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Australian Infrastructure Fund Limited
ABN 97 063 935 553

Australian Infrastructure Fund (AIX)

Results announcement

Total pages: **66**

27 August 2013

Appendix 4E – Report for the year ended 30 June 2013

Please find enclosed the following documents:

A. Results for announcement to the market
B. Commentary on the results
C. Financial report for the year ended 30 June 2013
D. Independent auditor's report

AIFL shareholders should note that the 30 June 2013 tax statements will be mailed to them by 13 September 2013.

For further enquiries, please contact:

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Jane Frawley
Company Secretary
Australian Infrastructure Fund

A. Results for announcement to the market

	Change from previous corresponding period (%)	Year to 30 June 2013 ('$'000)	Year to 30 June 2012 ('$'000)
Revenue from ordinary activities [1]	6%	228,820	216,448
Profit from ordinary activities after tax attributable to securityholders	(14%)	168,320	195,974
Net profit for the period attributable to securityholders	(14%)	168,320	195,974

[1] Revenue from ordinary activities largely comprises income (being distributions, dividends and interest on shareholder loans) received by AIX from the assets it invested in during the year, interest on bank balances and net gains made on AIX's assets.

Refer to Section B for commentary on the results.

Payments to Securityholders - per security cents per unit [1]

Detail	Distributions (Company Dividend and Trust Distributions)		Franked amount per security at 30% tax		Company Returns of Capital		Proceeds paid on cancellation of ordinary units		Total Payments	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Interim Distribution - 31 December	5.50	5.00	0.00	0.73	0.00	0.00	0.00	0.00	**5.50**	**5.00**
Main Return - 30 May	242.16	0.00	7.34	0.00	7.00	0.00	52.70	0.00	**301.86**	**0.00**
Final Distribution - 30 June	0.00	5.50	0.00	0.64	0.00	0.00	0.00	0.00	**0.00**	**5.50**
Total	**247.66**	**10.50**	**7.34**	**1.37**	**7.00**	**0.00**	**52.70**	**0.00**	**307.36**	**10.50**

[1] For tax purposes, please refer to the Annual Distribution Statement, which will be distributed in September 2013.
This statement will provide more details of the tax components of the 2013 financial year payments to securityholders.

Note: AIX's Distribution Reinvestment Plan (DRP) is suspended.

Key performance indicators	Change from previous corresponding period (%)	30 June 2013 (cents)	30 June 2012 (cents)
Net tangible asset backing per security	(93%)	20.54	300.78
Security price	(100%)	1.10	240.00

B. Commentary on the results

The increase in revenue from ordinary activities for the year ending 30 June 2013 compared to the prior year reflects an increase in the net gains on assets AIX invested in during the year. AIX sold all of its investments during the year (see further commentary below). This was offset by lower income (in the form of distributions, dividends and interest on shareholder loans) received from assets during the year compared to the prior year, reflecting the fact that these assets were sold during the year but held for the entirety of the prior year. Interest on balances held as cash at bank increased substantially compared to the prior year reflecting interest earned on asset sales proceeds from the date of sale of each asset until the payment of the Main Return on 30 May 2013 and the subsequent payment of the Residual Return on 8 July 2013.

The decrease in both profit from ordinary activities after tax attributable to securityholders and net profit for the period attributable to securityholders compared to the prior year reflects the increase in revenue from ordinary activities noted above offset by an increase in expenses, in particular performance fees paid to the manager upon the sale of the AIX assets and return of substantially all of AIX's cash reserves, to securityholders, costs associated with strategic initiatives, including the sale of AIX's assets, and an increase in base management fees.

During the financial year ending 30 June 2013 AIX experienced significant changes to its business and undertakings, with an agreement being entered into with the Future Fund Board of Guardians (Future Fund) to sell all of its infrastructure assets. This resulted in a large proportion of the proceeds from the sale of the infrastructure assets being distributed to AIX securityholders in May 2013, and a smaller proportion in July 2013. This transaction and the affect this has had on AIX is described in more detail below.

Prior to the sale of AIX's infrastructure assets the principal activity of AIX was to invest in, and actively manage infrastructure assets on behalf of AIX securityholders, to optimise securityholder returns. On 24 August 2012, AIFL and Hastings as Responsible Entity for AIFT announced that AIX had entered into a memorandum of understanding in relation to a proposal received from the Future Fund to acquire all of AIX's infrastructure assets, being AIX's interests in Perth Airport, Australian Pacific Airport Corporation (primarily Melbourne Airport), Queensland Airports, HOCHTIEF Airport Capital Group, Airport Development Group (primarily Darwin Airport) and Statewide Roads (the Assets). The indicative price proposed by the Future Fund for the Assets was $2 billion.

On 26 November 2012, AIX announced that it had entered into a binding implementation agreement with the Future Fund for the proposed sales of the Assets for an offer price of $2 billion (the Asset Sale), subject to a number of conditions precedent being satisfied, including AIX securityholders approving the Asset Sale and the return of substantially all of AIX's cash reserves (including the net proceeds of the Asset Sale) to AIX securityholders (the Cash Return). The Asset Sale and the Cash Return together constituted the Proposed Transaction.

At an Extraordinary General Meeting (EGM) on 15 January 2013, AIX securityholders passed a number of resolutions approving the Proposed Transaction. Shortly thereafter AIX entered into individual sale and purchase deeds with the Future Fund or its nominee for the sale of each of AIX's assets. The entry into these sale arrangements triggered pre-emptive rights in favour of asset-level co-investors at most of the AIX assets such that co-investors at these assets had the right to purchase the assets at the price offered by the Future Fund.

The Asset Sale was completed over the course of January to April 2013, with the final asset sale completing on 15 April 2013. AIX then completed a special review and due diligence process and on 13 May 2013 confirmed that the Cash Return to AIX securityholders was expected to amount to $3.1925 per AIX stapled security. This Cash Return was comprised of an expected Main Return of $3.018576 per AIX stapled security and an expected Residual Return of $0.173924 per AIX stapled security.

The Main Return of $1,873,732,585 ($3.018576 per AIX stapled security) was subsequently paid to securityholders on 30 May 2013 following the:

- de-stapling of AIFL shares and AIFT ordinary units on 23 May 2013; and
- cancellation of all AIFT ordinary units on 28 May 2013.

A special unit with an issue value of $10 was also issued by AIFT to each of AIFL and AIFL's wholly owned subsidiary, resulting in AIFT becoming a wholly owned subsidiary of AIFL. Consequently, AIX securityholders continue to have an indirect ownership interest in AIFT in their capacity as shareholders of AIFL. Hastings continues to act as Responsible Entity for AIFT and manager of AIFL.

Hastings, as Responsible Entity for AIFT, applied to the ASX on 31 May 2013 to de-list AIFT. AIFT was subsequently delisted on 5 June 2013. This did not affect the ongoing listing of AIFL ordinary shares.

At a general meeting of AIFL shareholders held on 21 June 2013, the AIFL shareholders approved a resolution to reduce the share capital of AIFL. This resulted in a Residual Return payment of $107,960,530 ($0.173924 per AIFL ordinary share) to each AIFL shareholder being made on 8 July 2013.

Outlook

On 7 August 2013, AIFL received a notice pursuant to section 249D of the *Corporations Act 2001* (Act) from RBC Investor Services Australia Nominees Pty Limited on behalf of entities managed by Wilson Asset Management (International) Pty Limited and its related entities, (Wilson), requesting the AIFL Directors convene a general meeting of AIFL shareholders. Wilson has prepared a Member Statement which sets out a proposal to remove the current AIFL Directors and replace them with three Wilson Nominees. The Member Statement states that Wilson does not support the proposed delisting and winding-up of AIFL. If successful, the nominee directors would undertake a review of AIFL and identify alternative capital management options including, but not limited to, an equal access share buy-back and a recapitalisation of AIX.

Section 249D of the Act requires that a meeting be held no later than 2 months after the request was given to AIFL. The request was received after business hours on 7 August 2013.To remove any ambiguity about when the meeting ought to be convened, Wilson has consented to the meeting being convened on 8 October 2013.

At the meeting, AIFL shareholders will be asked to consider a resolution which would permit AIFL to make a return of capital of $5,021,602 equating to 0.81 cents per AIFL share. In addition to this, shareholders will be asked to consider a resolution that supports Wilson's proposal to replace the current AIFL Directors.

The AIFL Directors consider that its previously announced strategy of seeking to return all available cash to AIFL shareholders at or before its proposed AGM (the date of which is to be confirmed), will deliver an outcome which is in the best interests of all AIFL shareholders. Accordingly, the AIFL Directors will unanimously recommend that shareholders vote against the board changes and in favour of the capital return. If the board changes are not approved by the share holders, AIFL will continue with its previously announced strategy.

In addition to the proposed return of capital, on 27 August 2013, AIFL announced that it had resolved to pay a fully franked dividend of $1,868,545, being 0.30 cents per share. The dividend and capital return, (if approved by AIFL shareholders), when combined with the payment of the Main Return of $3.018576 per AIX security on 30 May 2013 and the Residual Return of $0.173924 per AIFL share on 8 July 2013, brings the total amount returned to AIFL shareholders in 2013, to $3.2036 per share.

It is anticipated that the dividend and capital return (if approved) will be paid on or about 22 October 2013.

If there is any cash left at the time that AIFL is wound-up, AIFL shareholders will receive the remaining cash balance at a time the liquidator considers it is appropriate to distribute any surplus.

C. Financial report for the year ended 30 June 2013

Australian Infrastructure Fund Limited

ABN 97 063 935 553

Consolidated Financial Statements for the year ended 30 June 2013

Directors' Report

The directors of Australian Infrastructure Fund Limited present their report together with the consolidated 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 year ended 30 June 2013.

Structure of consolidated financial statements

Until 23 May 2013 the ordinary shares issued by AIFL were stapled to ordinary units issued by Australian Infrastructure Fund Trust (AIFT). The combined entity of AIFL and its controlled entities and AIFT and its controlled entities was known as the Australian Infrastructure Fund (AIX). The stapled securities were listed on the Australian Securities Exchange (ASX) on the 6 March 1997 with the ASX code of AIX. When preparing consolidated financial statements that combined the assets and liabilities of AIFL and AIFT and its controlled entities, AIFL was identified as the parent entity.

At the end of May 2013 the following steps were implemented in order to return asset sales proceeds to AIX securityholders:

- on 23 May 2013 the AIFL ordinary shares and AIFT ordinary units were destapled so that they could be dealt with separately;
- on 28 May 2013 the AIFT ordinary units were cancelled; and
- on 28 May 2013 AIFT issued one special unit with an issue value of $10 per special unit to each of AIFL and AIFL's wholly owned subsidiary.

As a result, AIFT has become a wholly owned subsidiary of AIFL and AIFL shareholders continue to have an indirect ownership interest in AIFT in their capacity as shareholders of AIFL.

On 5 June 2013 AIFT was removed from the official list of the ASX at the request of its Responsible Entity, Hastings Funds Management Limited (Hastings) pursuant to the restructuring of AIX.

AIFL continues to trade on the ASX under the name "Australian Infrastructure Fund Limited" (ASX code: AIX).

Hastings remains the manager of AIFL and the Responsible Entity of AIFT.

The consolidated financial statements presented comprise Consolidated AIFL (AIX) which represents the entire AIX group, consisting of AIFL and its controlled entities which includes AIFT.

Directors

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

Paul Espie	Chairman (retired on 30 June 2013, reappointed on 1 July 2013)
James Evans	(retired on 1 June 2013)
John Harvey	
Robert Humphris	(retired on 1 June 2013)
Michael Hutchinson	
Robert Tsenin	(retired on 1 June 2013)

Particulars of the skills, experience, expertise and responsibilities of the directors at the date of this report, including directorships of other ASX listed companies held at any time in the past three years, are set out in the AIX Annual Report.

Company secretaries

The names and details of the company secretaries of the Company in office during the year and until the date of this report are set out below.

Jane Frawley
Qualifications: BA, LLB, ACM, GAICD
Jane Frawley has over 17 years of company secretarial and financial services legal experience and joined Hastings in May 2010. Jane was appointed Company Secretary of Hastings and the Company on 28 May 2010.

Jefferson Petch
Qualifications: LLB(Hons), BCom(Hons), MCom(Hons), SA(Fin)
Jefferson Petch has over 8 years of legal and financial services experience and joined Hastings in June 2011. Jefferson was appointed Company Secretary of Hastings and the Company on 1 July 2011.

Directors' Report (continued)

Principal activities

During the financial year ending 30 June 2013 AIX experienced significant changes to its business and undertakings, with an agreement being entered into with the Future Fund Board of Guardians (Future Fund) to sell all of its infrastructure assets. This resulted in a large proportion of the proceeds from the sale of the infrastructure assets being distributed to AIX securityholders in May 2013, and a smaller proportion in July 2013. This transaction and the impact this has had on AIX is described in more detail below.

