

Australian Infrastructure Fund (AIX)

Results announcement

Total pages: 36

21 February 2012

Appendix 4D – Report for the half year ended 31 December 2011

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 2011
- D. Independent auditor's review report

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Jane Frawley

Company Secretary

Australian Infrastructure Fund

A. Results for announcement to the market

	Change from previous corresponding period		Half year to 31 December 2011 (\$'000)	Half year to 31 December 2010 (\$'000)
Revenue from ordinary activities ⁽¹⁾	Down 19%	To	77,999	96,825
Revenue from ordinary activities other than gains and losses ⁽²⁾	Down 2%	To	29,439	29,990
Profit from ordinary activities after tax attributable to securityholders	Down 22%	To	68,835	88,231
Net profit for the period attributable to securityholders	Down 22%	To	68,835	88,231
Net cash flows from operating activities ⁽³⁾	Down 37%	To	19,337	30,936

⁽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 other than gains and losses largely represents distributions, dividends and interest on shareholder loans received by AIX from the assets in the portfolio.

⁽³⁾ Net cash flows from operating activities comprise distributions, dividends, 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 2011			
Interim distribution – 31 December 2011	5.00 cents	2.33 cents	1.62 cents
Distributions for the year ended 30 June 2011			
Final distribution – 30 June 2011	5.00 cents	2.36 cents	0.00 cents
Interim distribution – 31 December 2010	5.00 cents	3.59 cents	0.12 cents
Record date for determining entitlements to the distribution			30 December 2011
Distribution payment date			27 February 2012

⁽¹⁾ For tax purposes, please refer to the Annual Distribution Statement which will be distributed following the end of the 2012 financial year. This statement will provide more details of the tax components of the 2012 financial year distributions.

Note: AIX's Distribution Reinvestment Plan (DRP) remains suspended until further notice. All eligible securityholders will receive their distributions for the half year ended 31 December 2011 by way of cash payment.

Key performance indicators	Change from previous corresponding period	31 December 2011	31 December 2010
Net tangible asset backing	Up 8%	291.51 cents	270.43 cents
Stapled security price	Up 3%	193.00 cents	188.00 cents

B. Commentary on the results

AIX today announced its results for the half year to 31 December 2011. During this period, the Australian airport assets performed as expected, with domestic passenger growth remaining relatively subdued, except at Perth, which continues to benefit from the strong resources sector. Also in line with expectation was the continued growth in international passengers travelling through AIX's Australian airports, although as anticipated, this growth was lower than the strong growth experienced in the 2011 financial year.

AIX has independent valuations performed on the assets in its portfolio every six months, and any increases (or decreases) in the valuation of these assets are accounted for as unrealised gains (or losses). For the half year to 31 December 2011, net gains in the value of unlisted securities were \$48.5 million, 27.4 percent lower than net gains of \$66.8 million in the prior corresponding period. The lower net gain in the half year to 31 December 2011 compared to the prior corresponding period was due to:

- a lower upward revaluation of Australia Pacific Airports Corporation (APAC) of \$2.2 million in the current period, compared with \$26.4 million in the prior period;
- a lower upward valuation of Airport Development Group (ADG) of \$4.9 million for the half, as compared with an upward revaluation of \$12.3 million in the prior corresponding period; and
- the lower valuations above were partially offset by an increased valuation of Queensland Airports Limited of \$16.6 million in the current period, compared with \$9.0 million in the prior period. The current period revaluation gain largely reflected favourable debt terms following QAL's successful refinancing.

Revenue from ordinary activities includes unrealised gains and losses and as a result of the aforementioned valuation movements, was also lower at \$78.0 million for the half year, compared with \$96.8 million in the prior corresponding period. Sources of revenue other than gains and losses are set out below:

Asset (\$m)	Half year to 31 December 2011	Half year to 31 December 2010
	(\$m)	(\$m)
Perth Airport	10.4	9.6
APAC	8.8	8.3
QAL	1.2	0.9
NT Airports	4.1	3.9
HTAC	3.8	4.2
Port of Portland	(0.1)	1.5
Port of Geelong	0.0	0.3
Bank interest and other	1.3	1.2
Total revenue excluding gains/(losses)	29.4	30.0

Similarly, net profit after tax was \$68.8 million, down 22.0 percent from \$88.2 million in the prior corresponding period. Excluding the impact of gains/losses, revenue was \$29.4 million for the period, broadly in line with that of the prior corresponding period of \$30.0 million. The downward movement in net profit after tax was predominantly a result of the decrease in unrealised gains as compared with the prior period.

Net cashflows from operating activities decreased 37.5 percent from \$30.9 million in the prior corresponding period to \$19.3 million in the half year to 31 December 2011, as set out below:

Asset (\$'000)		Half year to 31 December 2011 (\$'000)	Half year to 31 December 2010 (\$'000)
Cashflow from assets	(23%)	30,738	39,749
Management expense		(6,326)	(6,362)
Other expenses		(2,949)	(1,638)
Net interest received / (paid)		(79)	800
Operating cashflow	(34%)	21,384	32,549
Cashflow from assets in the form of capital returns		(2,047)	(1,613)
Net cashflows from operating activities	(37.5%)	19,337	30,936

In July 2010, AIX received an \$11.3 million dividend from QAL relating to the 2010 financial year, resulting in a timing difference for the half year to 31 December 2010. Normalising this figure out of the prior corresponding period results in net cashflows from operating activities remaining broadly flat on the prior corresponding period.

Other expenses increased when compared to the prior corresponding period, largely due to one-off strategic advisory costs. Finance costs increased for the half year as a result of undrawn commitment fees incurred following an increase in AIX's fund level debt facility from \$30m to \$100m in August 2011.

