

AUSTRALIAN INFRASTRUCTURE FUND LIMITED

ABN 97 063 935 553

**Appendix 4D
For the Half-Year Financial Report
31 December 2013**

AUSTRALIAN INFRASTRUCTURE FUND LIMITED
 ABN 97 063 935 553 · ASX Code AIX
 Level 11, 139 Macquarie Street · Sydney NSW 2000 · Australia
 Tel +61 2 8014 1188 · Fax +61 2 8084 9918

25 February 2014

ASX RELEASE

ASX CODE: AIX

Appendix 4D

**AUSTRALIAN INFRASTRUCTURE FUND LIMITED
 Half-Year Financial Report
 Period ended 31 December 2013**

1. Details of the reporting period

The report details the results of Australian Infrastructure Fund Limited for the period ended 31 December 2013 and the previous corresponding period 31 December 2012.

2. Results for announcement to the market	Period to 31 December 2013	Period to 31 December 2012	Movement up/(down)	Movement up/(down)
	\$'000	\$'000	\$	%
2.1 Revenue from ordinary activities	246	229,518	(229,272)	(99.89)
2.2 Revenue from ordinary activities other than gains and losses	246	43,160	(42,914)	(99.43)
2.3 (Loss)/ Profit from ordinary activities after tax attributable to security-holders	(5,300)	175,508	(180,842)	(103.04)

A brief explanation of any of the figures in 2.1 to 2.3 necessary to enable the figures to be understood.

Revenue from ordinary activities was significantly higher for the period ended 31 December 2012, due to the unrealised gains from the revaluation of the Company's unlisted securities. All assets were sold prior to 30 June 2013.

Net loss after tax for the period ended 31 December 2013 was as a result of lower revenue which was not available to offset expenses incurred in relation to legal fees on restructure and costs associated with the change of the responsible entity.

Key events for the period ended 31 December 2013.

On 8 August 2013, the Company received a request from a shareholder, RBC Investor Services Australia Nominees Pty Limited on behalf of Wilson Asset Management (International) Pty Limited ("Wilson"), to convene a general meeting of shareholders.

Wilson proposed to put resolutions at the general meeting, which sought to replace the current Directors with Directors nominated by Wilson.

At a general meeting of AIFL shareholders held on 8 October 2013, the shareholders approved a further distribution to shareholders of 0.81 cents per share; which was paid on 22 October 2013. The previous Board resigned and appointments of the new Directors being Mr Jonathan Trollip, Mr Gabriel Radzysinski and Mr Paul Jensen were approved by shareholders..

Following the granting of an extension by ASIC, the Annual General Meeting of the Company was held on 20 December 2013.

The Board is currently reviewing options for the Company, which may include means by which further capital may be returned to shareholders and details of potential new business proposals and will update shareholders further before the end of the first quarter of 2014.

Loss of Control of AIFT

On 2 October 2013, the Company agreed that an independent unrelated party, W.A. Blue Gum Limited ("New RE"), become the responsible entity of AIFT under an Implementation Deed which was completed on 19 February 2014 on which date the New RE's associated entities acquired ownership of AIFT.

Upon completion of the Deed, an amount of \$450,000 was retained by AIFT and the remaining balance of funds \$3,284, (\$3,173 as at 31 December 2013), was distributed to AIFL on 14 February 2014. Therefore the net asset position was subsequently reduced by \$450,000 to \$3,861,000.

This report is based on the financial statements for the period ended 31 December 2013.

3. Payments to Security holders – per security cents per unit	Company Dividend and Trust Distributions	Franked amount per security at 30% tax
Residual Return – 8 July 2013	17.39	0.00
Fully franked dividend – 21 October 2013	0.30	0.30
Fully franked final dividend – 21 October 2013	0.49	0.49

4. Key performance indicators	Period to 31 December 2013	Period to 31 December 2012
Net tangible asset backing	\$0.01	\$3.24
Security price ¹	\$0.01	\$3.11

¹ AIFL shares and AIFT ordinary units were de-stapled on 23 May 2013

5. Details of entities over which control has been gained or lost during the period

Not applicable.

6. Details of associates and joint venture entities.

Not applicable.


7. Foreign entities

Not applicable.

8. Disputes with auditors or qualifications

None.