Prior to the sale of AIX's infrastructure assets the principal activity of AIX was to invest in, and actively manage infrastructure assets on behalf of AIX securityholders, to optimise securityholder returns. On 24 August 2012, AIFL and Hastings as Responsible Entity for AIFT announced that AIX had entered into a memorandum of understanding in relation to a proposal received from the Future Fund to acquire all of AIX's infrastructure assets, being AIX's interests in Perth Airport, Australian Pacific Airport Corporation (primarily Melbourne Airport), Queensland Airports, HOCHTIEF Airport Capital Group, Airport Development Group (primarily Darwin Airport) and Statewide Roads (the Assets). The indicative price proposed by the Future Fund for the assets was $2 billion.

On 26 November 2012, AIX announced that it had entered into a binding implementation agreement with the Future Fund for the proposed sales of the Assets for an offer price of $2 billion (the Asset Sale), subject to a number of conditions precedent being satisfied, including AIX securityholders approving the Asset Sale and the return of substantially all of AIX's cash reserves (including the net proceeds of the Asset Sale) to AIX securityholders (the Cash Return). The Asset Sale and the Cash Return together constituted the Proposed Transaction.

At an Extraordinary General Meeting (EGM) on 15 January 2013, AIX securityholders passed a number of resolutions approving the Proposed Transaction. Shortly thereafter AIX entered into individual sale and purchase deeds with the Future Fund or its nominee for the sale of each of AIX's assets. The entry into these sale arrangements triggered pre-emptive rights in favour of asset-level co-investors at most of the AIX assets such that co-investors at these assets had the right to purchase the assets at the price offered by the Future Fund.

The asset sale was completed over the course of January to April 2013, with the final asset sale completing on 15 April 2013. AIX then completed a special review and due diligence process and on 13 May 2013 confirmed that the Cash Return to AIX securityholders was expected to amount to $3.1925 per AIX stapled security. This Cash Return was comprised of an expected Main Return of $3.018576 per AIX stapled security and an expected Residual Return of $0.173924 per AIX stapled security.

The Main Return of $1,873,732,585 ($3.018576 per AIX stapled security) was subsequently paid to securityholders on 30 May 2013 following the:

- de-stapling of AIFL shares and AIFT ordinary units on 23 May 2013; and
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A special unit with an issue value of $10 per special unit was also issued by AIFT to each of AIFL and AIFL's wholly owned subsidiary, resulting in AIFT also becoming a wholly owned subsidiary of AIFL. Consequently, AIX securityholders continue to have an indirect ownership interest in AIFT in their capacity as shareholders of AIFL. Hastings continues to act as Responsible Entity for AIFT and manager of AIFL.

Hastings, as Responsible Entity for AIFT, applied to the ASX on 31 May 2013 to de-list AIFT. AIFT was subsequently delisted on 5 June 2013. This did not affect the ongoing listing of AIFL ordinary shares.

At a general meeting of AIFL shareholders held on 21 June 2013, the AIFL shareholders approved a resolution to reduce the share capital of AIFL. This resulted in a Residual Return payment of $107,960,530 ($0.173924 per AIFL ordinary share) to each AIFL shareholder being made on 8 July 2013.

Directors' Report (continued)

Company information

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

As at 30 June 2013 the Company had no employees, apart from the non-executive directors of the Company (2012: nil).

Review and results of operations

Results

The profit after income tax attributable to securityholders of AIX for the year ended 30 June 2013 was $168,320,000 (2012: $195,974,000).

Distributions and dividends

Final dividend and distribution

No final dividend or distribution was declared as at 30 June 2013.

In the prior year the final divided and distribution comprised:

- a final dividend of $4,000,000 (0.64 cents per stapled security) declared by AIFL for the year ended 30 June 2012 franked to 100%; and
- a final distribution $30,141,000 (4.86 cents per stapled security) declared by AIFT for the year ended 30 June 2012.

Main Return dividend, distribution, return of capital and cancellation of units

A Main Return of $1,873,733,000 (301.86 cents per stapled security) was declared on 21 May 2013 and paid on 30 May 2013.

This Main Return comprised:

- a dividend of $45,583,000 (7.3434 cents per stapled security) declared by AIFL franked to 100%;
- a distribution of $1,457,590,000 (234.82 cents per stapled security) declared by AIFT;
- a return of capital of $43,452,000 (7.0 cents per stapled security) by AIFL; and
- a $327,109,000 (52.697 cents per stapled security) payment by AIFT upon cancellation of AIFT ordinary units.

Interim dividend and distribution

An interim distribution of $34,140,000 (5.50 cents per stapled security) was declared by AIX for the half year ended 31 December 2012 and was paid on 25 February 2013 (2011: $31,037,000 and 5.00 cents per stapled security).

The interim dividend and distribution comprised:

- an interim dividend of $Nil (Nil cents per stapled security) declared by AIFL for the half year ended 31 December 2012 (2011: $4,500,000 and 0.72 cents per stapled security fully franked); and
- an interim distribution of $34,140,000 (5.50 cents per stapled security) declared by AIFT for the half year ended 31 December 2012 (2011: $26,537,000 and 4.28 cents per stapled security).

Directors' Report (continued)

Business strategies and prospects

On 7 August 2013, AIFL received a notice pursuant to section 249D of the *Corporations Act 2001* (Act) from RBC Investor Services Australia Nominees Pty Limited on behalf of entities managed by Wilson Asset Management (International) Pty Limited and its related entities, (Wilson), requesting the AIFL Directors convene a general meeting of AIFL shareholders. Wilson has prepared a Member Statement which sets out a proposal to remove the current AIFL Directors and replace them with three Wilson Nominees. The Member Statement states that Wilson does not support the proposed delisting and winding-up of AIFL. If successful, the nominee directors would undertake a review of AIFL and identify alternative capital management options including, but not limited to, an equal access share buy-back and a recapitalisation of AIX.

Section 249D of the Act requires that a meeting be held no later than 2 months after the request was given to AIFL. The request was received after business hours on 7 August 2013.To remove any ambiguity about when the meeting ought to be convened, Wilson has consented to the meeting being convened on 8 October 2013.

At the meeting, AIFL shareholders will be asked to consider a resolution which would permit AIFL to make a return of capital of $5,021,602 equating to 0.81 cents per AIFL share. In addition to this, shareholders will be asked to consider a resolution that supports Wilson's proposal to replace the current AIFL Directors.

The AIFL Directors consider that its previously announced strategy of seeking to return all available cash to AIFL shareholders at or before its proposed AGM (the date of which is to be confirmed), will deliver an outcome which is in the best interests of all AIFL shareholders. Accordingly, the AIFL Directors will unanimously recommend that shareholders vote against the board changes and in favour of the capital return. If the board changes are not approved by the share holders, AIFL will continue with its previously announced strategy.

In addition to the proposed return of capital, on 27 August 2013, AIFL announced that it had resolved to pay a fully franked dividend of $1,868,545, being 0.30 cents per share. The dividend and capital return, (if approved by AIFL shareholders), when combined with the payment of the Main Return of $3.018576 per AIX security on 30 May 2013 and the Residual Return of $0.173924 per AIFL share on 8 July 2013, brings the total amount returned to AIFL shareholders in 2013, to $3.2036 per share.

It is anticipated that the dividend and capital return (if approved) will be paid on or about 22 October 2013.

Prior to the AGM and depending on the outcome of the 8 October meeting, AIX may also request the Australian Securities Exchange to de-list AIX and will provide prior notice to shareholders on the timing of any request to do so.

If there is any cash left in the AIX at the time that AIFL is wound-up, AIFL shareholders will receive the remaining cash balance at a time the liquidator considers it is appropriate to distribute any surplus.

As AIFL shareholders may be requested to approve the appointment of a liquidator at the AGM, the consolidated financial statements of AIX have been prepared on a wind up basis rather than a going concern basis.

Significant changes in state of affairs

Other than detailed in the Directors Report, in the opinion of the directors, there were no other significant changes in the state of affairs of AIX that occurred during the year.

Directors' Report (continued)

Matters subsequent to the end of the year

Following the approval by AIFL shareholders to reduce AIFL's share capital by up to $0.173924 per share, a Residual Return of $107,960,530 ($0.173924 per AIFL share) was made on 8 July 2013.

On 7 August 2013, AIFL received a notice pursuant to section 249D of the *Corporations Act 2001* (Act) from RBC Investor Services Australia Nominees Pty Limited on behalf of entities managed by Wilson Asset Management (International) Pty Limited and its related entities, (Wilson), requesting the AIFL Directors convene a general meeting of AIFL shareholders. Wilson has prepared a Member Statement which sets out a proposal to remove the current AIFL Directors and replace them with three Wilson Nominees. The Member Statement states that Wilson does not support the proposed delisting and winding-up of AIFL. If successful, the nominee directors would undertake a review of AIFL and identify alternative capital management options including, but not limited to, an equal access share buy-back and a recapitalisation of AIX.

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At the meeting, AIFL shareholders will be asked to consider a resolution which would permit AIFL to make a return of capital of $5,021,602 equating to 0.81 cents per AIFL share. In addition to this, shareholders will be asked to consider a resolution that supports Wilson's proposal to replace the current AIFL Directors.

The AIFL Directors consider that its previously announced strategy of seeking to return all available cash to AIFL shareholders at or before its proposed AGM (the date of which is to be confirmed), will deliver an outcome which is in the best interests of all AIFL shareholders. Accordingly, the AIFL Directors will unanimously recommend that shareholders vote against the board changes and in favour of the capital return. If the board changes are not approved by the share holders, AIFL will continue with its previously announced strategy.

In addition to the proposed return of capital, on 27 August 2013, AIFL announced that it had resolved to pay a fully franked dividend of $1,868,545, being 0.30 cents per share. The dividend and capital return, (if approved by AIFL shareholders), when combined with the payment of the Main Return of $3.018576 per AIX security on 30 May 2013 and the Residual Return of $0.173924 per AIFL share on 8 July 2013, brings the total amount returned to AIFL shareholders in 2013, to $3.2036 per share.

It is anticipated that the dividend and capital return (if approved) will be paid on or about 22 October 2013.

Other than the events described above and under business strategies and prospects, no significant events have occurred since the end of the reporting period which would impact on the financial position of AIX disclosed in the Consolidated Statement of Financial Position as at 30 June 2013 or on the results and cash flows of AIX for the year ended on that date.

Directors meetings

The number of directors' meetings (including meetings of committees of directors) held during the year and the number of meetings attended by each director is shown in the table below:

Director Name	AIFL/Hastings Joint Board Meetings		AIFL/Hastings Joint Audit Committee Meetings		AIFL Board Meetings		AIFL Audit Committee Meetings	
	Meetings held while a director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a director	Meetings attended	Meetings held while a member	Meetings attended
Paul Espie	3	3	3	2	12	11	2	2
James Evans	3	3	3	3	11	10	n/a	n/a
John Harvey	3	3	3	3	12	12	2	2
Robert Humphris	3	3	n/a	n/a	11	11	n/a	n/a
Michael Hutchinson	3	3	n/a	n/a	12	12	n/a	n/a
Robert Tsenin	3	3	3	3	11	11	2	2

Directors' Report (continued)

Directors' interests

The interests of each director in the shares of the Company at the date of this report are shown in the table below:

	Number of shares held in AIFL		
Director Name	Beneficially held in own name	Beneficially held in the name of another	Total Holdings
Paul Espie	0	906,668	906,668
John Harvey	9,487	75,000	84,487
Robert Humphris (1)	0	300,000	300,000
Michael Hutchinson	0	122,024	122,024
Robert Tsenin (1)	18,173	138,887	157,060

(1) Holding as at 1 June 2013, being the date of retirement as a director of AIFL.

Indemnification and insurance of officers and auditors

During or since the year end, the Company has paid premiums in respect of a contract insuring all the directors and executive officers of the Company. The terms of the policy prohibit disclosure of the details of the insurance cover and premium paid.

An indemnity agreement has been entered into between the Company and each of its directors named earlier in this report. Under this agreement, the Company has agreed:

(a) to indemnify the directors against any claim or for any expense or costs which may arise as a result of work performed in their role as directors;
(b) to provide continued access to Board papers; and
(c) to provide continued access to directors' and officers' liability insurance.

The auditor of the Company is not indemnified out of the assets of the Company and AIX.