The assets comprising the AIX portfolio contributed \$30.7 million in **cash flows** to the fund during the year compared to \$39.7 million in the prior corresponding period, a decrease of 22.7 percent on prior corresponding period. The cash was received in the form of distributions, dividends, interest on shareholder loans and capital returns as follows:

Asset	Half year to 31 December 2011 (\$m)	Half year to 31 December 2010 (\$m)
Perth Airport	10.3	10.5
APAC	8.8	8.3
QAL	1.1	12.2
NT Airports	4.0	4.4
HTAC	3.8	2.3
Port of Portland	1.3	1.5
Port of Geelong	0.5	0.5
Statewide Roads	1.0	0.0
Cashflow from assets	30.7	39.7

The reduction in cashflow from assets during the period was due to a timing difference, with QAL paying an \$11.3 million dividend in the six months to 31 December 2010 relating to the 2010 financial year. Normalised cashflow from assets was 8.0 percent greater than the prior corresponding period.

On 9 December 2011, AIX provided distribution guidance for the 6 months ending 31 December 2011 of 5.0 cents per stapled security (\$31.0 million). The distribution will be paid on 27 February 2012. AIX will continue its policy of paying sustainable distributions funded substantially from cash flows received from assets, net of fund level expenses.

AIX outperformed its listed benchmark for the 6 months to 31 December 2011. Over this period, the AIX security price increased 0.5 percent, from \$1.92 to \$1.93. The S&P/ASX 200 Industrials Index decreased 7.4 percent over the same period. The AIX security price closed yesterday at \$2.05, an increase of 6.2 percent since 31 December 2011.

Other highlights for the half year ended 31 December 2011

- During the 6 months to 31 December 2011, airports within the AIX portfolio successfully re-financed debt facilities, and AIX refinanced its fund level facility as detailed below:
 - Queensland Airports Limited (QAL) successfully refinanced and upsized its debt facilities to \$532 million (from \$468 million) in December 2011, with funding spread across three and five year terms. The additional debt capacity will allow QAL to fund further expansion and upgrade works at its three airports at Gold Coast, Townsville and Mount Isa.
 - Perth Airport successfully completed a \$1.23 billion debt refinance in November 2011. Perth Airport secured \$915 million of revolving facilities spread across four, six and seven year tenors, as well as a \$300 million facility to backstop a future capital markets issue. The additional debt capacity secured, together with shareholder commitments of \$122 million (AIX's pro-rata share: \$36 million), will support Perth Airport's \$750 million expansion plans.
 - NT Airports successfully refinanced and upsized its debt facilities to \$350 million (from \$225 million) in November 2011 for a 3 year term. These debt facilities allowed NT Airports to re-finance its expiring debt on competitive terms, and will support its planned aeronautical capital expenditure, which is underpinned by long term aero pricing agreements. The additional debt capacity also provides flexibility to invest in accretive car parking and retail opportunities as they arise at the NT Airports.
 - APAC successfully raised USD 600 million via a US private placement with financial close occurring in September 2011, completing a major \$1.25 billion refinancing for the airport.
 - The AIX fund level facility was refinanced in August 2011 for a 2 year term. The revised terms of the facility include an increase in its size from \$30 million to \$100 million, greater flexibility in the purposes to which the facility can be applied, and a reduction in fees and margins. This facility remains undrawn.
- On 20 February 2012, AIX announced that it had signed a binding Sale and Purchase Agreement for the sale of its 35 percent interest in the Port of Geelong. Financial close is scheduled to occur on 29 February 2012. The agreed sale price will see AIX receive its independent valuation as at June 2011, plus AIX's 35 percent share of distributable income from 1 July 2011 to completion. Port of Geelong has been a successful investment for AIX, generating a total return of 23 percent per annum since inception.

Outlook

The AIX portfolio has performed in line with expectations for the 6 months to December 2011. While domestic growth has been subdued, other than at Perth, the strong Australian dollar has stimulated strong outbound international passenger growth at the majority of AIX's Australian airport assets during the half.

Airport redevelopment projects to provide for long-term growth continue to progress well, with a number of refinancings also completed during the half to support these initiatives. In addition, we continue to pursue a number of strategic options aimed at increasing value for AIX securityholders.

With global economic uncertainty expected to remain for the foreseeable future, it is envisaged that domestic growth will continue to remain subdued at AIX's Australian airport assets in the short-term, however the strong Australian dollar is expected to continue promoting international outbound travel. Despite a continuing challenging environment, we remain confident in the long term growth potential and value of our assets.

C. Financial report for the half year ended 31 December 2011

Australian Infrastructure Fund Limited

ABN 97 063 935 553

Australian Infrastructure Fund Trust

ARSN 089 889 761

Consolidated Interim Financial Statements for the Half Year ended 31 December 2011

Directors' Report

The directors of Australian Infrastructure Fund Limited submit their report together with the consolidated interim financial statements of Australian Infrastructure Fund Limited (AIFL or the Company) consisting of AIFL and the entities it controlled at the end of, or during the half year ended 31 December 2011 (referred to hereafter as AIX).

Structure of consolidated interim financial statements

The ordinary shares issued by AIFL 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 the consolidated interim financial statements that combine the assets and liabilities of AIFL and AIFT, AIFL is identified as the parent entity.

The consolidated interim financial statements presented therefore comprise:

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

The above consolidated 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 names of the directors of AIFL in office during the half year and up to the date of this report are:

Paul Espie - Chairman
James Evans
John Harvey
Robert Humphris
Michael Hutchinson
Robert Tsenin

Company secretaries

The company secretaries of AIFL in office during the half year and up to the date of this report are Jane Frawley and Jefferson Petch (appointed 1 July 2011).

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

AIFL is incorporated and domiciled in Australia. The registered office of AIFL is located at Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

At 31 December 2011 AIFL had no employees, apart from the non-executive directors of AIFL (2010 – nil).

Directors' Report (continued)

Review and results of operations

AIFL has continued to invest funds in accordance with its investment objectives and guidelines as set out in the prospectus dated 1 March 2005 and in accordance with the provisions of AIFL's Constitution.