Signed on behalf of Australian Infrastructure Fund Limited


Jonathan Trollip
Chairman

25 February 2014

Australian Infrastructure Fund Limited

ABN 97 063 935 553

Consolidated Interim Financial Statements for the Half Year ended 31 December 2013

Directors' Report

The directors of Australian Infrastructure Fund Limited present their report together with the consolidated interim financial statements of Australian Infrastructure Fund Limited (AIFL or the Company) consisting of the Company and the entities it controlled at the end of, or during, the half year ended 31 December 2013.

Structure of consolidated interim financial statements

The consolidated interim financial statements presented comprise the entire group, consisting of AIFL and its controlled entities below:

- Australian Infrastructure Fund Trust ("AIFT")
- A.C.N. 159 615 719 Limited

Until 23 May 2013 the ordinary shares issued by AIFL were stapled to ordinary units issued by AIFT. The combined entity of AIFL and its controlled entities were known as the Australian Infrastructure Fund (AIX). When preparing the consolidated interim financial statements, AIFL was identified as the parent entity.

At an Extraordinary General Meeting on 15 January 2013, security holders approved the de-stapling of the AIFT units from the AIFL shares, to facilitate the distribution of proceeds from the offer proposed by the Future Fund to acquire all the infrastructure assets of AIX ("the Proposed Transaction"). Further, security holders also approved removal of the Constitutional requirement that AIFL shares and AIFT units be unstapled within three months of receiving security holder approval.

The AIFL shares and AIFT ordinary units were de-stapled on 23 May 2013, all AIFT ordinary units were cancelled on 28 May 2013 and AIFT was delisted on 5 June 2013.

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

Directors

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

Jonathan Trollip - Chairman	(Appointed 8 October 2013)
Gabriel Radzyminski	(Appointed 8 October 2013)
Paul Jensen	(Appointed 8 October 2013)
Paul Espie - Chairman	(Resigned 8 October 2013)
John Harvey	(Resigned 8 October 2013)
Michael Hutchinson	(Resigned 8 October 2013)

Company secretaries

The company secretary of the Company in office during the half year and up to the date of this report is Mark Licciardo who was appointed on 8 October 2013 when the former company secretaries; Jane Frawley and Jefferson Petch resigned.

Principal activities

At an Extraordinary General Meeting (EGM) on 15 January 2013, AIX security holders 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 security holders was expected to amount to \$3.1925 per AIX stapled security. This Cash Return comprised 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 security holders 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 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 security holders 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, until completion of the Implementation Deed.

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.

Directors' Report (continued)

Principal activities (continued)

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.

On 8 August 2013, the Company received a request from a shareholder, RBC Investor Services Australia Nominees Pty Limited on behalf of Wilson Asset Management (International) Pty Limited ("Wilson"), to convene a general meeting of shareholders.

Wilson proposed to put resolutions at the general meeting, which sought to replace the current Directors with Directors nominated by Wilson.

On 27 August 2013, the Company announced that it resolved to pay a fully franked dividend of \$1,862,202; being 0.30 cents per share. This was paid on 21 October 2013.

On 2 October 2013, the Company announced that it resolved to pay a further fully franked dividend of \$3,034,768; being 0.4889 cents per share. This was paid on 21 October 2013.

At a general meeting of AIFL shareholders held on 8 October 2013, the shareholders approved a further distribution to shareholders of 0.81 cents per share; which was paid on 22 October 2013. The previous Board resigned and appointments of the new Directors being Mr Jonathan Trollip, Mr Gabriel Radzyminski and Mr Paul Jensen were approved by shareholders..

Following the granting of an extension by ASIC, the Annual General Meeting of the Company was held on 20 December 2013.

Loss of Control of AIFT

On 2 October 2013, the Company agreed that an independent unrelated party, W.A. Blue Gum Limited ("New RE"), become the responsible entity of AIFT under an Implementation Deed which was completed on 19 February 2014 on which date the New RE's associated entities acquired ownership of AIFT.

Upon completion of the Deed, an amount of \$450,000 was retained by AIFT and the remaining balance of funds \$3,284, (\$3,173 as at 31 December 2013), was distributed to AIFL on 14 February 2014.

Therefore the net asset position was subsequently reduced by \$450,000 to \$3,861,000.

Company information

The Company is incorporated and domiciled in Australia. The registered office of the Company is located at Level 11, 139 Macquarie Street, Sydney NSW 2000.