Non audit services

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Company, its related practices and non-related audit firms:

	2013	2012
	$	$
Amounts paid and payable excluding GST, to PricewaterhouseCoopers, for:		
- Agreed upon Procedures - Regulatory Guide 231	0	46,750
- Agreed upon Procedures - Annual Report	3,246	6,365
- Agreed upon Procedures - Calculation of Cash Return	12,500	0
- Agreed upon Procedures - Non-statutory review	13,750	0
- Agreed upon Procedures - EGM	12,500	0
- Specified Procedures - Internalisation	118,000	0
Total non-audit services	159,996	53,115

Proceedings on behalf of the Company

No proceedings have been brought on behalf of the Company, nor has any application been made in respect of the Company under section 237 of the *Corporations Act 2001.*

Directors' Report (continued)

Environmental regulation

The operations of the Group are not subject to any particular significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Group. However, there may be environmental regulations that relate to each of the assets owned by AIX. Compliance with these regulations is the responsibility of the Board and management of the investee companies rather than AIX.

Rounding of amounts to the nearest thousand dollars

The Group 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 financial report. Amounts in the Directors' Report and consolidated 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 12.

The directors are satisfied the assurance and other services that were provided did not impair the independence of the auditor.

Remuneration Report

The directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the year ended 30 June 2013. This remuneration report forms part of the Directors' Report.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001.*

(a) Board and Remuneration Committee Responsibility

The responsibility for the Company's remuneration policy rests with the Board. The Remuneration Committee assists the Board in fulfilling its duties and responsibilities in relation to remuneration. The Remuneration Committee reviews and makes recommendations to the Board on the Company's remuneration policy. The Remuneration Committee is comprised of AIFL's non-executive directors, a majority of whom are independent.

(b) Non-executive directors' remuneration

(i) Remuneration Policy

The Board of directors of the Company with the assistance of the Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors of the Company.

The fees paid to directors are set at levels that reflect both the responsibilities of, and the time commitments required from, the directors to discharge their duties. In order to maintain their independence and impartiality, the remuneration of the non-executive directors is not linked to the performance of either the Company or AIFT.

In setting fee levels, the Board takes into account:

- independent professional advice;
- fees paid by comparable companies;
- the general time commitment required from directors and the risks associated with discharging the duties attaching to the role of director; and
- the level of remuneration necessary to attract and retain directors of a suitable calibre.

The Remuneration Committee and the Board will continue to review its approach to non-executive director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance.

Directors' Report (continued)

Remuneration report (continued)

(ii) Remuneration structure

Directors' fees expensed for the year ended 30 June 2013 totalled $1,175,337 (2012: $936,855).

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of $1,200,000 per annum approved by securityholders in 2010. Committee fees also include ad hoc committees such as Due Diligence committees which may be required from time to time. The remuneration of directors was last revised on 1 March 2011.

Up until 30 June 2013, the following fee entitlements applied:

- the Chairman of the Board was entitled to an annual board fee of $275,000 per annum;
- directors were entitled to an annual board fee of $110,000 per annum;
- the Chairman of the Audit Committee was entitled to a fee of $23,000 per annum; and
- the ordinary members of the Audit Committee were entitled to a fee of $11,500 per annum.

The Chairman of the Board declined his fee for membership of the Audit Committee.

In addition, superannuation contributions were paid on behalf of the non-executive directors in accordance with the Company's statutory superannuation obligations.

The AIFL Director's Retirement Plan (the Plan) was phased out in April 2003, so that directors who joined the Board after that date are not entitled to a retirement benefit under the Plan. The Chairman of the Board was appointed prior to April 2003 and is therefore entitled to a retirement benefit under the Plan, which will be calculated by a consulting actuary as at 30 June 2013.

In order to preserve the value of the Chairman's long-standing retirement benefits notwithstanding the new fee arrangements to apply from 1 July 2013 referred to below, the Chairman resigned from the Board effective 30 June 2013 and was re-appointed with immediate effect as a non-executive director and Chairman. Consistent with board policy, once the retirement benefit under the Plan is due and payable to the Chairman, the Plan will effectively terminate.

As a consequence of the Chairman's retirement on 30 June 2013, his retirement benefit of $696,928 became due and payable as at 30 June 2013.

Having regard to the significant change to the business and undertakings of AIX following payment of the Cash Return on 8 July 2013, the three remaining directors of AIFL agreed that it was appropriate for them to remain on the Board until at least 30 November 2013 under new remuneration arrangements commencing 1 July 2013. These new arrangements include a reduction in annual board fees by 50%, resulting in the Chairman being entitled to a fee of $137,500 per annum and directors being entitled to a fee of $55,000 per annum from 1 July 2013. In addition from 1 July 2013 no fees will be payable with respect to the Audit Committee services provided by the Chairman of the Audit Committee or Audit Committee Members.

In accordance with the AIFL Constitution, directors are entitled to additional remuneration for extra services or special exertions made by them for the benefit of AIX. Under these provisions, the Chairman and Michael Hutchinson were awarded additional remuneration by the Board in respect of the services they performed in relation to the internalisation project and the Future Fund the transaction. These additional amounts are detailed in Note 30 (b) (iv).

Directors' Report (continued)

Remuneration report (continued)

(ii) Remuneration paid or payable to non-executive directors

Details of non-executive directors' remuneration for the year ended 30 June 2013 are set out in the following table. No bonuses, options or other emoluments are paid to the directors of AIFL.

Director name:		*Short-term*		*Post employment*		
		Board fees	Committee fees	Superannuation	Retirement benefits	Total
		$	$	$	$	$
Paul Espie						
	2013 (1) (3)	325,000	0	24,750	696,928	1,046,678
	2012	275,000	0	24,750	0	299,750
James Evans						
	2013	100,834	0	9,075	0	109,909
	2012	110,000	0	9,900	0	119,900
John Harvey						
	2013 (2)	110,000	23,000	11,970	0	144,970
	2012	110,000	23,000	11,970	0	144,970
Robert Humphris						
	2013	100,833	0	9,075	0	109,908
	2012	110,000	0	9,900	0	119,900
Michael Hutchinson						
	2013 (1)	160,000	0	14,400	0	174,400
	2012	110,000	0	9,900	0	119,900
Robert Tsenin						
	2013	100,833	10,542	10,024	0	121,399
	2012	110,000	11,500	10,935	0	132,435
Total compensation: Key management personnel of AIFL						
	2013	897,501	33,542	79,294	696,928	1,707,265
	2012	825,000	34,500	77,355	0	936,855

(1) Board fee includes $50,000 paid in relation to work performed in connection with the internalisation proposal and the Future Fund transaction.

(2) In addition to the fees detailed above John Harvey was paid board fees of $151,376 and superannuation contributions of $13,624 for services provided following his appointment to the Australia Pacific Airports Corporation Limited board as AIX's representative. These amounts were fully recovered by AIFL from Hastings. Hastings reimbursement of these costs is reflected in Note 8 – Other income.

(3) Paul Espie's retirement benefit became due and payable upon his retirement at 30 June 2013.

Directors' Report (continued)

Remuneration report (continued)

(iii) Interests in the securities issued by AIX held by non-executive directors and their related entities

Interests in the securities issued by AIX held by non-executive directors and their related entities at the end of the reporting period are as follows:

Name		Opening Holding 1 July No.	Acquisitions No.	DRP Issue No.	Disposals No.	Closing Holding 30 June No.
Paul Espie						
	2013	906,668	0	0	0	906,668
	2012	906,668	0	0	0	906,668
John Harvey						
	2013	84,487	0	0	0	84,487
	2012	84,487	0	0	0	84,487
Robert Humphris (1)						
	2013	300,000	0	0	0	300,000
	2012	300,000	0	0	0	300,000
Michael Hutchinson						
	2013	122,024	0	0	0	122,024
	2012	122,024	0	0	0	122,024
Robert Tsenin (1)						
	2013	157,060	0	0	0	157,060
	2012	157,060	0	0	0	157,060

(1) Holding as at 1 June 2013, being the director's date of retirement.

Relationship with and fees paid to the Manager - Hastings Funds Management Limited

As the Company contracted Hastings to manage its administration and investments, the Company employs no staff.

Hastings was paid a fee to provide a range of services and as part of that arrangement Hastings was required to provide appropriately qualified employees and resources to undertake those services, including the former AIX Chief Executive Officer, the Hastings Chief Executive Officer and the AIFL Company Secretaries. These individuals were and are remunerated by Hastings or its related entities out of the management fee.

(i) Base Management Fees

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

The AIFL Management Agreement and the AIFT Constitution provided for the management fee to be 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 accrued daily and was payable monthly in arrears.

The management fee was varied following execution of a facilitation deed on 23 November 2012 between Hastings in its personal capacity, Hastings Management Pty Ltd, AIFL and Hastings as Responsible Entity for AIFT (Facilitation Deed). For the period commencing on 24 August 2012 (being the date that AIX announced the indicative offer that it had received from the Future Fund) and ending on 28 May 2013, the date on which all AIFT units except those AIFT units held by AIFL or a wholly owned subsidiary of AIFL were cancelled, the management fee for each month or part thereof was determined as the lesser of:

- $1,342,933, being 1% of AIX's market capitalisation on 24 August 2012, divided by 12 months; and
- 1% of AIX's market capitalisation on the last day of each calendar month occurring after 24 August 2012, divided by 12 months.

On the 28 May 2013, following the date on which all AIFT ordinary units except those AIFT special units held by AIFL and AIFL's wholly owned subsidiary were cancelled, Hastings received a final management fee of $1 million for its services as Responsible Entity of AIFT and manager of AIFL up until the date AIX is wound up.

Directors' Report (continued)

Relationship with and fees paid to the Manager - Hastings Funds Management Limited (continued)

(ii) Performance Fees

AIX performance fees were payable at the conclusion of each year ended 30 June where there was 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 was 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 was less than the benchmark return for that year, the shortfall was 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) did provide AIFL the discretion to determine the form of settlement. At the 2010 AIX Annual General Meeting (AGM) held on 17 November 2010 AIX securityholders approved the resolution 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.

The performance fee for the period from 1 July 2012 was varied following execution of the Facilitation Deed and by approval of AIX Securityholders at the Extraordinary General Meeting on 15 January 2013. In accordance with the Facilitation Deed, for the period commencing on 1 July 2012 and ending on the date on which all of the AIFT ordinary units were cancelled, other than those special units held by AIFL and AIFL's wholly owned subsidiary, a final performance fee of $54 million (exclusive of GST) would be payable. Under the amendments to the AIFT Constitution approved by AIX securityholders on 15 January 2013, Hastings' entitlement to any future performance fees terminated upon payment of the $54 million.

(ii) Performance Fees (continued)

A performance fee of $54 million (exclusive of GST) was paid to Hastings in accordance with the Facilitation Deed on 28 May 2013, being the date on which all AIFT ordinary units except those AIFT special units held by AIFL and AIFL's wholly owned subsidiary were cancelled.

(iii) Reimbursable expenses

Hastings was 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 AIFL Management Agreement.

For the year ended 30 June 2013, Hastings was reimbursed $255,000 (2012: $600,000) for costs incurred on behalf of AIX.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance as set out in the Corporate Governance Statement of the Annual Report.

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

Paul Espie
Chairman
27 August 2013

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

As lead auditor for the audit of Australian Infrastructure Fund Limited for the year ended 30 June 2013, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
27 August 2013

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Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Consolidated Statement of Comprehensive Income

	Note	2013 $'000	2012 $'000
Income			
Interest income	3	25,028	16,522
Dividend income	4	38,245	58,310
Distribution income	5	616	1,404
Net gain/(loss) - securities	6	161,906	139,577
Net gain/(loss) - subsidiaries	7	2,584	0
Net gain/(loss) - cash and cash equivalents		34	145
Net gain/(loss) - other		(22)	(16)
Other income	8	429	506
Total income		228,820	216,448
Expenses			
Manager base fees	9	15,657	12,822
Manager performance fees	10	55,350	0
Board administrative expenses		87	57
Director fees		1,175	937
Director retirement expense		(83)	59
Investment expenses		23	328
Security bid costs		0	128
Audit fees		136	183
Tax fees		1,328	54
Securityholder and investor relations expenses		891	488
Strategic initatives costs	11	5,993	1,689
Other expenses		614	780
Finance costs	12	1,248	1,699
Total expenses		82,419	19,224
Net profit before income tax for the year		146,401	197,224
Income tax expense/(benefit)	14(a)	(21,919)	1,250
Net profit after income tax for the year		168,320	195,974
Other comprehensive income for the year, net of tax			
Other comprehensive income for the year, net of tax		0	0
Total other comprehensive income for the year, net of tax		0	0
Total comprehensive income for the year		168,320	195,974

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

	2013	2012
Basic earnings per security (cents)	27.12	31.57
Weighted average number of securities (000's)	620,734	620,734
Net profit after income tax ($000's)	168,320	195,974

Diluted earnings per security are no different from basic earnings per security.