Results

The profit after income tax attributable to securityholders of AIX for the half year ended 31 December 2011 was \$68,835,000 (2010 - \$88,231,000).

As a consequence of revisions to the AIX expense allocation protocol, effective 1 July 2011, fees, security expenses and administration costs in connection with AIFL's security holdings and operations that were previously borne on AIFL's behalf by AIFT are borne directly by AIFL. The revisions to the expense allocation protocol have no impact on the expenses incurred by AIX (Consolidated AIFL).

Distributions and dividends

An interim dividend and distribution of \$31,037,000 (5.00 cents per stapled security) was declared by AIX for the half year ended 31 December 2011 and will be paid on 27 February 2012 (six months to 31 December 2010 – 5.00 cents per stapled security).

Business strategies and prospects

Information on AIFL's business strategies and its prospects for future financial years is included in AIFL's Annual Report. In the opinion of the directors, further information on AIFL's business strategies and its prospects for future financial years would, if included in this report, be likely to result in unreasonable prejudice to the Scheme and has accordingly been omitted.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of AIX that occurred during the half year.

Matters subsequent to the end of the reporting period

On 17 February 2012 AIX entered into an agreement for the divestment of its 35 percent equity interest in the Port of Geelong (Port of Geelong Unit Trust & Infrastructure Investment Corporation). The sale agreement is unconditional, and is expected to complete on 29 February 2012.

In accordance with the sale agreement, at completion, AIX will receive cash consideration of \$24.0 million as well as a cash distribution of \$0.9 million. Within the month following completion, AIX will receive a distribution of the estimated net income of Port of Geelong for the period from 1 July 2011 to completion, the quantum of which is yet to be finalised.

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 Consolidated Statements of Financial Position as at 31 December 2011 or on the results and cash flows of AIX for the half year ended on that date.

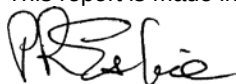
Rounding

AIX is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the interim financial statements. Amounts in the consolidated interim financial statements 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 2001* is set out on page 3.

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



Paul Espie
Chairman
21 February 2012



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 2011, 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.

A handwritten signature in blue ink, appearing to read 'Simon Gray'.

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
21 February 2012

Directors' Report

The directors of Hastings Funds Management Limited (Hastings) as Responsible Entity for Australian Infrastructure Fund Trust (AIFT or the Trust) submit their report together with the consolidated interim financial statements of AIFT and the entities it controlled at the end of, or during, the half year ended 31 December 2011 (referred to hereafter as Consolidated AIFT).

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

Responsible Entity

The registered office of the Responsible Entity is located at Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

Directors

The names of the directors of AIFT in office during the half year and up to the date of this report are:

Alan Cameron - Chairman
Andrew Day (appointed 18 October 2011)
James Evans
William Forde
Alan Freer (retired 18 October 2011)
Stephen Gibbs
James McDonald
Victoria Poole

Company secretaries

The company secretaries of AIFT in office during the half year and up to the date of this report are Jane Frawley and Jefferson Petch (appointed 1 July 2011).

Principal activities

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

Review and results of operations

Consolidated AIFT has continued to invest funds in accordance with its investment objectives and guidelines as set out in the AIX prospectus dated 1 March 2005 and in accordance with the provisions of AIFT's Constitution.

Results

The profit after income tax attributable to securityholders of Consolidated AIFT for the half year ended 31 December 2011 was \$65,400,000 (2010 - \$78,264,000).

As a consequence of revisions to the AIX expense allocation protocol, effective 1 July 2011, fees, security expenses and administration costs in connection with AIFL's security holdings and operations that were previously borne on AIFL's behalf by AIFT are borne directly by AIFL. The revisions to the expense allocation protocol have no impact on the expenses incurred by AIX (Consolidated AIFL).

Distributions

The AIX interim distribution of \$31,037,000 (5.00 cents per stapled security) for the six months ended 31 December 2011 will be paid on 27 February 2012. The AIFT interim distribution represents \$26,537,000 (2010 - \$25,137,000) of the total amount paid.

Business strategies and prospects

Information on AIFT's business strategies and its prospects for future financial years is included in AIFT's Annual Report. In the opinion of the directors, further information on AIFT's business strategies and its prospects for future financial years would, if included in this report, be likely to result in unreasonable prejudice to the Scheme and has accordingly been omitted.

Directors' Report (continued)

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of AIX that occurred during the half year.

Matters subsequent to the end of the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of Consolidated AIFT disclosed in the Consolidated Statements of Financial Position as at 31 December 2011 or on the results and cash flows of Consolidated AIFT for the half year ended on that date.

Rounding

AIFT is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the interim financial statements. Amounts in the consolidated interim financial statements 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 2001* is set out on page 6.

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



Alan Cameron
Chairman

21 February 2012



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 2011, 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.

A handwritten signature in blue ink, appearing to read 'Simon Gray'.

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
21 February 2012

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statements of Comprehensive Income

	Note	AIX		Consolidated AIFT	
		Consolidated AIFL		Consolidated AIFT	
		31 December	31 December	31 December	31 December
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Income					
Interest income	3	7,581	8,322	7,468	8,322
Dividend income	4	21,654	21,154	18,944	17,992
Distribution income	5	(119)	275	(72)	0
Net gain/(loss) - securities	6	48,533	66,836	44,656	58,161
Net gain/(loss) - cash and cash equivalents		152	(1)	152	0
Net gain/(loss) - other		(125)	0	(125)	0
Other income		323	239	323	239
Total income		77,999	96,825	71,346	84,714
Expenses					
Base management fees	7	5,995	6,033	5,332	6,033
Securityholder and investor relations expenses		316	238	159	238
Investment bid costs		554	157	459	157
Investment costs		182	51	175	51
Director fees		468	380	0	380
Director retirement expense		90	(4)	(722)	(4)
Board administration expenses		20	42	2	42
Other prudential expenses		401	275	269	275
Audit fees (internal and external)		47	49	31	50
Tax fees		34	12	25	12
Finance costs	8	802	488	1,061	1,152
Other expenses		958	35	204	35
Total expenses		9,867	7,756	6,995	8,421
Net profit/(loss) before income tax for the half year		68,132	89,069	64,351	76,293
Income tax expense/(benefit)		(703)	838	(1,049)	(1,971)
Net profit/(loss) after income tax for the half year		68,835	88,231	65,400	78,264
Other comprehensive income/(loss) for the half year, net of tax		0	0	0	0
Total comprehensive income/(loss) for the half year		68,835	88,231	65,400	78,264