At 31 December 2013 the Company had no employees, apart from non-executive directors of the Company (2012: nil).

Review and results of operations

Results

The loss after income tax attributable to security holders of AIX for the half year ended 31 December 2013 was \$5,300,444 (2012: profit of \$175,508,000).

Distributions and dividends

A final dividend of \$4,896,970 (0.7889 cents per stapled security) was declared and paid by the Company for the six months to 31 December 2013 (six months to 31 December 2012 – 5.50 cents per stapled security).

Directors' Report (continued)

Business strategies and prospects

The Board is currently reviewing options for the Company, which may include means by which further capital may be returned to shareholders and details of potential new business proposals and will update shareholders further before the end of the first quarter of 2014.

The Board is focused on minimising expenses for the Company.

Matters subsequent to the end of the reporting period

The Implementation Deed was completed on 19 February 2014 and ownership of AIFT was transferred to the New RE's associated entities.

Other than the events described 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 31 December 2013 or on the results and cash flows of AIX for the half year ended on that date.

Rounding

AIX is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the interim financial statements. Amounts in the Directors Report and consolidated interim financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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



Jonathan Trollip
Chairman
25 February 2014



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

As lead auditor for the review of Australian Infrastructure Fund Limited for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Chris'.

Christopher Lewis
Partner
PricewaterhouseCoopers

Melbourne
25 February 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		AIX	
		Consolidated AIFL	
		31 December 2013	31 December 2012
	Note	\$'000	\$'000
Income			
Interest income	3	246	9,288
Dividend income	4	-	33,666
Net gain/(loss) - securities	5	-	186,346
Net gain/(loss) - cash and cash equivalents		-	2
Net gain/(loss) - other		-	10
Other income		-	206
Total income		246	229,518
Expenses			
Base management fees	6	-	8,418
Performance fees	6	-	55,350
Securityholder and investor relations expenses		446	436
Investment bid costs		-	247
Investment costs		13	13
Director fees		194	755
Director retirement expense		5	(10)
Board administration expenses		31	22
Insurance		690	87
Other prudential expenses		134	240
Audit fees (internal and external)		26	34
Tax fees		147	36
Finance costs	7	5	904
Strategic initiatives costs	8	1,170	6,767
Other expenses		18	134
Total expenses		2,879	73,433
Net (loss)/ profit before income tax for the half year		(2,633)	156,085
Income tax (expense)/benefit		(2,667)	19,423
Net (loss)/ profit after income tax for the half year		(5,300)	175,508
Other comprehensive income/(loss) for the half year, net of tax		-	-
Total comprehensive (loss)/ income for the half year		(5,300)	175,508
Earnings per security			
Basic (loss)/ earnings per security (cents)		(0.85)	28.27
Weighted average number of securities (000's)		620,734	620,734
Net (loss)/ profit after income tax (\$000's)		(5,300)	175,508

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

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

Consolidated Statement of Financial Position

		AIX	
		Consolidated AIFL	
		31 December	30 June
		2013	2013
Note		\$'000	\$'000
Assets			
	Cash and cash equivalents	5,345	123,081
	Receivables	18	5,368
	Prepayments	277	111
	Deferred tax asset	12	155
	Total assets	5,652	128,715
Liabilities			
	Payables	98	1,130
	Current tax liability	1,243	88
	Total liabilities	1,341	1,218
	Net assets	4,311	127,497
Equity			
	Contributed equity	3,580	116,569
	Reserves	(35,476)	(35,476)
	Retained earnings	36,207	46,404
	Total equity	4,311	127,497

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

Consolidated Statement of Changes in Equity

AIX

Consolidated AIFL

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2012	1,043,575	(35,476)	858,952	1,867,051
Net profit/(loss) after income tax for the half year	-	-	175,508	175,508
Other comprehensive income/(loss) for the half year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the half year	-	-	175,508	175,508
Transactions with owners in their capacity as owners:				
Dividends and distributions paid and payable to security holders	-	-	(34,140)	(34,140)
Balance at 31 December 2012	1,043,575	(35,476)	1,000,320	2,008,419
Balance at 1 July 2013	116,569	(35,476)	46,404	127,497
Net (loss) after income tax for the half year	-	-	(5,300)	(5,300)
Other comprehensive (loss) for the half year, net of tax	-	-	-	-
Total comprehensive (loss) for the half year	-	-	(5,300)	(5,300)
Transactions with owners in their capacity as owners:				
Return of capital	(112,989)	-	-	(112,989)
Dividends and distributions paid and payable to security holders	-	-	(4,897)	(4,897)
Balance at 31 December 2013	3,580	(35,476)	36,207	4,311