Consolidated Statement of Financial Position

	Note	2013 $'000	2012 $'000
Assets			
Cash and cash equivalents	15	123,081	157,110
Receivables	16	5,368	507
Other assets	17	111	484
Current tax asset	14(c)	0	304
Securities	18	0	1,816,155
Deferred tax asset	14(e)	155	0
Total assets		128,715	1,974,560
Liabilities			
Payables	19	1,130	71,102
Current tax liability	14(d)	88	0
Provisions	20	0	780
Deferred tax liability	14(f)	0	35,627
Total liabilities		1,218	107,509
Net assets		127,497	1,867,051
Equity			
Contributed equity	22(b)	116,569	1,043,575
Reserves	23	(35,476)	(35,476)
Retained earnings	24	46,404	858,952
Total equity		127,497	1,867,051

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

Consolidated Statement of Changes in Equity

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
At 1 July 2011		1,043,575	0	728,156	1,771,731
Net profit/(loss) after income tax for the year		0	0	195,974	195,974
Other comprehensive income/(loss) for the year, net of tax		0	0	0	0
Total comprehensive income/(loss) for the year		0	0	195,974	195,974
Transactions with owners in their capacity as owners:					
Dividends and distributions paid and payable to securityholders	25	0	0	(65,178)	(65,178)
Security-based payment reserve	23	0	(35,476)	0	(35,476)
As at 30 June 2012		1,043,575	(35,476)	858,952	1,867,051
At 1 July 2012		1,043,575	(35,476)	858,952	1,867,051
Net profit/(loss) after income tax for the year		0	0	168,320	168,320
Other comprehensive income/(loss) for the year, net of tax		0	0	0	0
Total comprehensive income/(loss) for the year		0	0	168,320	168,320
Transactions with owners in their capacity as owners:					
Ordinary units cancelled during the year	22(b)	(327,109)	0	0	(327,109)
Transfer from contributed equity upon cancellation of ordinary units	24	(556,445)	0	556,445	0
Return of capital	22(b)	(43,452)	0	0	(43,452)
Dividends and distributions paid and payable to securityholders	25	0	0	(1,537,313)	(1,537,313)
As at 30 June 2013		116,569	(35,476)	46,404	127,497

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

Consolidated Statement of Cash Flows

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Interest received		25,030	14,118
Dividends received		38,245	58,310
Distributions received		594	3,230
Other income received		591	426
Finance costs paid		(815)	(2,111)
Other expenses paid		(26,394)	(15,469)
Performance fees paid		(90,826)	0
Income tax paid		(14,849)	(651)
Net cash flows from operating activities	15(a)	(68,424)	57,853
Cash flows from investing activities			
Payments for purchase of unlisted securities		0	(2,498)
Payments for unlisted security loan advances		(1,348)	(24,934)
Proceeds from sale of unlisted securities		1,970,456	89,575
Proceeds from sale of subsidiary		10,795	0
Proceeds from repayment of unlisted loan securities		2,410	21,494
Net cash flows from/(used in) investing activities		1,982,313	83,637
Cash flows from financing activities			
Payment of strategic initatives costs		(5,903)	(1,689)
Payment upon cancellation of ordinary units		(327,109)	0
Payment upon return of capital		(43,452)	0
Dividends and distributions paid		(1,571,454)	(62,073)
Net cash flows from/(used in) financing activities		(1,947,918)	(63,762)
Net decrease in cash and cash equivalents		(34,029)	77,728
Cash and cash equivalents at the beginning of the year		157,110	79,237
Effects of foreign exchange rate movements on cash and cash equivalents		2	145
Impact on cash and cash equivalents upon sale of subsidiary		(2)	0
Cash and cash equivalents at the end of the year	15(b)	123,081	157,110

The above Consolidated Statement 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.

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

As at 30 June 2013 AIFL had nil employees, apart from the non-executive directors of AIFL (2012: nil employees).

Structure of consolidated financial statements

Until 23 May 2013 the ordinary shares issued by AIFL were stapled to ordinary units issued by Australian Infrastructure Fund Trust (AIFT). The combined entity of AIFL and its controlled entities and AIFT and its controlled entities was known as the Australian Infrastructure Fund (AIX). The stapled securities were listed on the Australian Securities Exchange (ASX) on the 6 March 1997 with the ASX code of AIX. When preparing consolidated financial statements that combined the assets and liabilities of AIFL and AIFT and its controlled entities, AIFL was identified as the parent entity.

At the end of May 2013 the following steps were implemented in order to return asset sales proceeds to AIX securityholders:

- on 23 May 2013 the AIFL ordinary shares and AIFT ordinary units were destapled so that they could be dealt with separately;
- on 28 May 2013 the AIFT ordinary units were cancelled; and
- on 28 May 2013 AIFT issued one special unit with an issue value of $10 per special unit to each of AIFL and AIFL's wholly owned subsidiary.

As a result, AIFT became a wholly owned subsidiary of AIFL and AIFL shareholders continue to have an indirect ownership interest in AIFT in their capacity as shareholders of AIFL.

On 5 June 2013 AIFT was removed from the official list of ASX at the request of its Responsible Entity, Hastings Funds Management Limited (Hastings) pursuant to the restructuring of the AIX.

AIFL continues to trade on the ASX under the name "Australian Infrastructure Fund Limited" (ASX code: AIX).

Hastings remains the manager of AIFL and the Responsible Entity of AIFT.

The consolidated financial statements presented comprise Consolidated AIFL (AIX) which represents the entire AIX group, consisting of AIFL and its controlled entities which includes AIFT.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Australian Accounting Standards (including Interpretations) the *Corporations Act 2001* and AIFL's Constitution.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

At AIFL's next Annual General Meeting (AGM), AIFL shareholders may be requested to approve the appointment of liquidators to wind up at the AGM, the consolidated financial statements of AIX have been prepared on a wind up basis rather than a going concern basis. This basis of accounting has not changed the measurement or recognition of the significant accounting policies from the prior year.

The Consolidated Statement of Financial Position is 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 functional and presentation currency of AIFL and its controlled entities is Australian dollars.

The consolidated financial statements of AIFL for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of directors of AIFL. The directors of AIFL have the power to amend and reissue the consolidated financial statements.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 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 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010- 7 *Amendments to Australian Accounting Standards arising AASB 9* (effective from 1 January 2015)

AASB 9 *Financial Instruments (AASB 9)* addresses the classification and measurement of financial assets and financial liabilities.

AASB 9 *Financial Instruments* requires all financial assets to be:

- classified on the basis of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset;
- initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and
- subsequently measured at amortised cost or fair value

The requirements for derecognition of financial assets and financial liabilities under AASB 9 remain the same as those of AASB 139 *Financial Instruments: Recognition and Measurement.*

If AIFL is preparing accounts at this time, AIFL will apply the new standard and amendments from 1 July 2015. AIX is yet to fully assess the impact of adopting the new standard and amendments.

(ii) 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 for 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.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

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.

(iii) 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.

(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 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 the prior year, in accordance with AASB 3 *Business Combinations*, for the purpose of preparing consolidated financial statements that combines the assets and liabilities of AIFL and AIFT and its subsidiaries, AIFL was identified as the parent entity.

The consolidated financial statements of AIFL incorporate the assets and liabilities of all subsidiaries of AIFL, including AIFT, as at 30 June 2013 and the results of all subsidiaries for the year ended 30 June 2013. AIFL and its subsidiaries together are referred to in these consolidated financial statements as Consolidated AIFL or AIX.

Subsidiaries are those entities (including special purpose entities) over which AIFL 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 control is established over another entity.

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

All transactions (including gains and losses) and balances between entities in the AIFL Group 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 AIFL, 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) Parent entity financial information

The financial information for the parent entity, disclosed in Note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries
Investments in subsidiaries are recorded at fair value through profit or loss in the individual financial statements of the parent entities.

The fair value of each subsidiary is determined by reference to the net asset value of the subsidiary.

(e) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates estimates, judgements and assumptions based on experience and other factors, including expectations of future events that may have an impact on the entity. All estimates, judgements and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates, judgements and assumptions. Significant estimates, judgements and assumptions are outlined below:

Valuation of unlisted securities

In the prior year the fair values of unlisted securities were 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.

The carrying amount of unlisted securities held by the Group as at 30 June 2013 was nil (2012: $1,816,155,000).

Further information in relation to unlisted securities is provided in Note 18.

(f) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

(g) Cash and cash equivalents

For Consolidated Statement of Cash Flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings on the Consolidated Statement of Financial Position.

2 Summary of significant accounting policies (continued)

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables may include interest, dividends and trust distributions. Interest, dividends and trust distributions are accrued in accordance with the policy note set out in Note 2(m).

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 30 days of being recorded as receivables.

Impairment allowance

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised as expense in the profit or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are written back against the impairment allowance in the profit or loss.

(i) Securities

Securities comprised 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 and 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.

2 Summary of significant accounting policies (continued)

(i) Securities (continued)

Unlisted securities

Unlisted securities comprised ordinary shares, ordinary units, preference shares, partnership interests, shareholder loans and accrued interest income.

In the prior year the fair value of unlisted securities was 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 investments are not being sold and if they were to be realised then there may be potential capital gains tax implications for AIX or AIX 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. The Company adopted KPMG's valuations as at 30 June 2012.

Further information relating to unlisted securities is provided in Note 18.

(j) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Payables include liabilities and accrued expenses owing by AIX which are unpaid as at the end of the reporting period.

All payables, unless otherwise stated, are non-interest bearing, unsecured and generally settled on 30 day terms.

(k) Borrowings

All borrowings are initially recognised at fair value being the consideration received.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs or fees in relation to the establishment of borrowing facilities, and any discount or premium on settlement.

To the extent that it is probable that some or all of the facility will be drawn down, fees paid on the establishment of the borrowing facilities are deferred and offset against the carrying amounts of borrowings. Upon the draw down of funds from the facility, the fees are amortised over the period of the facility to which they relate.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, fees paid on the establishment of the borrowing facilities are initially capitalised as a prepayment for liquidity services and are subsequently amortised over the period of the facility to which the fees relate.

Other borrowing costs are expensed through profit or loss.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as other income or finance costs.

2 Summary of significant accounting policies (continued)

(l) Issued financial instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

(m) 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 Statement 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 Statement 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 base fees
Information in relation to Manager base management fees payable to Hastings is provided in Note 9.

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

Manager performance fees
Information in relation to Manager performance fees payable to Hastings is provided in Note 10.

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.

Current Period
In the current period, AIX had a present obligation to settle the performance fee in cash, as supported by AIFL's determination to cash settle the performance fee for the year ended 30 June 2012. As a consequence, AIX must account for any performance fee transaction in accordance with the requirements of AASB 2 applying to cash settled share-based payment transactions.

Applying AASB 2 in this regard, for cash settled share-based payment transactions, AIX are required to measure the performance fee obligation and the liability incurred at the fair value of the performance fee liability. Until the liability is settled, AIX are required to re-measure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the Income Statement for the period.

Prior Period
In the prior period, because AIX did not have a present obligation to settle in cash, as supported by a past practice or a stated policy of settling in cash, AIX were required to account for any performance fee transaction in accordance with the requirements of AASB 2 applying to equity settled share-based payment transactions.

Applying the AASB 2 for equity settled share-based payment transactions, the fair value of the performance fee obligation was determined at the beginning of the financial year (1 July 2011) and was recognised as a performance fee expense and an increase in a security-based payment reserve in AIX's Statement of Financial Position on a progressive basis throughout the year ended 30 June 2012.

Finance and borrowing costs
Refer to Note 2(k) for the recognition and measurement of borrowing costs. Other finance costs and borrowing costs are recognised as an expense when incurred.

2 Summary of significant accounting policies (continued)

(n) Income tax

Whilst AIFL is subject to tax, certain entities within the Group are not subject to tax, including AIFT.

The income tax expense or revenue for the year is the tax payable or receivable on the current period's taxable income based on the applicable income tax for each entity's jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. The Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax asset is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(o) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position. Reduced input tax credits recoverable by AIFL or AIFT from the Australian Taxation Office are recognised as receivables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2 Summary of significant accounting policies (continued)

(p) Rounding of amounts to the nearest thousand dollars

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 financial report. Amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

3 Interest income

	2013 $'000	2012 $'000
Cash and cash equivalents	14,869	2,577
Unlisted securities	10,156	13,945
Other	3	0
Total interest income	25,028	16,522

4 Dividend income

	2013 $'000	2012 $'000
Unlisted securities	38,245	58,310
Total dividend income	38,245	58,310

5 Distribution income

	2013 $'000	2012 $'000
Unlisted securities	616	1,404
Total distribution income	616	1,404

6 Net gain/(loss) - securities

	2013 $'000	2012 $'000
Net gain/(loss) - unlisted securities		
Net gain/(loss) - unrealised	(1,384,627)	105,752
Net gain/(loss) - realised	1,546,533	33,825
Total net gain/(loss) - unlisted securities	161,906	139,577
Total net gain/(loss) - securities	161,906	139,577

As part of the Future Fund transaction, AIX sold its interests in Perth Airport, Australian Pacific Airports Corporation, Queensland Airports, Airport Development Group and Statewide Roads for gross sale proceeds of $1,992,325,950 in consideration for its $425,055,035 investment holding. These sales resulted in a holding period gain on sale of $1,546,783,564 (net of divestment costs).