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

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
Earnings per security				
Basic earnings per security (cents)	11.09	14.21	10.54	12.61
Weighted average number of securities (000's)	620,734	620,734	620,734	620,734
Net profit after income tax (\$000's)	68,835	88,231	65,400	78,264

Diluted earning per security are no different from basic earning per security

Consolidated Statements of Financial Position

		AIX			
		Consolidated AIFL		Consolidated AIFT	
		31 December	30 June	31 December	30 June
		2011	2011	2011	2011
Note		\$'000	\$'000	\$'000	\$'000
Assets					
		54,868	79,237	45,543	71,158
Cash and cash equivalents					
Receivables		3,686	3,913	3,457	2,699
Other assets		569	89	569	89
Current income tax asset		12	0	0	4
Securities	9	1,817,165	1,756,228	1,622,397	1,565,337
Total assets		1,876,300	1,839,467	1,671,966	1,639,287
Liabilities					
		32,291	32,292	27,597	29,292
Payables					
Current income tax liability		0	347	2	0
Provisions	10	811	722	0	722
Borrowings		0	0	11,159	13,873
Deferred income tax liability		33,669	34,375	21,493	22,548
Total liabilities		66,771	67,736	60,251	66,435
Net assets		1,809,529	1,771,731	1,611,715	1,572,852
Equity					
		1,043,575	1,043,575	883,554	883,554
Contributed equity	11				
Retained earnings	12	765,954	728,156	728,161	689,298
Total equity		1,809,529	1,771,731	1,611,715	1,572,852

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

Consolidated Statements of Changes in Equity

AIX

Consolidated AIFL

	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010	1,043,603	577,908	1,621,511
Net profit/(loss) after income tax for the half year	0	88,231	88,231
Other comprehensive income/(loss) for the half year, net of tax	0	0	0
Total comprehensive income/(loss) for the half year	0	88,231	88,231
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the half year:			
- pursuant to market placement	0	0	0
Adjustment to security issue costs pursuant to market placement	(28)	0	(28)
Dividends and distributions paid and payable to securityholders	0	(31,037)	(31,037)
Balance at 31 December 2010	1,043,575	635,102	1,678,677
Balance at 1 July 2011	1,043,575	728,156	1,771,731
Net profit/(loss) after income tax for the half year	0	68,835	68,835
Other comprehensive income/(loss) for the half year, net of tax	0	0	0
Total comprehensive income/(loss) for the half year	0	68,835	68,835
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the half year:			
- pursuant to market placement	0	0	0
- pursuant to distribution and dividend reinvestment plan	0	0	0
Adjustment to security issue costs pursuant to market placement	0	0	0
Dividends and distributions paid and payable to securityholders	0	(31,037)	(31,037)
Balance at 31 December 2011	1,043,575	765,954	1,809,529

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

Consolidated Statements of Changes in Equity (continued)

Consolidated AIFT	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010	883,582	547,774	1,431,356
Net profit/(loss) after income tax for the half year	0	78,264	78,264
Other comprehensive income/(loss) for the half year, net of tax	0	0	0
Total comprehensive income/(loss) for the half year	0	78,264	78,264
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the half year:			
- pursuant to market placement	0	0	0
Unit issue costs pursuant to a market placement	(28)	0	(28)
Distributions paid and payable to securityholders	0	(25,137)	(25,137)
Balance at 31 December 2010	883,554	600,901	1,484,455
Balance at 1 July 2011	883,554	689,298	1,572,852
Net profit/(loss) after income tax for the half year	0	65,400	65,400
Other comprehensive income/(loss) for the half year, net of tax	0	0	0
Total comprehensive income/(loss) for the half year	0	65,400	65,400
Transactions with owners in their capacity as owners:			
Ordinary stapled securities issued during the half year:			
- pursuant to market placement	0	0	0
- pursuant to distribution reinvestment plan	0	0	0
Unit issue costs pursuant to a market placement	0	0	0
Distributions paid and payable to securityholders	0	(26,537)	(26,537)
Balance at 31 December 2011	883,554	728,161	1,611,715

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

Consolidated Statements of Cash Flows

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	Inflows/ (outflows)	Inflows/ (outflows)	Inflows/ (outflows)	Inflows/ (outflows)
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Interest received	6,472	6,090	6,359	6,090
Dividends received	21,654	32,690	18,944	29,278
Distributions received	1,708	282	760	0
Other income received	120	254	120	254
Finance costs paid	(1,337)	(380)	(1,337)	(380)
Other expenses paid	(8,917)	(7,162)	(6,781)	(7,161)
Income tax paid	(363)	(838)	0	0
Net cash inflow/(outflow) from operating activities	19,337	30,936	18,065	28,081
Cash flows from investing activities				
Payments for purchase of unlisted securities	(1,487)	(803)	(1,487)	(803)
Payments for unlisted security loan advances	(13,381)	(7,226)	(13,381)	(7,226)
Payments for stapled entity loan advances	0	0	(2,974)	(4,407)
Proceeds from sale of unlisted securities	0	0	0	0
Proceeds from repayment of unlisted loan securities	2,047	0	2,047	0
Proceeds from unlisted security repayments of capital	0	1,613	0	1,613
Net cash inflow/(outflow) from investing activities	(12,821)	(6,416)	(15,795)	(10,823)
Cash flows from financing activities				
Payment for security issue costs	0	(28)	0	(28)
Dividends and distributions paid	(31,037)	(31,037)	(28,037)	(26,937)
Net cash inflow/(outflow) from financing activities	(31,037)	(31,065)	(28,037)	(26,965)
Net increase/(decrease) in cash and cash equivalents	(24,521)	(6,545)	(25,767)	(9,707)
Cash and cash equivalents at the beginning of the half year	79,237	61,990	71,158	61,990
Effects of foreign exchange rate movements on cash and cash equivalents	152	(1)	152	(1)
Cash and cash equivalents at the end of the half year	54,868	55,444	45,543	52,282

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

1 General Information

Australian Infrastructure Fund Limited (AIFL or the Company) was incorporated in Australia under the Constitution dated 14 November 2007.

