Infratil Limited
ASX Half Year Information - 30 September 2014

Lodged with the ASX under Listing Rule 4.2A.3

This information should be read in conjunction with the 31 March 2014 Annual Report.

Contents

Rule 4.2A.3

Infratil Limited
Appendix 4D
Half Year Report

1. Reporting Periods

Current reporting period	6 Months ended 30 September 2014
Previous corresponding period	6 Months ended 30 September 2013

2. Results for Announcement to the Market
(This report is based on the unaudited accounts)

	6 months ended 30 September 2014 $NZ Millions	6 months ended 30 September 2013 $NZ Millions	Movement %
2.1 Revenue from ordinary activities	839.5	772.6	8.7%
2.2 Profit from ordinary activities after tax attributable to members	41.8	64.8	-35.6%
2.3 Net profit/(loss) attributable to members	398.8	230.0	73.4%

2.4 Dividends	Amount per security	Franked amount per security	Amount per security of foreign source dividend
Interim Dividend	4.50	N/A	N/A
Special Dividend	15.00	N/A	N/A

2.5 Record date for determining entitlements to the interim dividend	28 November 2014

For Australian residents with a shareholding of less than 10%, a supplementary dividend will be available to offset NZ NRWT.

2.6 Explanation of Figures

Refer to the attached Results Announcement, Results Presentation and Interim Report for the period ended 30 September 2014 for management commentary on the result.

3.0 Net tangible assets per ordinary share

	30 September 2014 $NZ	30 September 2013 $NZ
Net tangible assets per ordinary share	2.19	1.44

"Net tangible assets" are defined by the ASX as being total assets less intangible assets less total liabilities ranking ahead of, or equally with, claims of ordinary shares.

4.0 Control of entities gained or lost during the period

Entities over which control was lost:

4.1 Name:	PayGlobal Limited	Infratil Energy Australia Pty Limited	Lumo Energy Pty Limited	TFI Partners Pty Limited
4.2 Date control was lost	31/08/2014	30/09/2014	30/09/2014	30/09/2014
4.3 Contribution to profit from ordinary activities - 30 September 2014 - $m	1.2	0.9	30.9	(4.9)
4.3 Contribution to profit from ordinary activities - 30 September 2013 - $m	(0.1)	(2.2)	32.0	(0.4)

5.0 Dividend Payments

	Amount per security	Imputation credit per security	Supplementary Dividend per security	Total Dividend NZ$million	Date paid/payable	Amount per security of foreign sourced dividend
Interim Dividend	4.50cps	1.75cps	0.79cps	25.3	15-Dec-14	N/A
Special Dividend	15.0cps	5.83cps	2.65cps	84.2	15-Dec-14	N/A
2014 Final Dividend	7.00cps	2.72cps	1.24cps	39.3	16-Jun-14	N/A

6.0 Dividend Reinvestment Plan
The Dividend Reinvestment Plan will not operate for this dividend.

7.0 Equity accounted associates and joint venture entities	Percentage of ownership interest held at end of period		Contributions to net profit NZ$ million	
	30 Sep 14	30 Sep 13	30 Sep 14	30 Sep 13
Z Energy Limited	20.0%	20.0%	4.4	21.8
Metlifecare Limited	19.9%	0.0%	8.3	-
Mana Coach Holdings Limited	26.0%	26.0%	0.1	-

8.0 Accounting Standards
This report has been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). In complying with NZ IFRS, Infratil is in compliance with International Financial Reporting Standards (IFRS).

11 November 2014

Infratil Results For The Period Ended 30 September 2014

Infratil delivered a net surplus of $399 million (71 cents per share) up from $230 million (39 cents) for the same period last year.

After adjusting for asset sales the full year consolidated EBITDAF guidance range is unchanged at $475 million to $500 million, indicating the mainly stable operating conditions facing Infratil's businesses.

Capital investment for the period was $196 million, which is a good sign for future earnings and value growth. Infratil continues to have a significant number of internal and external investment initiatives under development.

The most material event of the period was Infratil's sale of subsidiary Infratil Energy Australia for a net $670 million. This and two other smaller asset disposals resulted in a gain on sale of $343 million.

The occurrence of both investment and divestment is consistent with what has been occurring over the last five years. Over this period a total of $2,067 million has been invested and $1,489 million realised.

The recent asset sales have resulted in Infratil having over $600 million on deposit with its banks and low net gearing. While part of this capacity is earmarked for investment, $84 million is to be returned to shareholders via a 15 cent special fully imputed dividend and a further $36 million is targeted for an on-market buyback. If investment plans do not progress as hoped, consideration will be given to increasing the amount returned to shareholders in 2015/16.

While it is not possible to be certain about the outcomes of new investments (or even if they will occur), it is anticipated that Infratil's record of generating good returns to shareholders over an extended period will justify their patience.