The current year net unrealised loss of $1,384,626,999 reflects the reversal of unrealised gains totalling $1,093,483,174 that were recognised in prior years for Perth Airport, Australian Pacific Airports Corporation, Queensland Airports and Airport Development Group and current year unrealised losses of $291,143,825 recognised with respect to HTAC up until the date of sale of the subsidiary holding the Group’s interest in HTAC.

In the prior year AIX sold its interests in Port of Geelong Unit Trust and Infrastructure Investment Corporation, Metro transport Sydney and Sydney Light Rail Company and Port of Portland for gross sale proceeds of $98,964,973 in consideration for its $59,209,679 investment holding. These sales resulted in a holding period gain on sale of $37,810,292. (net of divestment costs).

7 Net gain/(loss) - subsidiaries

	2013 $'000	2012 $'000
Net gain/(loss) - realised	2,584	0
Total net gain/(loss) - subsidiaries	2,584	0

As part of the Future Fund transaction, AIX sold its interests in its wholly owned subsidiary that held AIX's interest in HOCHTIEF Airport Capital Group for gross sale proceeds of $11,214,948 in consideration for its $8,211,186 net asset value. These sales resulted in a gain on sale of $2,584,073 (net of divestment costs).

8 Other income

	2013 $'000	2012 $'000
Director fee income	264	487
Director fee reimbursement	165	0
Other income	0	19
Total other income	429	506

Director fee income represents amounts received from infrastructure assets for director services provided by AIX's nominated director representatives on the boards of its infrastructure assets.

Director fee reimbursement reflects amounts reimbursed by Hastings to the Company in connection with board fees and superannuation contributions paid to John Harvey in connection with John Harvey representing AIX on the Australian Pacific Airports Corporation Board.

9 Manager base fees

	2013 $'000	2012 $'000
Manager base fees	15,657	12,822
Total Manager base fees	15,657	12,822

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

The AIFL Management Agreement and the AIFT Constitution provided for the management fee to be 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 accrued daily and was payable monthly in arrears.

The management fee was varied following execution of a facilitation deed on 23 November 2012 between Hastings in its personal capacity, Hastings Management Pty Ltd, AIFL and Hastings as Responsible Entity for AIFT (Facilitation Deed). For the period commencing on 24 August 2012 (being the date that AIX announced the indicative offer that it had received from the Future Fund) and ending 28 May 2013, the date on which all AIFT units except those AIFT units held by AIFL or a wholly owned subsidiary of AIFL were cancelled, the management fee for each month or part thereof was determined as the lesser of:

- $1,342,933, being 1% of AIX's market capitalisation on 24 August 2012, divided by 12 months; and
- 1% of AIX's market capitalisation on the last day of each calendar month occurring after 24 August 2012, divided by 12 months.

On the 28 May 2013, following the date on which all AIFT ordinary units except those AIFT special units held by AIFL and AIFL's wholly owned subsidiary were cancelled, Hastings received a final management fee of $1 million for its services as Responsible Entity of AIFT and manager of AIFL up until the date AIX is wound up.

10 Manager performance fees

	2013 $'000	2012 $'000
Manager performance fees	55,350	0
Total Manager performance fees	55,350	0

AIX performance fees were payable at the conclusion of each year ended 30 June where there was 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 was 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 was less than the benchmark return for that year, the shortfall was 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) did provide AIFL the discretion to determine the form of settlement. At the 2010 AIX Annual General Meeting (AGM) held on 17 November 2010 AIX 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.

The performance fee for the period 1 July 2012 was varied following execution of the Facilitation Deed and by approval of AIX securityholders at the Extraordinary General Meeting on 15 January 2013. In accordance with the Facilitation Deed for the period commencing on 1 July 2012 and ending on the date on which all of the AIFT ordinary units were cancelled, other than those special units held by AIFL and AIFL's wholly owned subsidiary, a final performance fee of $54 million (exclusive of GST) would be payable. Under the amendments of the AIFT constitution approved by AIX securityholders on 15 January 2013, Hastings' entitlement to any future performance fees terminated upon payment of the $54 million (exclusive of GST).

Current period

A performance fee of $54 million (exclusive of GST) was paid to Hastings in accordance with the Facilitation Deed on 28 May 2013 being the date on which all AIFT ordinary units except those AIFT special units held by AIFL and AIFL's wholly owned subsidiary were cancelled.

Prior period

In accordance with AASB 2 *Share Based Payments*, the fair value of the performance fee obligation was assessed at the beginning of the financial year (1 July 2011). The fair value of the performance fee obligation that was assessed and recognised as an expense in the Income Statement was $Nil.

11 Strategic initiatives costs

	2013 $'000	2012 $'000
Internalisation costs	3,763	1,689
Future Fund Offer costs	2,230	0
Total strategic initiatives costs	5,993	1,689

Internalisation costs

On 29 June 2012, the boards of AIFL and Hastings announced that they had entered into a non-binding agreement on the key terms upon which the management of AIX could be internalised. It was intended that the in-principle agreement would be developed into a detailed implementation agreement following which, if appropriate terms were agreed, the approval of AIX securityholders would be sought.

Internalisation costs reflect, amongst other costs, financial advisor fees, legal fees and tax fees, incurred in connection with the internalisation process, specifically, the negotiation of the non-binding in-principle internalisation agreement and the development of a detailed implementation agreement.

Future Fund Offer costs

On 24 August 2012, AIFL and Hastings announced that AIX had received a proposal from the Future Fund to acquire all of AIX's infrastructure assets, and had entered into a conditional and non-binding memorandum of understanding with the Future Fund.

On 26 November 2012, AIFL and Hastings announced that AIX had entered into a binding implementation agreement with the Future Fund (Future Fund Offer) for the proposed sale of AIX's infrastructure assets. The approval of AIX securityholders to the Future Fund Offer and to the distribution of the net proceeds was sought, and received, on 15 January 2013, following which binding sale agreements were entered into for all of AIX's infrastructure assets.

Future Fund Offer costs reflect costs incurred in relation to the advice received in connection with the distribution of net sale proceeds to AIX securityholders and costs incurred to ensure on-going management arrangements.

12 Finance costs

	2013 $'000	2012 $'000
Other borrowing costs	1,248	1,699
Total finance costs	1,248	1,699

Other borrowing costs comprise establishment fees, agency fees and facility fees relating to the $100 million standby debt facility with Westpac and ANZ.

On 29 January 2013 AIX cancelled this $100 million standby debt facility with Westpac and ANZ.

13 Audit fees

During the year, the following fees were paid or payable for services provided by the auditor:

	2013 $	2012 $
Amounts paid and payable excluding GST, to PricewaterhouseCoopers, for:		
(a) Audit services		
- Audit and Review of Financial Statements	83,000	139,906
- Audit of Compliance Plan	7,000	16,228
Total audit services	90,000	156,134
(b) Non-audit services		
- Agreed upon Procedures - Regulatory Guide 231	0	46,750
- Agreed upon Procedures - Annual Report	3,246	6,365
- Agreed upon Procedures - Calculation of Cash Return	12,500	0
- Agreed upon Procedures - Non-statutory review	13,750	0
- Agreed upon Procedures - EGM	12,500	0
- Specified Procedures - Internalisation	118,000	0
Total non-audit services	159,996	53,115

14 Income tax

	2013 $'000	2012 $'000
(a) Major components of income tax for the year recognised in the Income Statement		
Current tax expense/(benefit)	15,236	0
Deferred tax expense/(benefit)	(37,155)	1,250
Total oncome tax expense/(benefit)	(21,919)	1,250
(b) Reconciliation of prima facie tax to income tax expense for the year		
Net profit/(loss) before income tax for the year	146,401	197,224
Tax at the applicable Australian tax rate of 30% (2012 - 30%)	43,920	59,167
Tax effect of amounts either not deductible/(taxable), or are attributable income in nature, in calculating the taxable income:		
Profit not assessable in hands of the Trust	(127,849)	(55,052)
Non assessable income	(178)	0
Franked dividend gross up	348	742
Tax offset for franked dividend	(1,161)	(2,472)
Security based payment reserve	0	(1,134)
Other	0	231
Derecognition of current year temporary differences	89,409	0
Derecognition of prior year temporary difference	(26,408)	(1,573)
Rerecognition of prior year capital losses	0	1,341
Income tax expense	(21,919)	1,250
(c) Current tax asset		
Current tax asset	0	304
	0	304
(d) Current tax liability		
Current tax liability	88	0
	88	0

14 Income tax (continued)

	2013 $'000	2012 $'000
(e) Deferred tax asset		
Deferred tax asset	155	0
Comprising:		
Other	155	0
	155	0

The movement in the deferred tax asset balance has been charged through profit or loss.

	2013 $'000	2012 $'000
(f) Deferred tax liability		
Deferred tax liability	0	35,627
Comprising:		
Net unrealised gain on unlisted securities	0	37,749
Provision for retirement benefit	0	(234)
Unutilised imputation credits - available for future offset	0	(1,576)
Other	0	(312)
	0	35,627

The movement in the deferred tax liability balance has been charged through profit or loss.

	2013 $'000	2012 $'000
(g) Unrecognised capital losses		
Unused capital losses for which no deferred income tax asset has been recognised	0	18,137
Potential tax benefit @ 30%	0	5,441
(h) Unrecognised income losses		
Unused income tax losses for which no deferred income tax asset has been recognised	0	5,252
Potential tax benefit @ 30%	0	1,576

15 Cash and cash equivalents

	2013 $'000	2012 $'000
(a) Reconciliation of net profit/(loss) after income tax to the net cash flows from operating activities		
Net profit/(loss) after income tax	168,320	195,974
Adjustments for non-cash and non-operating items:		
Net gain/(loss) - securities	(161,906)	(139,577)
Net gain/(loss) - subsidiaries	(2,584)	0
Net gain/(loss) - cash and cash equivalents	(34)	(145)
Net gain/(loss) - other	22	16
Net gain/(loss) - distribution income	(22)	0
Strategic initatives costs	5,993	1,689
Interest income	0	(42)
Changes in operating related assets and liabilities:		
(Increase)/decrease in receivables	(5,004)	1,805
(Increase)/decrease in prepayments	373	(395)
(Increase)/decrease in accrued income	(115)	(2,361)
Increase/(decrease) in payables	(35,919)	231
Increase/(decrease) in current tax liability	391	(651)
Increase/(decrease) in deferred tax liability	(37,159)	1,250
Increase/(decrease) in provisions	(780)	59
Net cash flows from operating activities	(68,424)	57,853

(b) Components of cash and cash equivalents

	2013	2012
Cash at bank	123,081	157,110
	123,081	157,110

Cash at bank earns interest at floating rates based on daily deposit rates.

(c) Significant non-cash investing and financing activities

There were no significant non-cash investing and financing activities during the year (2012: nil).

16 Receivables

	2013 $'000	2012 $'000
Other receivables	5,368	507
Total receivables	5,368	507

None of the receivables are impaired or past due but not impaired.

17 Other assets

	2013 $'000	2012 $'000
Prepayments	111	484
Total other assets	111	484

18 Securities

	2013 $'000	2012 $'000
Unlisted securities		
Perth Airport (Perth Airport Development Group & PAPT Holdings)	0	609,597
Australia Pacific Airports Corporation Limited	0	477,354
HOCHTIEF AirPort Capital Group	0	297,902
Queensland Airports Limited	0	315,148
Airport Development Group Pty Ltd	0	115,106
Statewide Roads	0	1,048
Total unlisted securities	0	1,816,155
Total securities	0	1,816,155

Percentage ownership	2013 %	2012 %
Perth Airport (Perth Airport Development Group & PAPT Holdings)	0.00%	29.74%
Australia Pacific Airports Corporation Limited	0.00%	12.39%
HOCHTIEF AirPort Capital Group	0.00%	40.02%
Queensland Airports Limited	0.00%	49.07%
Airport Development Group Pty Ltd	0.00%	28.23%
Statewide Roads	0.00%	6.25%

Following approval of the Future Fund Offer by AIX securityholders on 15 January 2013, AIX entered into separate and independent deeds of sale for each of its infrastructure assets with Future Fund or its nominee for the sale of each of AIX's assets, for a total $2 billion consideration (subject to adjustments). The entry into these sale arrangements triggered pre-emptive rights in favour of asset-level co-investors at most of the AIX assets such that co-investors at these assets had the right to purchase the assets at the price offered by the Future Fund. The asset sales were completed over the course of January 2013 to April 2013 with the final asset sale completing on 15 April 2013.