Australian Infrastructure Fund Trust (AIFT or the Trust) was established in Australia under the Constitution dated 24 January 1997 (as amended). AIFT was registered as a managed investment scheme with ASIC on 4 November 1999.

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

The registered office of AIFL and Responsible Entity is located at Level 27, 35 Collins Street, Melbourne, Victoria, 3000.

As at 31 December 2011 AIFL and AIFT had nil employees, apart from the non-executive directors of AIFL (2010 - Nil employees).

Structure of consolidated interim financial statements

The ordinary shares issued by AIFL are stapled to the securities issued by AIFT. 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.

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

The consolidated interim financial statements presented therefore comprise:

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

As a consequence of revisions to the AIX expense allocation protocol, effective 1 July 2011, fees, security expenses and administration costs in connection with AIFL's security holdings and operations that were previously borne on AIFL's behalf by AIFT are borne directly by AIFL. The revisions to the expense allocation protocol have no impact on the expenses incurred by AIX (Consolidated AIFL).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These have been consistently applied to all reporting periods presented, unless otherwise stated.

(a) Basis of preparation

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

The consolidated interim financial statements for the half year ended 31 December 2011 do not include all notes of the type normally included in the annual financial statements. Accordingly, these consolidated interim financial statements should be read in conjunction with the annual financial statements of AIX for the year ended 30 June 2011 and any public announcements made by AIFL and AIFT during the half year ended 31 December 2011 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated interim financial statements have been prepared on a historical cost basis, except where otherwise stated.

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The 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.

The consolidated interim financial statements of AIX and Consolidated AIFT for the half year ended 31 December 2011 were authorised for issue in accordance with a resolution of directors of AIFL and the directors of the Responsible Entity for AIFT. The directors of AIFL and the directors of the Responsible Entity for AIFT have the power to amend and reissue the consolidated interim financial statements.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2011 reporting period. The directors' assessment of the impact of these new standards (to the extent relevant to AIX) and interpretations is set out below:

- (i) *AASB 10 Consolidated Financial Statements*, *AASB 11 Joint Arrangements*, *AASB 12 Disclosure of Interests in Other Entities* and *AASB 127 Separate Financial Statements* and *AASB 128 Investments in Associates and Joint Ventures* and *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 Consolidated Financial Statements (AASB 10) replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*, and *Interpretation 12 Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While AIX does not expect the new standard to have a significant impact on how it currently accounts for its investees, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 Joint Arrangements (AASB 11) replaces *AASB 131 Interests in Joint Ventures* and introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As AIX is not party to any joint arrangements, this standard will not have any impact on its consolidated financial statements.

AASB 12 Disclosure of Interests in Other Entities (AASB 12) sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements found in the superseded *AASB 128 Investments in Associates*. Application of this standard by AIX will not affect any of the amounts recognised in the consolidated financial statements, but will impact the type of information disclosed in relation to AIX's investments.

AASB 127 Consolidated and Separate Financial Statements is renamed *AASB 127 Separate Financial Statements* (AASB 127) and is now a standard dealing solely with separate financial statements. Application of this standard by AIX will not affect any of the amounts recognised in the consolidated financial statements.

AASB 128 Investments in Associates is renamed *AASB 128 Investments in Associates and Joint Ventures* (AASB 128). Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. As AIX does not have any associates, this standard does not have any impact on its consolidated financial statements.

AIX will apply the new and revised standards and amendments from 1 July 2013.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

- (ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 *Fair Value Measurement* (AASB 13) was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. AIX has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the consolidated financial statements. However, application of the new standard and amendments will impact the type of information disclosed in the notes to the consolidated financial statements. AIX will apply the new standard and amendments from 1 July 2013.

- (iii) AASB 2011-9 *Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to the profit or loss in the future. It will not affect the measurement of any of the items recognised in the Consolidated Statements of Financial Position or the profit or loss in the current reporting period. AIX will apply the amendments from 1 July 2012.

- (iv) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from the reporting period beginning 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(c) Basis of consolidation

In accordance with AASB 3 *Business Combinations*, for the purpose of preparing consolidated interim financial statements that combines the assets and liabilities of AIFL and AIFT and its subsidiaries, AIFL is identified as the parent entity.

The consolidated interim financial statements of AIFL incorporate the assets and liabilities of all subsidiaries of AIFL (or parent entity), being AIFT and its subsidiaries, as at 31 December 2011 and the results of all subsidiaries for the half year ended 31 December 2011. AIFL and its subsidiaries together are referred to in these consolidated interim financial statements as Consolidated AIFL or AIX.

The consolidated interim financial statements of AIFT incorporate the assets and liabilities of all subsidiaries of AIFT, being Australian Infrastructure Fund International 1 Trust and its subsidiaries, as at 31 December 2011 and the results of all subsidiaries for the half year ended 31 December 2011. AIFT and its subsidiaries together are referred to in these consolidated interim financial statements as Consolidated AIFT.

Subsidiaries 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.

Subsidiaries are fully consolidated from the date on which control is transferred to AIFL or AIFT. They are de-consolidated from the date the control ceases.

All transactions (including gains and losses) and balances between entities in AIX and Consolidated AIFT are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The financial statements of subsidiaries 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.

