)

Consolidated AIFT	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
At 1 July 2008	638,836	370,867	1,009,703
Net profit/(loss) after income tax for the half year	0	108,422	108,422
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	108,422	108,422
Transactions with owners in their capacity as owners:			
Ordinary securities issued during the half year			
- pursuant to distribution reinvestment plan	0	0	0
Distributions paid and payable to securityholders	0	(27,964)	(27,964)
At 31 December 2008	638,836	451,325	1,090,161
At 1 July 2009	644,261	422,590	1,066,851
Net profit/(loss) after income tax for the half year	0	119,797	119,797
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	119,797	119,797
Transactions with owners in their capacity as owners:			
Ordinary securities issued during the half year			
- pursuant to market placement	180,725	0	180,725
Unit issue costs pursuant to a market placement	(8,005)	0	(8,005)
Distributions paid and payable to securityholders	0	(21,539)	(21,539)
At 31 December 2009	816,981	520,848	1,337,829
AIFT	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
At 1 July 2008	638,836	387,537	1,026,373
Net profit/(loss) after income tax for the half year	0	118,946	118,946
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	118,946	118,946
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the half year:			
Distributions paid and payable to securityholders	0	(27,964)	(27,964)
At 31 December 2008	638,836	478,519	1,117,355
At 1 July 2009	644,261	435,116	1,079,377
Net profit/(loss) after income tax for the half year	0	123,354	123,354
Other comprehensive income	0	0	0
Total comprehensive income for the half year	0	123,354	123,354
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the half year:			
- pursuant to market placement	180,725	0	180,725
Adjustment to unit issue costs pursuant to market placement	(8,005)	0	(8,005)
Distributions paid and payable to securityholders	0	(21,539)	(21,539)
At 31 December 2009	816,981	536,931	1,353,912

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

Condensed Consolidated Statements of Cash Flows

	AIX							
	Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
	Dec 2009 Inflows/ (outflows) \$'000	Dec 2008 Inflows/ (outflows) \$'000	Dec 2009 Inflows/ (outflows) \$'000	Dec 2008 Inflows/ (outflows) \$'000	Dec 2009 Inflows/ (outflows) \$'000	Dec 2008 Inflows/ (outflows) \$'000	Dec 2009 Inflows/ (outflows) \$'000	Dec 2008 Inflows/ (outflows) \$'000
Cash flows from operating activities								
Interest received	2,956	8,385	0	0	2,956	8,385	2,953	3,730
Dividends received	30,248	12,195	6,802	5,125	23,446	7,070	23,446	7,070
Distributions received	63	10,711	63	825	0	9,886	0	14,387
Other income received	303	160	0	0	303	160	303	160
Finance costs paid	(1,508)	(6,370)	0	0	(1,508)	(6,370)	(1,508)	(6,358)
Operating expenses paid	(5,698)	(6,158)	0	0	(5,698)	(6,158)	(5,686)	(6,158)
Income tax refunded/(paid)	(301)	(816)	(296)	(476)	(5)	(340)	0	0
Net cash inflow/(outflow) from operating activities	26,063	18,107	6,569	5,474	19,494	12,633	19,508	12,831
Cash flows from investing activities								
Payments for purchase of unlisted securities	(13,417)	(36,199)	(1,861)	0	(11,556)	(36,199)	(11,556)	(36,199)
Payments for unlisted security loan advances	0	7,059	0	0	0	7,059	0	7,059
Payments for stapled entity loan advances	0	0	0	0	26,770	0	26,770	0
Proceeds from repayment of unlisted loan securities	41	0	0	0	41	0	41	0
Net cash inflow/(outflow) from investing activities	(13,376)	(29,140)	(1,861)	0	15,255	(29,140)	15,255	(29,140)
Cash flows from financing activities								
Drawdown of bank facilities	0	29,500	0	0	0	29,500	0	29,500
Repayment of bank facilities	(159,500)	0	0	0	(159,500)	0	(159,500)	0
Drawdown of borrowings - from subsidiary	0	0	0	2,526	0	0	0	0
Repayment of borrowings - to subsidiary	0	0	0	0	0	0	0	(541)
Drawdown of borrowings - from stapled entity	0	0	(26,770)	0	0	(2,526)	0	(2,526)
Proceeds from issue of securities	211,487	0	30,762	0	180,725	0	180,725	0
Payment for security issue costs	(8,005)	0	0	0	(8,005)	0	(8,005)	0
Dividends and distributions paid	(19,226)	(32,368)	(8,700)	(8,000)	(10,526)	(24,368)	(10,526)	(24,368)
Net cash inflow/(outflow) from financing activities	24,756	(2,868)	(4,708)	(5,474)	2,694	2,606	2,694	2,065
Net increase/(decrease) in cash and cash equivalents	37,443	(13,901)	0	0	37,443	(13,901)	37,457	(14,244)
Cash and cash equivalents at the beginning of the half year	36,351	69,224	0	0	36,351	69,224	36,201	69,224
Effects of foreign exchange rate movements on cash and cash equivalents	(1)	22	0	0	(1)	22	(1)	22
Cash and cash equivalents at the end of the half year	73,793	55,345	0	0	73,793	55,345	73,657	55,002