All unlisted securities were independently valued by KPMG Corporate Finance at 30 June 2012.

19 Payables

	2013 $'000	2012 $'000
Payable - Hastings	0	36,688
Distribution and dividend payable	0	34,141
Payable - Directors	697	0
Other payables	433	273
Total payables	1,130	71,102

The Payable – Directors balance in the current year relates to the retirement benefit payable to Paul Espie. For further information refer to Note 30 - Key management personnel.

For information regarding the distribution and dividend payable refer to Note 25 - Distributions and Dividends to securityholders.

The prior year Payable – Hastings balance included $35,475,864 (inclusive of non recoverable GST) payable to Hastings in connection with performance fees for the year ended 30 June 2012. For further information refer to Note 10 - Manager performance fees.

20 Provisions

	2013 $'000	2012 $'000
Provision for directors' retirement benefit	0	780
Total provisions	0	780
Movement in the provision for directors' retirement benefit:		
Opening balance	780	722
Charged/(credited) to the profit or loss	(83)	58
less: provision paid or due and payable during the year	(697)	0
Closing balance	0	780

As a consequence of Paul Espie's retirement on 30 June 2013, his directors' retirement benefit crystalised and was payable as at 30 June 2013. Refer also to Note 30 - Key management personnel.

21 Borrowings

(a) Financing Arrangements

At the end of each reporting period the following financing facilities were available:

	2013 $'000	2012 $'000
Facilities available:		
Standby debt facility	0	100,000
	0	100,000
Facilities drawn:		
Standby debt facility	0	0
	0	0
Facilities undrawn:		
Standby debt facility	0	100,000
	0	100,000

(b) Standby debt facility

On 11 August 2011 AIX entered into a $100 million standby debt facility with Westpac and ANZ as lenders with an expiry date of 21 August 2013. This facility replaced the $30 million standby debt facility with Westpac and ANZ as lenders.

Interest on cash advances drawn under the facility was charged at a floating base rate plus a fixed margin.

On 29 January 2013 AIX cancelled this $100 million standby debt facility with Westpac and ANZ.

22 Contributed equity

	2013 $'000	2012 $'000
Ordinary securities	116,569	1,043,575
Total issued securities	116,569	1,043,575

(a) Issued ordinary securities (number)	**No. '000**	**No. '000**
Opening balance	620,734	620,734
Issued ordinary securities at the end of the year	620,734	620,734

(b) Issued ordinary securities (dollars)	**$'000**	**$'000**
Opening balance	1,043,575	1,043,575
Cancellation of ordinary units	(327,109)	0
Return of capital	(43,452)	0
Transfer balance of ordinary units to retained earnings	(556,445)	0
Issued ordinary securities at the end of the year	116,569	1,043,575

On 23 May 2013 the AIFL ordinary shares and AIFT ordinary units were destapled. Subsequent to this, on 28 May 2013 all of the AIFT ordinary units were cancelled. AIFL shareholders will continue to have an indirect ownership in AIFT in their capacity as shareholders in AIFL.

On 28 May 2013 AIFT cancelled all of its ordinary units on issue for a total cancellation consideration of $327,109,000. Following the cancellation of ordinary units, the remaining net issue value of the ordinary units was transferred from contributed equity to retained earnings.

On 30 May 2013 AIFL made a return of capital of $43,452,000 to AIX securityholders.

Issued ordinary securities as at 30 June 2013 comprised AIFL ordinary shares. Issued ordinary securities as at 30 June 2012 comprised stapled securities whereby one stapled security comprised one AIFL ordinary share stapled to one AIFT ordinary unit.

(c) Terms and conditions of issued securities

AIFL Ordinary Shares (Current Year)

AIFL shareholders have various rights under AIFL's Constitution, including the right to:

- receive dividends;
- attend and vote at meetings of shareholders; and
- participate in the termination and winding up of AIFL.

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

AIX Stapled Securities (Prior Year)

The securities were 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;
- attend and vote at meetings of shareholders; 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.

23 Reserves

	2013 $'000	2012 $'000
Security-based payment reserve	(35,476)	(35,476)
Total reserves	(35,476)	(35,476)
Movement in the security based payment reserve:		
Opening balance	(35,476)	0
Charge to reserve	0	(35,476)
Closing balance	(35,476)	(35,476)

The prior year charge to the security-based payment reserve represents the difference between the performance fee payable at 30 June 2012 (inclusive of non-recoverable GST) and the fair value of the performance fee obligation assessed at the beginning of the financial year (1 July 2011) and recognised as an expense in the Income Statement. For further details refer to Note 10 – Manager performance fees.

24 Retained earnings

	2013 $'000	2012 $'000
Opening balance	858,952	728,156
Net profit/(loss) after income tax	168,320	195,974
Distributions and dividends paid and payable to securityholders	(1,537,313)	(65,178)
Transfer net issue value balance of ordinary units from contributed equity upon cancellation of ordinary units	556,445	0
Closing balance	46,404	858,952

The current year movement in retained earnings includes the remaining net issue value of AIFT ordinary units of $556,445,196, which was transferred from contributed equity on 28 May 2013 following the cancellation of AIFT ordinary units on 28 May 2013.

25 Distributions and dividends to securityholders

	2013 $'000	2012 $'000
Interim distribution and dividend declared and paid	34,140	31,037
Main return distribution and dividend declared and paid	1,503,173	0
Final distribution and dividend declared and payable	0	34,141
Total distributions and dividends declared paid and payable to securityholders	1,537,313	65,178
Comprising:		
Distributions declared during the year	1,491,730	56,678
Dividends declared during the year	45,583	8,500
	1,537,313	65,178

Final dividend and distribution

No final dividend or distribution was declared in the current year.

In the prior year the final dividend and distribution comprised:

- a final dividend of $4,000,000 (0.64 cents per stapled security) declared by AIFL for the year ended 30 June 2012 franked to 100%; and
- a final distribution $30,141,000 (4.86 cents per stapled security) declared by AIFT for the year ended 30 June 2012.

Main Return dividend, distribution, return of capital and cancellation of units

A Main Return of $1,873,733,000 (301.86 cents per stapled security) was declared on 21 May 2013 and paid on 30 May 2013.

This Main Return comprised:

- a dividend of $45,583,000 (7.3434 cents per stapled security) declared by AIFL franked to 100%;
- a distribution of $1,457,590,000 (234.82 cents per stapled security) declared by AIFT;
- a return of capital of $43,452,000 (7.0 cents per stapled security) by AIFL; and
- a $327,109,000 (52.697 cents per stapled security) payment by AIFT upon cancellation of ordinary units.

Interim dividend and distribution

An interim distribution of $34,140,000 (5.50 cents per stapled security) was declared by AIX for the half year ended 31 December 2012 and was paid on 25 February 2013 (2011: $31,037,000 and 5.00 cents per stapled security).

The interim dividend and distribution comprised:

- an interim dividend of $Nil (Nil cents per stapled security) declared by AIFL for the half year ended 31 December 2012 (2011: $4,500,000 and 0.72 cents per stapled security fully franked; and
- an interim distribution of $34,140,000 (5.50 cents per stapled security) declared by AIFT for the half year ended 31 December 2012 (2011: $26,537,000 and 4.28 cents per stapled security).

26 Franking credit availability

	2013 $'000	2012 $'000
Franking credits available for distribution at the end of the year	0	5,240

27 Segment information

Operating segments were based on the reports reviewed by the Board of AIFL 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 were aligned with the investment objectives and guidelines set out in AIX's PDS and in accordance with the provisions of the AIFL Constitution.

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

The AIFL Board took a broad portfolio construction approach to its investment and divestment activities of infrastructure securities and to the management of AIX. Accordingly, all operating decisions were based upon analysis of AIX as one operating segment.

The segment information reported to the Board was consistent with the Accounting Standards and therefore consistent with the information included within the consolidated financial statements.

28 Financial instruments

(a) Financial risk management objectives and policies

AIX's principal financial instrument as at 30 June 2013 is cash.

In the prior year AIX's principal financial instruments comprised cash and short-term deposits, investments in unlisted securities and interest-bearing loans and borrowings. The main purpose of these financial instruments was to generate a return on the investment made by AIX securityholders.

AIX has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

AIX does not enter into or trade financial instruments for speculative purposes.

The main risks arising from AIX's financial instruments as at 30 June 2013 are interest rate risk and liquidity risk.

The main risks arising from AIX's financial instruments in the prior year were credit risk, interest rate risk, price risk, foreign currency risk and liquidity risk.

The directors of AIFL review and agree policies for managing each of these risks.

Credit risk

Credit risk represents the risk that a counterparty will be unable to pay amounts in full when they fall due and AIX will incur a financial loss.

In the prior year the main concentration of credit risk to which AIX was exposed arose from its exposure to unlisted securities that were debt securities such as shareholder loans. AIX was also exposed to counterparty credit risk on cash and cash equivalents and other receivables.

To manage credit risk, AIX dealt only with high credit quality financial institutions for their cash transactions. At an asset level, AIX aimed to achieve an appropriate risk adjusted return for each of its investments. This was achieved through appropriate investment due diligence on an asset by asset basis. With regard to credit risk at the portfolio level, AIX was diversified by sector, geography and stage of development.

Interest rate risk

Interest rate risk is the risk that a financial instrument's value or the value of its cash flows may fluctuate as a result of changes in market interest rates. Financial instruments whose cashflows are determined by reference to variable interest rates include cash and cash equivalents, interest bearing receivables, interest bearing unlisted securities and interest bearing borrowings.

Movements in interest rates directly affected the value of AIX's unlisted securities. As discussed in Note 2(i), the value of the unlisted securities is determined by discounting the projected future cashflows of the underlying entity. The discount rate utilised incorporates a risk free rate component as well as a market risk premium factor that reflects the excess return that a market portfolio of assets generates over the risk free rate. The market risk premium is generally determined with reference to market observations over a long period of time and therefore remains relatively stable.

Movements in interest rates directly affect cashflows generated by AIX's cash and cash equivalents, and previously directly affected interest bearing receivables, interest bearing unlisted securities and interest bearing borrowings.

As AIX's investment strategy was long term, AIX did not hedge these interest rate exposures.

28 Financial instruments (continued)

(a) Financial risk management objectives and policies (continued)

Price risk

Price risk is the risk that a financial instruments value may fluctuate as a result of changes in its price.

In the prior year AIX was exposed to price risk on its unlisted security holdings.

AIX mitigated price risk by a thorough due diligence process and careful selection of investments. On an ongoing basis, investee companies were monitored throughout the year via Board representation, management reporting and detailed discussions with the underlying investee company. The results of the monitoring completed by management were reported to the Board on a regular basis.

Unlisted security prices were affected by the underlying cashflows of the unlisted security. The underlying cashflows used in valuing unlisted securities were provided by investee management in the form of a financial model, which was reviewed at least annually during the budgeting process and approved by representatives on the investee's board. The key drivers of the financial model included expected volumes, agreed pricing and the cost and timing of capital expenditure projects at each asset. Forecast volumes and pricing negotiations were performed by investee management with the assistance of, as appropriate, external consultants who provided specialist advice and a further layer of objectivity. In pricing negotiations, the investee boards were often consulted on key issues and provided with regular updates throughout the process. Capital expenditure was planned by investee management and also required investee board approval prior to project commencement.

Due to the long term view that was taken, AIX did not hedge against these short-term fluctuations.

Foreign exchange rate risk

Foreign exchange rate risk is the risk that a financial instrument's value or the value of its cash flows may fluctuate as a result of changes in foreign exchange rates.

AIX previously held one offshore unlisted security, whose value and cashflows were denominated in Euro (EUR). As a result, AIX was exposed to movements in the Euro/Australian dollar (EUR/AUD) foreign exchange rate.

It was AIX's policy not to hedge the carrying value of foreign currency denominated unlisted securities or any foreign currency cash flows that these foreign currency denominated unlisted securities generate.

Liquidity risk

Liquidity risk is the risk that AIX may not be able to generate sufficient cash resources to settle its obligations in full as and when they fall due or can do so in forms that are materially disadvantageous.

To manage liquidity risk, the Board actively monitors cash balances and forecast operational cashflows and liabilities on a regular basis. In addition to available cash on hand, in the prior year AIX had short term funding lines.

All AIX's financial liabilities as at 30 June 2013 and 30 June 2012 were at call and due within twelve months.