2 Summary of significant accounting policies (continued)

(d) Segment reporting

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

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

(e) Securities

Securities comprise unlisted securities.

Securities are recorded at fair value through the profit or loss upon initial recognition. Costs incidental to the acquisition of securities and subsidiaries are recognised in the profit or loss when incurred.

After initial recognition, securities are measured at fair value as they are managed and their performance evaluated on a fair value basis in accordance with AIX's investment strategy.

Unrealised gains or losses on securities are recognised through profit or loss and represent:

- Movements in the fair value of securities which are held as at the end of the reporting period.
Unrealised gains or losses on securities which are held as at the end of the reporting period are calculated as the difference between the fair value at the end of current reporting period and the fair value at the end of previous reporting period or the date the securities are acquired.
- Reversal of any life-to-date unrealised gains or losses as at the previous reporting period in connection with any securities that have been sold, restructured, settled or terminated in the current reporting period.

Realised gains or losses on securities are recognised through profit or loss upon the sale, restructure, settlement or termination of securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

Purchases and sales of 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.

Unlisted securities

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

The fair value of unlisted securities is determined by an appropriately qualified independent valuer, KPMG Corporate Finance (KPMG), primarily by projecting future cash flows and then discounting these cash flows back to their present value using a post-tax, risk adjusted discount rate. The independent valuations assume unlisted securities are not being sold and if they were to be realised then the price achieved may differ from the value as determined by the independent valuer. There may also be potential capital gains tax implications for AIX or securityholders depending on the structure of any disposal. Discount rates used are developed on an individual unlisted security basis as determined by the independent valuer. KPMG calculates the relevant discount rate applied to the cash flows of each asset using the Capital Asset Pricing Model method, whereby a premium is added to the risk free rate. The premium takes into account the risk of comparable companies and also incorporates firm specific risk. KPMG uses a 10 year government bond rate in the relevant country as a proxy for the risk free rate.

Further information relating to unlisted securities is provided in Note 9.

2 Summary of significant accounting policies (continued)

(e) Securities (continued)

The post-tax risk adjusted discount rates applied by KPMG in determining the fair value of each unlisted security as at 31 December 2011 are detailed below:

Unlisted Security Name	Valuation 31 December 2011 \$'000	Post-tax risk adjusted discount rate 31 December 2011 %	Valuation 30 June 2011 \$'000	Post-tax risk adjusted discount rate 30 June 2011 %
Perth Airport	568,403	13.1	525,176	13.1
Australia Pacific Airports Corporation	454,008	11.9	451,839	11.6
HOCHTIEF AirPort Capital Group	303,615	13.3	313,463	13.2
Queensland Airports	288,341	15.5	271,687	15.0
Airport Development Group	104,293	15.0	99,403	14.8
Port of Portland	71,177	12.7	68,563	12.7
Port of Geelong Unit Trust & Infrastructure Investment Corporation	25,861	12.6	24,830	12.6
Statewide Roads	1,135	12.6	976	13.1
Metro Light Rail and Monorail	3,325	19.2	3,979	19.2

The directors of AIFL and the Responsible Entity have adopted KPMG's valuations as at 31 December 2011.

(f) Income and expense recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to AIX and the income can be reliably measured.

Expenses are recognised in the Consolidated Statements of Comprehensive Income when AIX has a present obligation (legal or constructive) as a result of a past event that can be reliably measured and where the expenses do not produce future economic benefits that qualify for recognition in the Consolidated Statements of Financial Position.

The following specific recognition criteria must also be met before income and expenses are recognised:

Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend and distribution income

Dividend and distribution income is recognised when there is control over the right to receive the dividend or distribution payment.

Manager and Responsible Entity base management fees

Information in relation to Manager and Responsible Entity base management fees payable to Hastings is provided in Note 7.

Hastings is also entitled under the AIFT Constitution and the AIFL management agreement to be reimbursed for certain expenses incurred in administering AIX. The basis on which the expenses are reimbursed is defined in the AIFT Constitution and the AIFL management agreement.

Manager and Responsible Entity performance fees

Information in relation to Manager and Responsible Entity performance fees payable to Hastings is provided in Note 7.

The performance fee arrangement in place with Hastings is required to be accounted for under AASB 2 *Share Based Payments* as it is a share-based payment transaction in which the terms of the arrangement provide AIX and Consolidated AIFT with a choice of settlement in either cash or AIX stapled securities. Applying AASB 2, the fair value of the performance fee obligation is determined at the beginning of the financial year (1 July) and is recognised as a performance fee expense and an increase in a security-based payment reserve in AIX and Consolidated AIFT's Statement of Financial Position on a progressive basis throughout the year.

(f) Income and expense recognition (continued)

In accordance with AASB 2 at the end of the financial year the following accounting takes place:

- If no performance fee is ultimately levied, no further accounting entries are processed.
- If a performance fee is levied and is to be settled by way of the issue of AIX stapled securities, no further accounting entries are processed, however, upon the issue of the AIX stapled securities, the performance fee entitlement amount that was charged to the security-based payment reserve is reallocated to contributed equity in AIX and Consolidated AIFT's Statement of Financial Position.
- If a performance fee is levied and is settled in cash, the differential between the cash settlement amount and the amount recognised as the performance fee expense for the year is charged against a security-based payment reserve in AIX and Consolidated AIFT's Statement of Financial Position.

(g) Rounding of amounts

AIFL and AIFT are entities of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the 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.