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

Consolidated Statement of Cash Flows

	AIX	
	Consolidated AIFL	
	31 December 2013	31 December 2012
	Inflows/ (outflows)	Inflows/ (outflows)
	\$'000	\$'000
Cash flows from operating activities		
Interest received	246	7,497
Dividends received	-	33,050
Other income received	5,350	97
Finance costs paid	-	(714)
Other expenses paid	(4,077)	(9,349)
Performance fee paid	-	(38,072)
Income tax paid	(1,369)	(264)
Net cash inflow/(outflow) from operating activities	150	(7,755)
Cash flows from investing activities		
Payments for unlisted securities disposal costs	-	(1,765)
Proceeds from repayment of unlisted loan securities	-	2,145
Net cash inflow/(outflow) from investing activities	-	380
Cash flows from financing activities		
Internalisation costs paid	-	(1,742)
Payment upon return of capital	(112,989)	
Dividends and distributions paid	(4,897)	(34,140)
Net cash inflow/(outflow) from financing activities	(117,886)	(35,882)
Net (decrease) in cash and cash equivalents	(117,736)	(43,257)
Cash and cash equivalents at the beginning of the half year	123,081	157,110
Effects of foreign exchange rate movements on cash and cash equivalents	-	2
Cash and cash equivalents at the end of the half year	5,345	113,855

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 11, 139 Macquarie Street, Sydney NSW 2000.

As at 31 December 2013 AIFL and AIFT had nil employees, apart from the non-executive directors of AIFL (2012: nil employees).

Structure of consolidated interim financial statements

The consolidated interim financial statements presented comprise the entire group, consisting of AIFL and its controlled entities below:

- Australian Infrastructure Fund Trust ("AIFT")
- A.C.N. 159 615 719 Limited

Until 23 May 2013 the ordinary shares issued by AIFL were stapled to ordinary units issued by AIFT. The combined entity of AIFL and its controlled entities were known as the Australian Infrastructure Fund (AIX). When preparing the consolidated interim financial statements, AIFL was identified as the parent entity.

At an Extraordinary General Meeting on 15 January 2013, security holders approved the de-stapling of the AIFT units from the AIFL shares, to facilitate the distribution of proceeds from the offer proposed by the Future Fund to acquire all the infrastructure assets of AIX ("the Proposed Transaction"). Further, security holders also approved removal of the Constitutional requirement that AIFL shares and AIFT units be unstapled within three months of receiving security holder approval.

The AIFL shares and AIFT ordinary units were de-stapled on 23 May 2013, all AIFT ordinary units were cancelled on 28 May 2013 and AIFT was delisted on 5 June 2013.

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

Loss of Control of AIFT

On 2 October 2013, the Company agreed that an independent unrelated party, W.A. Blue Gum Limited ("New RE"), become the responsible entity of AIFT under an Implementation Deed which was completed on 19 February 2014 on which date the New RE's associated entities acquired ownership of AIFT.

Upon completion of the Deed, an amount of \$450,000 was retained by AIFT and the remaining balance of funds \$3,284, (\$3,173 as at 31 December 2013), was distributed to AIFL on 14 February 2014.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose consolidated interim financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The consolidated interim financial statements have been prepared on the going concern basis, which contemplates continuity of business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors of the Company are currently reviewing potential new business proposals and believe that the Company will be able to pay its debts when they become due and payable.

The consolidated interim financial statements are intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2013, together with any public announcements made during the following half-year.

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

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

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

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 consolidated interim financial statements of AIX for the half year ended 31 December 2013 were authorised for issue in accordance with a resolution of directors on 25 February 2014.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that became mandatorily applicable from 1 July 2013. The directors' assessment of the impact of these new standards (to the extent relevant to AIX) and interpretations is set out below:

(i) AASB 10 *Consolidated Financial Statements*

AASB 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.

The objective of this standard is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The Fund has reviewed its investments in other entities to assess whether the conclusion as to whether the Fund controls an investee or not is different under AASB 10. No differences were identified; as such this standard does not have any impact on the Company's financial statements.