28 Financial instruments (continued)

(b) Credit risk

There are no material amounts receivable that are past due or impaired.

Concentration of credit risk

Credit exposures at balance date are cash and cash equivalent balances (Note 15), receivables balances (Note 16) as well as the following unlisted security balances:

Unlisted security name	Instrument Type	2013 $'000	2012 $'000
Perth Airport	Shareholder loans	0	43,284
HOCHTIEF AirPort Capital Group	Shareholder loans	0	79,429
Queensland Airports Limited	Loan notes	0	24,786
		0	147,499

The maximum exposure to credit risk of cash and cash equivalents, receivables and all securities approximates their carrying amounts.

No collateral is held against receivables.

(c) Summarised sensitivity analysis

The following tables summarise the sensitivity of material financial assets and financial liabilities to movements in interest rates and foreign exchange rates.

Interest Rate Sensitivity

The effect of a +/- 1% shift in interest rates has been selected for interest rate sensitivity as it represents the approximate historic 12 month average movement in the yield of the 10 year Australian Government Bond Rate (the risk free rate). In any 12 month period the shift in interest rates could be more or less than 1%.

A change in interest rates affects the interest revenue and interest expense of AIX, affecting (as applicable) cash and cash equivalents, interest bearing receivables, unlisted securities and borrowings.

The interest rate sensitivity assumes the discount rate used to determine the fair value of unlisted securities is changed by the stated amount, whilst holding all other variables constant. The effect of a +/- 1% shift in interest rates on unlisted securities has been approximated through valuation sensitivities performed at discount rates reflecting the selected range while all other valuation variables are held constant.

Foreign Exchange Rate Sensitivity

AIX has no exposure to foreign exchange rate movements as at 30 June 2013.

In the prior year AIX had exposure to the EUR/AUD foreign exchange rate movement and the effect of a +/- 10% movement in foreign exchange rates was selected for foreign exchange rate sensitivity.

The 10% sensitivity was selected as it represented foreign exchange movements over a 12 month period in the context of the longer term historical volatility.

In the prior year, the Australian dollar (AUD) appreciated 8.8% against the Euro (EUR).

28 Financial instruments (continued)

(c) Summarised sensitivity analysis (continued)

2013

		Interest rate risk				Foreign exchange risk			
		-1.0%		1.0%		-10.0%		10.0%	
	Carrying Value $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	123,081	(1,231)	(1,231)	1,231	1,231	0	0	0	0
Receivables	5,368	0	0	0	0	0	0	0	0
Financial liabilities									
Payables	1,130	0	0	0	0	0	0	0	0
Total increase/(decrease)		**(1,231)**	**(1,231)**	**1,231**	**1,231**	**0**	**0**	**0**	**0**

2012

		Interest rate risk				Foreign exchange risk			
		-1.0%		1.0%		-10.0%		10.0%	
	Carrying Value $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	157,110	(1,571)	(1,571)	1,571	1,571	24	24	(19)	(19)
Receivables	507	0	0	0	0	0	0	0	0
Securities	1,816,155	(137,145)	(137,145)	137,145	137,145	33,099	33,099	(27,083)	(27,083)
Financial liabilities									
Payables	71,102	0	0	0	0	0	0	0	0
Total increase/(decrease)		**(138,716)**	**(138,716)**	**138,716**	**138,716**	**33,123**	**33,123**	**(27,102)**	**(27,102)**

(d) Fair values of financial instruments

The carrying amounts of AIX's financial instruments and the methods and assumptions used to determine the fair values of instruments are summarised below.

Cash and cash equivalents
The carrying amounts of cash and cash equivalents approximate their fair values because of their short term to maturity.

Receivables and payables
The carrying amounts of receivables and payables approximate their fair values because of their short term to settlement.

Securities
Unlisted securities were measured at fair value through profit or loss. The determination of the fair values of the unlisted securities is outlined in Note 2(i).

Borrowings
The carrying amount of borrowings approximated their fair value on the basis that the borrowings that were in place were floating rate borrowings. The fair value of borrowings was determined 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 appropriate, fair value is calibrated to relevant market developments.

28 Financial instruments (continued)

(d) Fair values of financial instruments (continued)

Fair value hierarchy of financial instruments measured at fair value through profit or loss

AASB 7 *Financial Instruments: Disclosure* requires financial instruments measured at fair value to be classified in the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The only financial instruments that are fair valued are unlisted securities.

Unlisted securities are included in Level 3 on the basis that the valuation techniques adopted are based on significant unobservable inputs.

The following table presents assets and liabilities measured and recognised at fair value.

	Level 1		Level 2		Level 3		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Financial assets held at fair value through profit or loss:								
Unlisted securities	0	0	0	0	0	1,816,155	0	1,816,155
Total assets	0	0	0	0	0	1,816,155	0	1,816,155

The following table presents the movements in Level 3 instruments.

	Unlisted securities	
	2013	**2012**
	$'000	**$'000**
Opening balance	1,816,155	1,756,228
Acquisitions	0	27,522
Loan advances	1,441	2,453
Capital reductions and disposals	(425,651)	(75,619)
Disposal of subsidiary holding unlisted securities	(5,239)	0
Change in unrealised gain/(loss) recognised in profit or loss	(1,384,627)	105,752
Movement in accrued loan interest	(2,079)	(181)
Closing balance	0	1,816,155
Total net gain/(loss) recognised in profit or loss	161,906	139,577
Total gain/(loss) for the year included in profit or loss that relates to assets held at the end of the reporting period.	**0**	**101,535**

28 Financial instruments (continued)

(e) Foreign currency risk

In the prior year AIX had unlisted securities denominated in EUR. As a result, the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income could be materially affected by movements in the respective EUR/AUD foreign exchange rate.

Foreign currency exposures are summarised below:

	Financial assets in EUR	
	2013	2012
	AUD $'000	AUD $'000
Financial assets:		
Cash and cash equivalents	0	214
Securities	0	297,902
	0	298,116

29 Related party transactions

(a) Associate entities

Names of associate entities

Associate entities and interests in these entities at the end of the year are as follows:

Unlisted security name	2013 Holding %	2012 Holding %
Perth Airport Development Group & PAPT Holdings Pty Ltd (Perth Airport)	0.00%	29.74%
HOCHTIEF AirPort Capital Group	0.00%	40.02%
Queensland Airports Limited	0.00%	49.07%
Airport Development Group Pty Ltd	0.00%	28.23%
Port of Portland	0.00%	0.00%
Metro Light Rail and Monorail	0.00%	0.00%

For further details in relation to holdings in associate entities refer to Note 18 - Securities.

29 Related party transactions

(a) Associate entities (continued)

Transactions with associate entities

	2013 $'000	2012 $'000
Distribution income from:		
HOCHTIEF AirPort Capital Group	616	0
Queensland Airports Limited	0	778
Port of Portland	0	(119)
Port of Geelong Unit Trust & Infrastructure Investment Corporation	0	745
Dividend income from:		
Perth Airport Development Group & PAPT Holdings Pty Ltd (Perth Airport)	0	18,437
Queensland Airports Limited	0	14,679
Airport Development Group Pty Ltd	12,192	7,283
Port of Geelong Unit Trust & Infrastructure Investment Corporation	8,097	242
Interest income from:		
Perth Airport Development Group & PAPT Holdings Pty Ltd (Perth Airport)	0	3,531
HOCHTIEF AirPort Capital Group	5,094	7,360
Queensland Airports Limited	3,378	2,243
Metro Light Rail and Monorail	0	811
Advance/(repayment) of unlisted security loans to/(from):		
Perth Airport Development Group & PAPT Holdings Pty Ltd (Perth Airport)	(801)	22,504
HOCHTIEF AirPort Capital Group	0	(14,771)
Queensland Airports Limited	0	2,453
Unlisted equity securities issued/(redeemed) by:		
Perth Airport Development Group & PAPT Holdings Pty Ltd (Perth Airport)	0	2,498
Security redemption proceeds from:		
Airport Development Group Pty Ltd	0	(1,299)

Receivable and payable balances with associate entities

	2013 $'000	2012 $'000
Income receivable		
HOCHTIEF AirPort Capital Group	0	1,784
Queensland Airports Limited	0	559

Receivable and payable balances are non-interest bearing and generally payable within 30 days.

29 Related party transactions (continued)

(b) Other related parties - the Manager

Name of the Manager

The Manager of AIFL is Hastings Funds Management Limited (Hastings) and the immediate parent entity of Hastings is Hastings Management Pty Limited (formerly Westpac Institutional Holdings Pty Limited).

The ultimate parent entity of Hastings Management Pty Limited is Westpac Banking Corporation (Westpac) which throughout the year held 100 percent of the ordinary issued capital of Hastings Management Pty Limited.

Transactions with the Manager and its related entities

	2013 $'000	2012 $'000
Manager base fees		
Hastings	15,657	12,822
Manager performance fees		
Hastings	55,350	35,476
Reimbursement of expenses paid or payable on behalf of AIX		
Hastings	255	600
Distributions, dividends, returns of capital and cancellation of units declared to		
Westpac	55,362	1,891
Interest income		
Westpac	14,869	2,577
Finance expenses		
Westpac		
Standby debt facility - facility fees	802	654
Standby debt facility - agency fee	16	25
Standby debt facility - establishment, amendment & cancellation fees	394	337
Bank fees		
Westpac	14	11

For further details in relation to base management fees and performance fees paid to Hastings refer to Note 9 – Manager base fees and Note 10 – Manager performance fees.

For further details in relation to expense reimbursements paid to the Manager refer Note 2(m) - Income and expense recognition.

29 Related party transactions (continued)

(b) Other related parties - the Manager (continued)

Outstanding balances with the Manager and its related entities

	2013 $'000	2012 $'000
Cash and cash equivalents		
Westpac	123,081	157,110
Distribution payable		
Westpac	0	901
Manager base fees payable		
Hastings	0	1,211
Manager performance fees payable		
Hastings	0	35,476
Standby debt facility		
Westpac		
Total facility available	0	50,000
Less: facility drawn	0	0
Facility undrawn	0	50,000

For details in relation to the loan facilities refer Note 21 - Borrowings.

The Manager and its related entities' interests in the financial instruments issued by AIX

The number of securities and the percentage ownership interest held by Hastings and its related entities in the financial instruments issued by AIX is detailed below:

	Securities		Ownership interest	
	2013 No.	2012 No.	2013 %	2012 %
Westpac entities (excluding Hastings)	18,012,204	18,012,204	2.90%	2.90%

All transactions with related parties were conducted under commercial terms and conditions.

30 Key management personnel

(a) Names of key management personnel

The key management personnel of AIX include key management personnel of AIFL and key management personnel of AIFT.

The names of the key management personnel of AIFL during the year and up to the date of this report are:

Paul Espie	Chairman (retired on 30 June 2013 and reappointed on 1 July 2013)
James Evans	Director (retired on 1 June 2013)
John Harvey	Director
Robert Humphris	Director (retired on 1 June 2013)
Michael Hutchinson	Director
Robert Tsenin	Director (retired on 1 June 2013)
Jeff Pollock	AIX Chief Executive Officer (retired on 17 May 2013)

The key management personnel of AIFT include the Board of Directors of Hastings which is the Manager of AIFL and Responsible Entity of AIFT whose ordinary issued units were stapled to the ordinary issued shares of AIFL up until 23 May 2013.

The names of key management personnel of AIFT during the year and up to the date of this report are:

Alan Cameron	Chairman
Andrew Day	Director
James Evans	Director
William Forde	Director
Stephen Gibbs	Director
James McDonald	Director
Victoria Poole	Director

Key management personnel related entities

Alan Cameron, Andrew Day, James Evans and William Forde were directors of various Westpac subsidiary entities during the year.

John Harvey was a director of Australia Pacific Airports Corporation Limited during the year until 15 February 2013. For details in relation to AIX's investment holding in Australia Pacific Airports Corporation Limited refer to Note 18 – Securities.

Transactions and outstanding balances with key management personnel related entities

Transactions between Australia Pacific Airports Corporation Limited and AIX during the year were as follows:

	2013 $'000	2012 $'000
Dividend income from:		
Australia Pacific Airports Corporation Limited	8,781	17,562

There were no receivable or payable balances between Australia Pacific Airports Corporation Limited and AIX at 30 June 2013 and 30 June 2012.

Details of transactions between AIX and Hastings and Westpac are set out in Note 29 – Related party transactions

30 Key management personnel (continued)

(b) Compensation policy for key management personnel

(i) Compensation policy for key management personnel of the manager and Responsible Entity

Key management personnel of the Responsible Entity are paid by Hastings or its related entities in their roles as key management personnel of the Responsible Entity, not of AIX.