3 Interest income

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,258	1,180	1,145	1,180
Unlisted securities	6,323	7,142	6,323	7,142
Total interest income	7,581	8,322	7,468	8,322

4 Dividend income

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Unlisted securities	21,654	21,154	18,944	17,992
Total dividend income	21,654	21,154	18,944	17,992

5 Distribution income

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Unlisted securities	(119)	275	(72)	0
Total distribution income	(119)	275	(72)	0

6 Net gain/(loss) - securities

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Net gain/(loss) - unlisted securities				
Net gain/(loss) - unrealised	48,618	66,835	44,741	58,160
Net gain/(loss) - realised	(85)	1	(85)	1
Total net gain/(loss) - unlisted securities	48,533	66,836	44,656	58,161
Total net gain/(loss) - securities	48,533	66,836	44,656	58,161

7 Manager and Responsible Entity fees

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Base management fees	5,995	6,033	5,332	6,033
Performance fees	0	0	0	0
Total Manager and Responsible Entity fees	5,995	6,033	5,332	6,033

Base Management Fees

In accordance with the AIFL management agreement and the AIFT Constitution, Hastings as Manager and Responsible Entity is entitled to a base management fee.

The management fee is calculated at the rate of 1% per annum of AIX's market capitalisation, based on the volume weighted average traded price over the 20 business days prior to the calculation date multiplied by the stapled securities outstanding. The management fee accrues daily and is payable monthly in arrears.

Performance Fees

AIX performance fees are payable at the conclusion of each year ended 30 June where there is a positive performance position relative to benchmark for the year ended 30 June after taking into account any previous shortfall.

Specifically, under the AIFL Management Agreement and the AIFT Consolidated Constitution, at the end of each year Hastings is entitled to a performance fee equal to 10% of the out-performance of AIX's total return (growth in security price plus reinvested distributions) against the ASX 200 Industrials Accumulation Index return (Benchmark Return), after taking into account any carried forward performance deficit (previous shortfall). If the calculation of the AIX total return for a year is less than the benchmark return for that year, the shortfall is carried forward and taken into account in calculating whether the AIX total return exceeds the benchmark return in subsequent years.

The AIFL Management Agreement (section 5) and the AIFT Consolidated Constitution (sections 48 and 71) are silent as to the precise form in which the performance fees are to be settled. However the AIFT Consolidated Constitution (section 71) does provide AIFL the discretion to determine the form of settlement. At the 2010 AIX Annual General Meeting (AGM) held on 17 November 2010 securityholders approved the resolution that that if performance fees are payable to Hastings then the AIFL Board would be entitled to require Hastings to be paid some or all of the performance fee in either cash or AIX securities. This approval is in place for a period of three years from the date of the AGM, that is, until 17 November 2013.

In accordance with AASB 2 *Share Based Payments*, the fair value of the performance fee obligation has been assessed at the beginning of the financial year. At 1 July 2011 the fair value of the performance fee obligation was determined to be \$Nil (2010: \$ Nil) and hence no performance fee expense has been recognised for the 6 months to 31 December 2011 (2010: \$Nil).

At 31 December 2011 AIX was tracking at a performance fee payable of \$9,602,003 (2010:\$Nil), reflective of the performance position relative to benchmark as at 31 December 2011 after taking into account any carry forward performance deficit.

At 31 December 2011 AIFT was tracking at a performance fee payable \$1,057,915 (2010:\$Nil), reflective of the performance position relative to benchmark as at 31 December 2011 after taking into account any carry forward performance deficit.

8 Finance costs

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Interest expense - stapled entity - AIFL	0	0	259	663
Other borrowing costs	796	482	797	483
Bank fees	6	6	5	6
	802	488	1,061	1,152

9 Securities

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Unlisted securities				
Perth Airport (Perth Airport Development Group & PAPT Holdings)	568,403	525,176	568,403	525,176
Australia Pacific Airports Corporation Limited	454,008	451,839	313,898	312,399
HOCHTIEF AirPort Capital Group	301,746	313,463	301,746	313,463
Queensland Airports Limited	287,778	271,687	287,778	271,687
Airport Development Group Pty Ltd	104,293	98,104	104,293	98,104
Port of Portland	70,616	66,632	42,954	40,529
Port of Geelong Unit Trust & Infrastructure Investment Corporation	25,861	24,372	0	0
Statewide Roads	1,135	976	0	0
Metro Light Rail and Monorail	3,325	3,979	3,325	3,979
Total unlisted securities	1,817,165	1,756,228	1,622,397	1,565,337
Total securities	1,817,165	1,756,228	1,622,397	1,565,337

All unlisted securities have been independently valued by KPMG Corporate Finance at 31 December 2011 and 30 June 2011.

Percentage Ownership

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
	%	%	%	%
Unlisted securities				
Perth Airport (Perth Airport Development Group & PAPT Holdings)	29.74%	29.74%	29.74%	29.74%
Australia Pacific Airports Corporation Limited	12.39%	12.39%	8.57%	8.57%
HOCHTIEF AirPort Capital Group	40.02%	40.02%	40.02%	40.02%
Queensland Airports Limited	49.07%	49.07%	49.07%	49.07%
Airport Development Group Pty Ltd	28.23%	28.23%	28.23%	28.23%
Port of Portland	50.00%	50.00%	30.41%	30.41%
Port of Geelong Unit Trust & Infrastructure Investment Corporation	35.00%	35.00%	0.00%	0.00%
Statewide Roads	6.25%	6.25%	0.00%	0.00%
Metro Light Rail and Monorail	38.89%	38.89%	38.89%	38.89%

10 Provisions

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Provision for directors' retirement benefit	811	722	0	722
	811	722	0	722

As a consequence of revisions to the AIX expense allocation protocol, effective 1 July 2011 the directors' retirement provision that was previously recognised as a liability by AIFT was derecognised by AIFT and recognised as a liability by AIFL.

The revisions to the AIX expense allocation protocol had no impact on the directors' retirement expense or provision recognised by AIX (Consolidated AIFL).