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

AASB 13 consolidates fair value measurement guidance from across various Australian Accounting Standards into a single standard. AASB 13 does not change when fair value can or should be used. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard largely incorporates valuation practices that are already commonly used today; however, it does also introduce a number of changes including:

- (a) A requirement for the fair value of financial liabilities to be determined based on the assumption that they will be transferred to another party rather than otherwise settled or extinguished "exit price" concept. As a result own credit risk will be incorporated into the fair value of financial liabilities (including derivative liabilities). Derivative assets should also incorporate credit risk into the valuation.
- (b) An explicit requirement for the fair value of both assets and liabilities to incorporate credit risk
- (c) The removal of the requirement to use bid and ask prices for actively-quoted financial assets and financial liabilities respectively. Instead, the most representative price within the bid-ask spread should be used.
- (d) The introduction of a fair value hierarchy for non-financial assets and liabilities measured at fair value similar to what AASB 7 currently prescribes for financial instruments for year-end disclosures.
- (e) The introduction of additional disclosures related to level 3 fair value measurements and significant unobservable inputs.

The Company currently does not have any investments in financial assets and liabilities, and this standard does not have any impact on the Company's financial statements.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(iii) 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*.

AIX will apply the new standard and amendments from 1 July 2015. The Company is yet to fully assess the impact of adopting the new standard and amendments.

(c) Basis of consolidation

The consolidated financial statements of AIFL incorporate the assets and liabilities of all subsidiaries of AIFL as at 31 December 2013 and the results of all subsidiaries for the year ended 31 December 2013. AIFL and its subsidiaries together are referred to in these consolidated financial statements as Consolidated AIFL or AIX.

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 AIX 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.

(d) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors, which makes strategic decisions.

The Company's previous reportable operating segment was investment in unlisted infrastructure securities and is now in the cash and term deposits segment.

2 Summary of significant accounting policies (continued)

(e) 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 Profit or Loss and Other 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.

Unrealised and realised gains or losses on securities

In the prior year, unrealised gains or losses on securities were recognised through profit or loss and represented:

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

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

Manager and Responsible Entity base management fees

Information in relation to Manager and Responsible Entity base management fees payable to the former manager Hastings is provided in Note 6.

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 the AIFL management agreement.

Manager and Responsible Entity performance fees

Information in relation to Manager and Responsible Entity performance fees payable to the former manager Hastings is provided in Note 6.

The performance fee arrangement that was in place with Hastings was 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

No performance fees were paid for the period ended 31 December 2013.

Prior Period

In the prior period, AIX and Consolidated AIFT 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 and Consolidated AIFT accounted for any performance fee transaction in accordance with the requirements of AASB 2 applying to cash settled share-based payment transactions.

2 Summary of significant accounting policies (continued)

(f) Income and expense recognition (continued)

Manager and Responsible Entity performance fees (continued)

Applying AASB 2 in this regard, for cash settled share-based payment transactions, AIX and Consolidated AIFT were 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 and Consolidated AIFT were 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 Statement of Profit or Loss and Other Comprehensive Income for the period.

This approach resulted in the fair value assessment of the AIX performance fee liability position being conducted at 31 December 2012.

(g) Rounding of amounts

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

(h) Comparatives

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

	AIX	
	31 December 2013 \$'000	31 December 2012 \$'000
3 Interest income		
Cash and cash equivalents	246	2,196
Unlisted securities	-	7,092
Total interest income	246	9,288
4 Dividend income		
Unlisted securities	-	33,666
Total dividend income	-	33,666
5 Net gain/(loss) - securities		
Net gain/(loss) - unlisted securities		
Net gain/(loss) - unrealised	-	186,581
Net gain/(loss) - realised	-	(235)
Total net gain/(loss) - unlisted securities	-	186,346
Total net gain/(loss) - securities	-	186,346
6 Manager and Responsible Entity fees		
Base management fees	-	8,418
Performance fees	-	55,350
Total Manager and Responsible Entity fees	-	63,768

Base Management Fees

Current period

There is currently no management agreement in place and no management fees were paid for the period ended 31 December 2013.

Prior period

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 provides 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 ended on the date on which all AIFT units except those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL) are cancelled, the management fee for each month or part thereof was 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.