Key management personnel of the Responsible Entity are not remunerated by AIX. As such, disclosure of compensation paid to key management personnel of the Responsible Entity is not required.

The fees paid to Hastings as Responsible Entity of AIFT and manager of AIFL are detailed in Note 29 – Related party transactions.

(ii) Compensation policy for key management personnel of AIFL

Board and Remuneration Committee responsibility

The responsibility for the Company's remuneration policy rests with the Board. The Remuneration Committee assists the Board in fulfilling its duties and responsibilities in relation to remuneration. The Remuneration Committee reviews and makes recommendations to the Board on the Company's remuneration policy. The Remuneration Committee is comprised of AIFL's non-executive directors, a majority of whom are independent.

Non-executive directors' remuneration

Remuneration policy

The Board of directors of the Company with the assistance of the Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors of the Company.

The fees paid to directors are set at levels that reflect both the responsibilities of, and the time commitments required from, the directors to discharge their duties. In order to maintain their independence and impartiality, the remuneration of the non-executive directors is not linked to the performance of either the Company or AIFT.

In setting fee levels, the Board takes into account:

- independent professional advice;
- fees paid by comparable companies;
- the general time commitment required from directors and the risks associated with discharging the duties attaching to the role of director; and
- the level of remuneration necessary to attract and retain directors of a suitable calibre.

The Remuneration Committee and the Board will continue to review its approach to non-executive director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance.

30 Key management personnel (continued)

(b) Compensation policy for key management personnel (continued)

(ii) Compensation policy for key management personnel of AIFL (continued)

Remuneration structure

Directors' fees expensed for the year ended 30 June 2013 totalled $1,175,337 (2012: $936,855).

Non-executive directors' fees, including committee fees, are set by the Board within the maximum aggregate amount of $1,200,000 per annum approved by AIX securityholders in 2010. Committee fees also include ad hoc committees such as Due Diligence committees which may be required from time to time. The remuneration of directors was last revised on 1 March 2011.

Up until 30 June 2013, the following fee entitlements applied:

- the Chairman of the Board was entitled to an annual fee of $275,000 per annum;
- directors were entitled to an annual fee of $110,000 per annum;
- the Chairman of the Audit Committee was entitled to a fee of $23,000 per annum; and
- the ordinary members of the Audit Committee were entitled to a fee of $11,500 per annum.

The Chairman of the Board declined his fee for membership of the Audit Committee.

In addition, superannuation contributions were paid on behalf of the non-executive directors in accordance with the Company's statutory superannuation obligations.

The AIFL Director's Retirement Plan (the Plan) was phased out in April 2003, so that directors who joined the Board after that date are not entitled to a retirement benefit under the Plan. The Chairman of the Board was appointed prior to April 2003 and is therefore entitled to a retirement benefit under the Plan, which will be calculated by a consulting actuary as at 30 June 2013.

In order to preserve the value of the Chairman's long-standing retirement benefits notwithstanding the new fee arrangements to apply from 1 July 2013 referred to below, the Chairman resigned from the AIFL board effective 30 June 2013 and was re-appointed with immediate effect as a non-executive director and Chairman. Consistent with board policy, once the retirement benefit under the Plan is due and payable to the Chairman, the Plan will effectively terminate.

As a consequence of the Chairman's retirement on 30 June 2013, his retirement benefit of $696,928 became due and payable as at 30 June 2013.

Having regard to the significant change to the business and undertakings of AIX following payment of the Cash Return on 8 July 2013, the three remaining directors of AIFL agreed that it was appropriate for them to remain on the Board until at least 30 November 2013 under new remuneration arrangements commencing 1 July 2013. These new arrangements include a reduction in annual board fees by 50%, resulting in the Chairman being entitled to a fee of $137,500 per annum and directors being entitled to a fee of $55,000 per annum from 1 July 2013. In addition from 1 July 2013 no fees will be payable with respect to Audit Committee services provided by the Chairman of the Audit Committee or Audit Committee members.

In accordance with the AIFL Constitution, directors are entitled to additional remuneration for extra services or special exertions made by them for the benefit of AIX. Under these provisions, the Chairman and Michael Hutchinson were awarded additional remuneration Board in respect of the services they performed in relation to the internalisation project and the Future Fund transaction. These additional amounts are detailed in Note 30 (b) (ii).

30 Key management personnel (continued)

(b) Compensation policy for key management personnel (continued)

(ii) Compensation policy for key management personnel of AIFL (continued)

Remuneration paid or payable to non-executive directors

Details of non-executive directors' remuneration for the year ended 30 June 2013 are set out in the following table. No bonuses, options or other emoluments are paid to the directors of AIFL.

Director name:		*Short-term*		*Post employment*		
		Board fees	**Committee fees**	**Superannuation**	**Retirement benefits**	**Total**
		$	**$**	**$**	**$**	**$**
Paul Espie						
	2013 [(1) (3)]	325,000	0	24,750	696,928	1,046,678
	2012	275,000	0	24,750	0	299,750
James Evans						
	2013	100,834	0	9,075	0	109,909
	2012	110,000	0	9,900	0	119,900
John Harvey						
	2013 [(2)]	110,000	23,000	11,970	0	144,970
	2012	110,000	23,000	11,970	0	144,970
Robert Humphris						
	2013	100,833	0	9,075	0	109,908
	2012	110,000	0	9,900	0	119,900
Michael Hutchinson						
	2013 [(1)]	160,000	0	14,400	0	174,400
	2012	110,000	0	9,900	0	119,900
Robert Tsenin						
	2013	100,833	10,542	10,024	0	121,399
	2012	110,000	11,500	10,935	0	132,435
Total compensation: Key management personnel of AIFL						
	2013	897,501	33,542	79,294	696,928	1,707,265
	2012	825,000	34,500	77,355	0	936,855

(1) Board fee includes $50,000 paid in relation to work performed in connection with the internalisation proposal and the Future Fund transaction.

(2) In addition to the fees detailed above John Harvey was paid board fees of $151,376 and superannuation contributions of $13,624 for services provided following his appointment to the Australia Pacific Airports Corporation Limited board as AIX's representative. These amounts were fully recovered by AIFL from Hastings. Hastings reimbursement of these costs is reflected in Note 8 – Other income.

(3) Paul Espie's retirement benefit became due and payable upon his retirement at 30 June 2013.

Remuneration paid to the AIX Chief Executive Officer

Jeff Pollock, the AIX Chief Executive Officer was not remunerated out of the property of AIX. This individual was remunerated by Hastings or its related entities out of its management fee.

30 Key management personnel (continued)

(c) Key management personnel interests in financial instruments issued by AIX

Interests acquired or disposed of in the financial instruments issued by AIX were within the allowable trading periods determined by the Board of Directors of AIFL and Hastings. No securities were granted to key management personnel during the year as compensation.

Interests in the securities issued by AIX held by key management personnel and their related entities at the end of the reporting period were as follows:

Name		Opening Holding 1 July No.	Acquisitions No.	DRP Issue No.	Disposals No.	Closing Holding 30 June No.
Paul Espie						
	2013	906,668	0	0	0	906,668
	2012	906,668	0	0	0	906,668
Stephen Gibbs						
	2013	139	0	0	0	139
	2012	139	0	0	0	139
John Harvey						
	2013	84,487	0	0	0	84,487
	2012	84,487	0	0	0	84,487
Robert Humphris (1)						
	2013	300,000	0	0	0	300,000
	2012	300,000	0	0	0	300,000
Michael Hutchinson						
	2013	122,024	0	0	0	122,024
	2012	122,024	0	0	0	122,024
James McDonald						
	2013	15,000	0	0	0	15,000
	2012	15,000	0	0	0	15,000
Robert Tsenin (1)						
	2013	157,060	0	0	0	157,060
	2012	157,060	0	0	0	157,060

(1) Holding as at 1 June 2013, being the director's date of retirement.

30 Key management personnel (continued)

(d) Amounts declared and paid or payable by AIX to key management personnel and their related entities

Distributions, dividends, returns of capital and proceeds upon cancellation of ordinary units that were declared and paid by AIX to key management personnel and their related entities during the year were as follows:

	Amounts Declared		Amounts Payable	
	2013	2012	2013	2012
Name	$	$	$	$
Paul Espie	2,786,713	95,200	0	49,867
Stephen Gibbs	427	15	0	8
John Harvey	259,677	8,871	0	4,647
Robert Humphris	922,073	31,500	0	16,500
Michael Hutchinson	375,050	12,813	0	6,711
James McDonald	46,104	1,575	0	825
Robert Tsenin	482,736	16,491	0	8,638

31 Earnings per security

	2013	2012
Basic earnings per security (cents)	27.12	31.57
Weighted average number of securities (000's)	620,734	620,734
Net profit after income tax ($000's)	168,320	195,974

Diluted earnings per security equates to basic earnings per security.

32 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, contingent liabilities or commitments at 30 June 2013 or 30 June 2012.

33 Events after the end of reporting period

Following the approval by AIFL shareholders to reduce AIFL's share capital by up to $0.173924 per share, a Residual Return of $107,960,530 ($0.173924 per AIFL share) was made on 8 July 2013.

On 7 August 2013, AIFL received a notice pursuant to section 249D of the *Corporations Act 2001* (Act) from RBC Investor Services Australia Nominees Pty Limited on behalf of entities managed by Wilson Asset Management (International) Pty Limited and its related entities, (Wilson), requesting the AIFL Directors convene a general meeting of AIFL shareholders. Wilson has prepared a Member Statement which sets out a proposal to remove the current AIFL Directors and replace them with three Wilson Nominees. The Member Statement states that Wilson does not support the proposed delisting and winding-up of AIFL. If successful, the nominee directors would undertake a review of AIFL and identify alternative capital management options including, but not limited to, an equal access share buy-back and a recapitalisation of AIX.

Section 249D of the Act requires that a meeting be held no later than 2 months after the request was given to AIFL. The request was received after business hours on 7 August 2013.To remove any ambiguity about when the meeting ought to be convened, Wilson has consented to the meeting being convened on 8 October 2013.

At the meeting, AIFL shareholders will be asked to consider a resolution which would permit AIFL to make a return of capital of $5,021,602 equating to 0.81 cents per AIFL share. In addition to this, shareholders will be asked to consider a resolution that supports Wilson's proposal to replace the current AIFL Directors.

The AIFL Directors consider that its previously announced strategy of seeking to return all available cash to AIFL shareholders at or before its proposed AGM (the date of which is to be confirmed), will deliver an outcome which is in the best interests of all AIFL shareholders. Accordingly, the AIFL Directors will unanimously recommend that shareholders vote against the board changes and in favour of the capital return. If the board changes are not approved by the share holders, AIFL will continue with its previously announced strategy.

In addition to the proposed return of capital, on 27 August 2013, AIFL announced that it had resolved to pay a fully franked dividend of $1,868,545, being 0.30 cents per share. The dividend and capital return, (if approved by AIFL shareholders), when combined with the payment of the Main Return of $3.018576 per AIX security on 30 May 2013 and the Residual Return of $0.173924 per AIFL share on 8 July 2013, brings the total amount returned to AIFL shareholders in 2013, to $3.2036 per share. It is anticipated that the dividend and capital return (if approved) will be paid on or about 22 October 2013.

There were 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 Statement of Financial Position as at 30 June 2013 or on the results and cash flows of AIX for the year ended on that date.

34 Parent entity financial information

(a) Summary of financial information

	2013 $'000	2012 $'000
Statements of Financial Position		
Total assets	126,587	216,998
Total liabilities	3,652	20,679
Equity		
Contributed equity	116,569	160,021
Reserves	(3,781)	(3,781)
Retained earnings	10,147	40,079
Statements of Comprehensive Income		
Net profit/(loss) after income tax for the year	15,652	9,723
Total comprehensive income/(loss) for the year	15,652	9,723

(b) Contingent assets and liabilities and commitments

There were no outstanding contingent assets, contingent liabilities or commitments at 30 June 2013 or 30 June 2012.

Directors' Declaration

In the opinion of the directors of Australian Infrastructure Fund Limited (AIFL):

(a) the financial statements and notes set out on pages 13 to 56 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 30 June 2013 and of its performance for the 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.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations requested to be made to the directors in accordance with section 295A of the *Corporations Act 2001.*

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

Paul Espie
Chairman
27 August 2013

Independent auditor's report to the members of Australian Infrastructure Fund Limited

Report on the financial report

We have audited the accompanying financial report of Australian Infrastructure Fund Limited (the company), which comprises the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Australian Infrastructure Fund Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Australian Infrastructure Fund Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 2 to the financial report, the financial report has been prepared on a wind up basis and not a going concern basis.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 10 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Infrastructure Fund Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Simon Gray

Simon Gray
Partner

Melbourne
27 August 2013

D. Independent Auditor's Report

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