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

1 Summary of significant accounting policies

(a) Structure of financial report

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

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

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

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

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

The condensed consolidated interim financial statements include:

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

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

(b) Interpretation 1013 “Consolidated Financial Reports in Relation to Pre-Date-of-Transition Stapling Arrangements”

The stapling arrangement between AIFL and AIFT was affected prior to the date of transition to Australian equivalents to International Financial Reporting Standards (AIFRS), therefore Interpretation 1013 applies. In accordance with this interpretation, for the purpose of preparing condensed consolidated interim financial statements that combines the assets and liabilities of AIFL and AIFT, AIFL is identified as the parent entity.

(c) Basis of preparation

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

The condensed consolidated interim financial statements for the half year ended 31 December 2009 do not include all notes of the type normally included in the annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Annual Financial Report of AIX for the year ended 30 June 2009 and any public announcements made by AIFL and AIFT during the half year ended 31 December 2009 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The condensed consolidated interim financial statements have been prepared in accordance with the historical cost convention, except for unlisted securities which are measured at fair value.

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

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except as set out below.

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

1 Summary of significant accounting policies (continued)

(c) Basis of preparation (continued)

The condensed consolidated interim financial statements of AIX for the half year ended 31 December 2009 were authorised for issuance in accordance with a resolution of directors on 25 February 2010. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

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

(d) Basis of consolidation

The condensed consolidated interim financial statements of AIFL combine the assets and liabilities of AIFL and AIFT and the entities AIFT controls. These entities are referred to in the financial statements as Consolidated AIFL or AIX. The effects of all transactions between entities in the AIFL consolidated group are eliminated in full.

The condensed consolidated interim financial statements of AIFT incorporates the assets and liabilities of AIFT and the entities it controls, being Australian Infrastructure Fund International 1 Trust and its controlled entities as at 31 December 2009. The effects of all transactions between entities in the AIFT consolidated group are eliminated in full.

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

Where control of an entity is obtained during the period, its results are included in the Condensed Consolidated Income Statement from the date on which control commences. Where control of an entity ceases during a period its results are included for that part of the period during which control existed.

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

(e) Unlisted securities

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

Unlisted securities are recorded at fair value through the Statements of Comprehensive Income within net gain/loss on securities upon initial recognition, being the amount of consideration given between parties in an arm's length transaction.

After initial recognition, unlisted securities are measured at fair value consistent with AIX's investment strategy. Costs incidental to the acquisition of unlisted securities are recognised in the Statements of Comprehensive Income within investment acquisition costs when incurred.

Unrealised gains or losses arising from changes in the fair value of securities are calculated as the difference between the fair value at year end and the fair value at the previous valuation point.

Realised gains or losses are recognised through the Statements of Comprehensive Income within net gain/(loss) on securities upon sale or restructure of securities and are calculated as the difference between the settlement and the fair value at the previous valuation point.

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

Fair values of unlisted securities are determined by an appropriately qualified independent valuer, KPMG Corporate Finance, by projecting future cash flows and then discounting these cash flows back to their present value using a post-tax risk adjusted discount rate. Where applicable, the present value of foreign currency discounted cash flows is translated back to the local functional currency using the spot foreign exchange rate. Discount rates used are developed on an individual unlisted security basis by the independent valuer.

The post-tax risk adjusted discount rates applied by KPMG Corporate Finance in determining the fair value of each unlisted security as at 31 December 2009 are detailed below:

1 Summary of significant accounting policies (continued)

(e) Unlisted securities (continued)

Unlisted Security Name	Valuation	Post-tax risk adjusted discount rate	Valuation	Post-tax risk adjusted discount rate
	31-Dec-09	31-Dec-09	30-Jun-09	30-Jun-09
	\$'000	%	\$'000	%
Perth Airport	396,300	13.05	361,800	12.95
Australia Pacific Airports Corporation	320,100	10.70	299,400	10.90
HOCHTIEF AirPort Capital Group	321,826	12.70	314,864	12.80
Queensland Airports	259,200	15.80	219,500	15.80
Airport Development Group	80,900	14.60	74,300	15.00
Port of Portland	69,700	12.20	60,600	12.60
Port of Geelong Unit Trust & Infrastructure Investment Corporation	19,300	12.70	18,000	12.70
Statewide Roads	2,700	8.00	8,600	8.00
Metro Transport Sydney	3,100	19.00	3,000	19.00

(f) Segment reporting

Changes in accounting policy

AIX has changed its segment reporting accounting policy as a result of the new accounting standard AASB 8 *Operating Segments* which became operative for the annual reporting period commencing on 1 January 2009. AIX has applied AASB 8 *Operating Segments* from 1 July 2009.

AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. In the case of AIX, two operating decision makers, being the Board of AIFL and the Board of Hastings have been identified for the purposes of AASB 8.

(g) Rounding

AIX is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the condensed consolidated interim financial statements. Amounts in the condensed consolidated interim financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(h) Comparatives

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

2 Net gain/(loss) - securities

	AIX							
	Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000
Net gain/(loss) - unlisted securities								
Net gain/(loss) - non foreign exchange - unrealised	111,103	111,084	3,582	371	107,521	110,713	105,264	37,485
Net gain/(loss) - non foreign exchange - realised	42	0	0	0	42	0	42	0
Net gain/(loss) - foreign exchange - realised	(142)	54	0	0	(142)	54	0	0
Net gain/(loss) - securities	<u>111,003</u>	<u>111,138</u>	<u>3,582</u>	<u>371</u>	<u>107,421</u>	<u>110,767</u>	<u>105,306</u>	<u>37,485</u>

3 Net gain/(loss) - subsidiaries

	AIX							
	Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000
Net gain/(loss) - subsidiaries								
Net gain/(loss) - subsidiaries - non foreign exchange - unrealised	0	0	0	0	0	0	33,541	3,568
Net gain/(loss) - subsidiaries - foreign exchange - unrealised	0	0	0	0	0	0	(26,553)	64,367
Net gain/(loss) - subsidiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,988</u>	<u>67,935</u>

4 Contributed equity

	AIX							
	Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
	Dec 2009 No. '000	June 2009 No. '000	Dec 2009 No. '000	June 2009 No. '000	Dec 2009 No. '000	June 2009 No. '000	Dec 2009 No. '000	June 2009 No. '000
(a) Issued securities (number)								
Opening balance	384,517	380,806	384,517	380,806	384,517	380,806	384,517	380,806
Securities issued during the half year:								
- pursuant to market placement	192,261	0	192,261	0	192,261	0	192,261	0
- pursuant to distribution and dividend reinvestment plan	0	3,711	0	3,711	0	3,711	0	3,711
Closing balance	<u>576,778</u>	<u>384,517</u>	<u>576,778</u>	<u>384,517</u>	<u>576,778</u>	<u>384,517</u>	<u>576,778</u>	<u>384,517</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Issued securities (dollars)								
Opening balance	761,520	755,137	117,259	116,301	644,261	638,836	644,261	638,836
Securities issued during the half year:								
- pursuant to market placement	211,487	0	30,762	0	180,725	0	180,725	0
- pursuant to distribution and dividend reinvestment plan	0	6,383	0	958	0	5,425	0	5,425
Less: adjustment to security issue costs	(8,005)	0	0	0	(8,005)	0	(8,005)	0
Closing balance	<u>965,002</u>	<u>761,520</u>	<u>148,021</u>	<u>117,259</u>	<u>816,981</u>	<u>644,261</u>	<u>816,981</u>	<u>644,261</u>

4 Contributed equity (continued)

(c) Terms and conditions of issued securities

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

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

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

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

(d) Capital risk management

The Group's objectives when managing capital, which is the equity stapled securities in AIFL and AIFT, are:

- to safeguard its ability to continue as a going concern; and
- to continue to provide long term returns for shareholders.

The Group has unlisted securities which have been funded by loans and borrowings and redeemable preference shares with related entities.