The variation to the management fee was subject to:

- the sale of each of AIX's investments to the Future Fund (or another person pursuant to the Future Fund Transaction); and
- the cancellation of all AIFT units aside from those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL).

For the period from the date on which all AIFT units except those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL) were cancelled until AIX is wound-up, Hastings received a management fee of \$1 million for its services as trustee and manager of AIFT and AIFL.

6 Manager and Responsible Entity fees (continued)

Performance Fees

Current period

There is currently no performance fee agreement in place and no performance fees were paid for the period ended 31 December 2013.

Prior period

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

Specifically, under the AIFL Management Agreement and the AIFT Consolidated Constitution, at the end of each year Hastings 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) were 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 security holders approved the resolution that if performance fees were 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 was 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. For the period commencing on 1 July 2012 and ending on the date which all of the AIFT units are cancelled (other than those held by AIFL or a wholly owned subsidiary of AIFL), a performance fee of \$54 million was paid subject to:

- the sale of each of AIX's investments to the Future Fund (or another person pursuant to the Future Fund Transaction); and
- the cancellation of all AIFT units aside from those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL).

In accordance with AASB 2 *Share Based Payments*, the fair value of the performance fee as at 31 December 2012 was assessed as being \$54 million for AIX (exclusive of GST).

This amount represented the performance fee that had been agreed to be paid to Hastings under the Facilitation Deed in consideration for the performance of Hastings for its services for the period commencing 1 July 2012 and ended on the date on which all AIFT units except those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL) were cancelled. The performance fee was paid upon the cancellation of all AIFT units aside from those AIFT units held by AIFL (or a wholly owned subsidiary of AIFL), which occurred on 28 May 2013.

	AIX	
	31 December 2013 \$'000	31 December 2012 \$'000
7 Finance costs		
Interest expense - stapled entity - AIFL	-	0
Other borrowing costs	-	897
Bank fees	5	7
Total finance costs	5	904
8 Strategic initiatives costs		
Restructure legal fees	740	-
Change in RE expenses	330	-
Fund Holding Deed defence costs	100	-
Internalisation costs	-	3,778
Future Fund offer costs	-	2,989
Total strategic initiatives costs	1,170	6,767

8 Strategic initiatives costs (continued)

Restructure legal fees

Legal fees were incurred as a result of legal advice obtained for issues relating to the proposed winding up process of AIFL and AIFT, including reviewing and providing advice on liquidation process, research regarding capital return payment and advice regarding implementation agreement for new RE.

Change in RE expenses

An implementation deed was entered into for the change of the Responsible Entity ("RE") of AIFT from Hastings Funds Management Limited ("HFML") to W.A Blue Gum. As part of the deed, AIFL paid a non-refundable signing fee to the new RE in consideration of the costs incurred by the new RE in implementing the deed. AIFL also prepaid a completion fee to HFML to hold on behalf of AIFL in immediately available funds. Hastings will hold the completion prepayment on behalf of AIFL in an interest bearing account in Hastings's name and will release the completion prepayment to the new RE.

Fund Holding Deed defence costs

A funder fee was paid to Hastings Management Pty Limited ("funder") as an indemnity fee for any possible claims against either AIFL or AIFT under the sale agreements. The party must then provide a Notice of Claim and the funder must pay either AIFL or AIFT the defence costs likely to be incurred in respect of the claim. The sale agreements were various shares and units sale agreements entered into by AIFL and AIFT.

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.

Internalisation costs reflected costs incurred in the prior year 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. Of this, \$2 million (excluding GST) was paid to Credit Suisse (Australia) Limited for financial advice provided in connection with the proposed internalisation of management.

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 security holders to the Future Fund Offer and to the distribution of the net proceeds was received on 15 January 2013, following which binding sale agreements were entered into for all of AIX's infrastructure assets.

Future Fund Offer costs reflected costs incurred in the prior year in relation to the proposed sale of AIX's infrastructure assets, advice in connection with the distribution of net sale proceeds to securityholders and costs incurred to ensure on-going management arrangements.

	AIX	
	Consolidated AIFL	
	31 December 2013	30 June 2013
	\$'000	\$'000

9 Prepayments

Prepaid Insurance

The current year prepayment includes an amount of \$236,642 under a policy taken out on 8 October 2013.

10 Payables

Payable - Directors

Other payables

	277	111
	-	697
	98	433
	98	1,130

The prior year payable – Directors balance relates to the retirement benefit payable to Paul Espie which was paid on 8 October 2013.