11 Contributed equity

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
	No. '000	No. '000	No. '000	No. '000
(a) Issued securities (number)				
Opening balance	620,734	620,734	620,734	620,734
Ordinary stapled securities issued:				
- pursuant to market placement	0	0	0	0
Closing balance	620,734	620,734	620,734	620,734
	\$'000	\$'000	\$'000	\$'000
(b) Issued securities (dollars)				
Opening balance	1,043,575	1,043,602	883,554	883,582
Ordinary stapled securities issued:				
- pursuant to market placement	0	0	0	0
Less: security issue costs	0	(27)	0	(28)
Closing balance	1,043,575	1,043,575	883,554	883,554

The 31 December 2011 movement represents movements for the 6 months ended 31 December 2011.

The 30 June 2011 movement represents movements for the year ended 30 June 2011.

(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.

12 Retained earnings

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	30 June	31 December	30 June
	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000
Opening balance	728,156	577,909	689,298	547,774
Net profit/(loss) after income tax	68,835	212,321	65,400	194,697
Dividends and distributions paid and payable to securityholders	(31,037)	(62,074)	(26,537)	(53,173)
Closing balance	765,954	728,156	728,161	689,298

The 31 December 2011 movement represents movements for the 6 months ended 31 December 2011.

The 30 June 2011 movement represents movements for the year ended 30 June 2011.

13 Distributions and dividends paid and payable to securityholders

	AIX			
	Consolidated AIFL		Consolidated AIFT	
	31 December	31 December	31 December	31 December
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Interim distribution and dividend declared and payable	31,037	31,037	26,537	25,137
Total distributions and dividends paid and payable to securityholders	31,037	31,037	26,537	25,137
Comprising:				
Distributions declared during the half year	26,537	25,137	26,537	25,137
Dividends declared during the half year	4,500	5,900	0	0
	31,037	31,037	26,537	25,137

Interim dividend and distribution

An interim dividend and distribution of \$31,037,000 (5.00 cents per stapled security) was declared by AIX for the half year ended 31 December 2011 and will be paid on 27 February 2012 (2010 - \$31,037,000 and 5.00 cents per stapled security).

The interim dividend and distribution comprised:

- an interim dividend of \$4,500,000 (0.72 cents per security) declared by AIFL for the half year ended 31 December 2011 (2010 - \$5,900,000 and 0.95 cents per stapled security) franked to 100% (2010 - 100%); and
- an interim distribution of \$26,537,000 (4.28 cents per security) declared by AIFT for the half year ended 31 December 2011 (2010 - \$25,137,000 and 4.05 cents per stapled security).

14 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 executive 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 consolidated interim 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	
	31 December 2011 \$'000	30 June 2011 \$'000	31 December 2011 \$'000	31 December 2010 \$'000
Australia	1,572,686	1,526,004	83,642	106,101
Europe	303,614	313,463	(5,643)	(9,276)
	<u>1,876,300</u>	<u>1,839,467</u>	<u>77,999</u>	<u>96,825</u>

Consolidated AIFT

	Assets		Operating income	
	31 December 2011 \$'000	30 June 2011 \$'000	31 December 2011 \$'000	31 December 2010 \$'000
Australia	1,368,352	1,325,824	76,989	93,990
Europe	303,614	313,463	(5,643)	(9,276)
	<u>1,671,966</u>	<u>1,639,287</u>	<u>71,346</u>	<u>84,714</u>

15 Contingent assets and liabilities and commitments

Investment commitments

Undrawn investment commitments at the end of the reporting period comprise the following:

31 December 2011

Unlisted security name	At call \$'000	Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Perth Airport Development Group and PAPT Holdings (Perth Airport)	10,110	-	-	-	10,110
Total undrawn investment commitments	10,110	-	-	-	10,110

Undrawn investment commitments with Perth Airport were cancelled on 2 December 2011 and new investment commitments totalling \$24,978,541 were entered into. \$14,868,171 of this committed amount had been drawn to 31 December 2011.

31 December 2010

Unlisted security name	At call \$'000	Less than 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Airstralia Development Group and PAPT Holdings (Perth Airport)	-	5,055	10,705	-	15,760
Total undrawn investment commitments	-	5,055	10,705	-	15,760

There are no other outstanding contingent assets, contingent liabilities or commitments at 31 December 2011 and 31 December 2010.

16 Events after the end of the reporting period

On 17 February 2012 AIX entered into an agreement for the divestment of its 35 percent equity interest in the Port of Geelong (Port of Geelong Unit Trust & Infrastructure Investment Corporation). The sale agreement is unconditional, and is expected to complete on 29 February 2012.

In accordance with the sale agreement, at completion, AIX will receive cash consideration of \$24.0 million as well as a cash distribution of \$0.9 million. Within the month following completion, AIX will receive a distribution of the estimated net income of Port of Geelong for the period from 1 July 2011 to completion, the quantum of which is yet to be finalised.

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 Consolidated Statements of Financial Position as at 31 December 2011 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):

- (a) the consolidated interim financial statements and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Australian Accounting Standards (including Interpretations) and other mandatory professional reporting requirements, the *Corporations Regulations 2001* and are in accordance with AIFL's Constitution; and
 - (ii) giving a true and fair view of Consolidated AIFL's (AIX's) financial position as at 31 December 2011 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 AIFL.



Paul Espie
Chairman

21 February 2012

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the consolidated interim financial statements and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with the Australian Accounting Standards (including Interpretations) and other mandatory professional reporting requirements, the *Corporations Regulations 2001* and are in accordance with AIFT's Constitution; and
 - (ii) giving a true and fair view of Consolidated AIFT's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) 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

21 February 2012



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year 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), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for AIFL and Hastings Funds Management Limited (HFML) as the responsible entity for AIFT.

Directors' responsibility for the half-year financial report

The directors of AIFL and the directors of HFML as Responsible Entity for AIFT are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 a 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 entity's financial position as at 31 December 2011 and its 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 AIFL and AIFT, 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. 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Australian Infrastructure Fund Limited and the controlled entities within its stapled group and Australian Infrastructure Fund Trust and its controlled entities financial position as at 31 December 2011 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Simon Gray

Simon Gray
Partner

Melbourne
21 February 2012

D. Independent Auditor's Review Report

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