5 Retained earnings

	AIX							
	Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000
Opening balance	446,531	395,631	23,941	24,764	422,590	370,867	435,116	387,537
Total comprehensive income for the half year	129,791	100,590	9,994	10,377	119,797	90,214	123,354	86,070
Dividends and distributions declared to securityholders	(28,839)	(49,690)	(7,300)	(11,200)	(21,539)	(38,491)	(21,539)	(38,491)
Closing balance	<u>547,483</u>	<u>446,531</u>	<u>26,635</u>	<u>23,941</u>	<u>520,848</u>	<u>422,590</u>	<u>536,931</u>	<u>435,116</u>

6 Distributions declared to securityholders

	AIX							
	Consolidated AIFL		AIFL		Consolidated AIFT		AIFT	
	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000
Distributions declared during the half year	0	27,964	0	0	0	27,964	0	27,964
Dividends declared during the half year	28,839	2,500	7,300	2,500	21,539	0	21,539	0
Total distributions declared to securityholders	<u>28,839</u>	<u>30,464</u>	<u>7,300</u>	<u>2,500</u>	<u>21,539</u>	<u>27,964</u>	<u>21,539</u>	<u>27,964</u>

An interim dividend and distribution of \$28,839,000 (5.00 cents per stapled security) was declared by AIX for the half year ended 31 December 2009 which will be paid on 26 February 2010 (2008 - \$30,464,000 and 8.00 cents per stapled security). This comprised:

- interim dividend of \$7,300,000 (1.27 cents per security) declared by AIFL for the half year ended 31 December 2009 (2008 – \$2,500,000 and 0.66 cents per stapled security) franked to 100% (2008 – 100%); and
- an interim distribution of \$21,539,000 (3.73 cents per security) declared by AIFT for the half year ended 31 December 2009 (2008 – \$27,964,000 and 7.34 cents per stapled security).

7 Segment information

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

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

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

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

The tables below provide additional information on AIX's assets and operating income by geographical location. The basis for attributing the operating income is the counterparty's place of incorporation. The operating income consists of interest income, dividend income, distribution income, gains and losses from movements in the value of investments and directors' fees.

AIX Consolidated AIFL

	Assets		Operating income	
	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000
Australia	1,244,914	1,092,694	135,138	104,832
Europe	321,826	314,864	6,962	11,601
	<u>1,566,740</u>	<u>1,407,558</u>	<u>142,100</u>	<u>116,433</u>

Consolidated AIFT

	Assets		Operating income	
	Dec 2009 \$'000	June 2009 \$'000	Dec 2009 \$'000	June 2009 \$'000
Australia	1,096,798	949,931	124,778	95,824
Europe	321,826	314,865	6,962	11,601
	<u>1,418,624</u>	<u>1,264,796</u>	<u>131,740</u>	<u>107,425</u>

8 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, contingent liabilities or commitments at 31 December 2009 (2008 – nil).

9 Events after the end of reporting period

No other significant events have occurred since the end of the reporting period which would impact on the financial position of AIX disclosed in the Condensed Consolidated Statements of Financial Position as at 31 December 2009 or on the results and cash flows of AIX for the half year ended on that date.

Directors' Declaration

In the opinion of the directors of Australian Infrastructure Fund Limited (AIFL) and its controlled entities (collectively "AIX"):

- (a) the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and are in accordance with AIX's Constitutions; and
 - (ii) giving a true and fair view of AIX's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that AIFL will be able to pay its debts as and when they become due and payable.

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



Paul Espie
Chairman

25 February 2010

Directors' Declaration

In the opinion of the directors of Hastings Funds Management Limited, as Responsible Entity for the Australian Infrastructure Fund Trust (AIFT) and its controlled entities (collectively "the Consolidated AIFT"):

- (c) the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements and are in accordance with AIFT's Constitution; and
 - (ii) giving a true and fair view of the Consolidated AIFT's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- (d) there are reasonable grounds to believe that AIFT will be able to pay its debts as and when they become due and payable.

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



Alan Cameron
Chairman

25 February 2010

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Australian Infrastructure Limited and the controlled entities within its stapled group (AIFL) and Australian Infrastructure Fund Trust and its controlled entities (AIFT), which comprises the condensed consolidated statements of financial position as at 31 December 2009, the condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for AIFL and Hastings Funds Management Limited as the Responsible Entity for AIFT.

Directors' responsibility for the half-year financial report

The directors of AIFL and the directors of Hastings Funds Management Limited as Responsible Entity for AIFT are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position of AIFL and AIFT as at 31 December 2009 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Infrastructure Fund Limited and the controlled entities within its stapled group and Australian Infrastructure Fund Trust and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Australian Infrastructure Fund Limited and the controlled entities within its stapled group (AIFL) and Australian Infrastructure Fund Trust and its controlled entities (AIFT) for the half-year ended 31 December 2009 included on Hastings Funds Management Limited's (HFML) web site. The directors of HFML are responsible for the integrity of HFML's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Infrastructure Fund Limited and the controlled entities within its stapled group and Australian Infrastructure Fund Trust and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated financial position of AIFL and AIFT as at 31 December 2009 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



JF Power
Partner

Melbourne
25 February 2010

D. Independent Auditor's Review Report

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