11 Contributed equity

(a) Issued securities (number)	No. '000	No. '000
Opening balance	620,734	620,734
Closing balance	620,734	620,734
(b) Issued securities (dollars)	\$'000	\$'000
Opening balance	116,569	1,043,575
Cancellation of ordinary units	-	(327,109)
Return of capital	(112,989)	(43,452)
Transfer balance of ordinary units to retained earnings	-	(556,445)
Issued ordinary securities at the end of the year	3,580	116,569

On 23 May 2013 the AIFL ordinary shares and AIFT ordinary units were de-stapled. 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 security holders.

On 8 July 2013 AIFL made a residual return of capital of \$107,960,530 to AIX security holders.

On 22 October 2013 AIFL made a return of capital of \$5,027,945 to AIX security holders.

Issued ordinary securities as at 31 December 2013 and 30 June 2013 comprised AIFL ordinary shares.

(c) Terms and conditions of issued securities

AIFL Ordinary Shares

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

- receive dividends; and
- attend and vote at meetings of shareholders; and

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

12 Reserves

	AIX	
	31 December 2013 \$'000	30 June 2013 \$'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)	(35,476)
Closing balance	(35,476)	(35,476)

13 Retained earnings

Opening balance	46,404	858,952
Net profit/(loss) after income tax	(5,300)	168,320
Dividends and distributions paid and payable to security holders	(4,897)	(1,537,313)
Transfer net issue value balance of ordinary units from contributed equity upon cancellation of units	-	556,445
Closing balance	36,207	46,404

14 Distributions and dividends paid and payable to security holders

Interim distribution and dividend declared and payable	4,897	34,140
Total distributions and dividends paid and payable to security holders	4,897	34,140

Comprising:

Distributions declared during the half year	-	34,140
Dividends declared during the half year	4,897	0
	4,897	34,140

A fully franked-dividend of 0.30 cents per share was declared on 27 August 2013. This was paid on 21 October 2013.

A further fully franked-dividend of 0.4889 cents per share was declared on 2 October 2013. This was paid on 21 October 2013.

In the prior period, an interim dividend and 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.

The interim dividend and distribution comprised:

- an interim dividend of \$Nil (0 cents per security) declared by AIFL for the half year ended 31 December 2012 franked to 100%; and
- an interim distribution of \$34,140,000 (5.50 cents per security) declared by AIFT for the half year ended 31 December 2012.

15 Segment information

Operating segments are based on the reports reviewed by the Board of AIFL that are used to make strategic decisions for AIX.

The Company's previous reportable operating segment was investment in unlisted infrastructure securities and is now in the cash and term deposits segment.

16 Contingent assets and liabilities and commitments

Other than the transaction contemplated by the Implementation Deed there were no other outstanding contingent assets, contingent liabilities or commitments at 31 December 2013 or 31 December 2012.

17 Events after the end of the reporting period

The Implementation Deed was completed on 19 February 2014 and the units in AIFT were transferred to entities associated with the new RE. Upon completion, an amount of \$450,000 was retained by AIFT and the remaining balance of funds \$3,284, (\$3,173 as at 31 December 2013), was distributed to AIFL on 14 February 2014. An amount of \$1,654 is due to AIFL representing interest on funds held in trust by Hastings Funds Management Limited since October 2013.

Therefore the net asset position was subsequently reduced by \$450,000 to \$3,861,000.

Apart from the above, 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 31 December 2013 or on the results and cash flows of AIX for the half year ended on that date.

Directors' Declaration

In accordance with a resolution of the Directors of Australian Infrastructure Fund Limited (AIFL), the Directors of the Company declare that:

- (a) The financial statements and notes set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - (ii) giving a true and fair view of Consolidated AIFL's (AIX's) financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- (b) In the Directors' opinion there are reasonable grounds to believe that AIFL will be able to pay its debts as and when they become due and payable.

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



Jonathan Trollip
Chairman

25 February 2014



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Infrastructure Fund Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Australian Infrastructure Fund Limited (the consolidated entity). The consolidated entity comprises the Australian Infrastructure Fund Limited and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Infrastructure Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

Liability limited by a scheme approved under Professional Standards Legislation.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

CLewis

Christopher Lewis
Partner

Melbourne
25 February 2014