The ordinary interim dividend is increased to 4.5 cents per share fully imputed. It will be paid on 15 December 2014 to shareholders registered as at 28 November. The special dividend will be paid on the same date. Since Infratil initiated its strategy of gradually and sustainably raising its ordinary dividends they have risen from 6.25cps to this year's 11.5cps, a 16% per annum rate of increase.

Marko Bogoievski
Chief Executive Officer

KPMG

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Infratil Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six months ended 30 September 2014 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Ross Buckley
Partner
Wellington, New Zealand
10 November 2014

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages)

Full name of Issuer	Infratil Limited
Name of officer authorised to make this notice	KM Baker
Authority for event, e.g. Directors' resolution	Directors Resolution
Contact phone number	64 4 4733663
Contact fax number	64 4 4732388
Date	11 / 11 / 2014

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	X
If ticked, state whether: Interim	X
Full Year	☐
Special	☐
DRP Applies	☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Ordinary shares
ISIN	NZIFTE 0003S3 / ASX IFZ

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN (*If unknown, contact NZX*)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date (*Enter N/A if not applicable*)	
Treatment of Fractions	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	NZ $0.045
Source of Payment	Retained earnings
Excluded income per security (only applicable to listed PIEs)	
Currency	NZ Dollars
Total monies	NZ$25,272,798

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	NZ$0.0079412
Date Payable	Monday, 15 December 2014

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	NZ$0.003125
Imputation Credits (Give details)	NZ$0.017500
Foreign Withholding Tax	$
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	Friday, 28 November 2014
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*	Monday, 15 December 2014
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages) ☐

Full name of Issuer: Infratil Limited

Name of officer authorised to make this notice: KM Baker

Authority for event, e.g. Directors' resolution: Directors Resolution

Contact phone number: 64 4 4733663

Contact fax number: 64 4 4732388

Date: 11 / 11 / 2014

Nature of event
Tick as appropriate

Bonus Issue ☐	If ticked, state whether: Taxable ☐ / Non Taxable ☐	Conversion ☐	Interest ☐	Rights Issue Renouncable ☐
Rights Issue non-renouncable ☐	Capital change ☐	Call ☐	Dividend ☒	If ticked, state whether: Interim ☐ Full Year ☐ Special ☒ DRP Applies ☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities: Ordinary shares

ISIN: NZIFTE 0003S3 / ASX IFZ
If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities:

ISIN:
If unknown, contact NZX

Number of Securities to be issued following event:

Minimum Entitlement:

Ratio, e.g *1 for 2*: for

Conversion, Maturity, Call Payable or Exercise Date:
Enter N/A if not applicable

Treatment of Fractions:

Tick if pari passu ☐ *OR* *provide an explanation of the ranking*:

Strike price per security for any issue in lieu or date Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income): NZ $0.150

Source of Payment: Retained earnings

Excluded income per security (only applicable to listed PIEs):

Currency: NZ Dollars

Supplementary dividend details - NZSX Listing Rule 7.12.7:
Amount per security in dollars and cents: NZ$0.026471
Date Payable: Monday, 15 December 2014

Total monies: NZ$84,242,661

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price: $

Resident Withholding Tax: NZ$0.010417

Imputation Credits (Give details): NZ$0.058333

Foreign Withholding Tax: $

FDP Credits (Give details):

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements -: Friday, 28 November 2014

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.: Monday, 15 December 2014

Notice Date
Entitlement letters, call notices, conversion notices mailed:

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.:

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

INFRATIL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014

	Notes	Consolidated 6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Operating revenue		839.4	772.6	1,514.9
Dividends		0.1	-	0.9
Total revenue		**839.5**	**772.6**	**1,515.8**
Share of earnings of associate companies	10	12.7	21.8	70.8
Total income		**852.2**	**794.4**	**1,586.6**
Depreciation		64.5	52.5	110.6
Amortisation of intangibles		7.6	7.8	15.6
Employee benefits		90.5	82.7	167.9
Other operating expenses	5	519.2	480.5	948.2
Total operating expenditure		**681.8**	**623.5**	**1,242.3**
Operating surplus before financing, derivatives, realisations and impairments		170.4	170.9	344.3
Net (loss)/gain on foreign exchange and derivatives		(4.7)	65.5	70.7
Net gain on Z Energy Limited IPO	10	-	182.5	182.5
Net realisations, revaluations and (impairments)		29.9	3.2	6.6
Interest income		1.8	2.5	5.0
Interest expense		94.2	93.6	185.1
Net financing expense		92.4	91.1	180.1
Net surplus before taxation		**103.2**	**331.0**	**424.0**
Taxation expense	7	21.8	32.3	58.8
Net surplus for the period from continuing operations		**81.4**	**298.7**	**365.2**
Net surplus/(loss) from discontinued operations after tax	4	367.0	(21.4)	(90.6)
Net surplus for the period		**448.4**	**277.3**	**274.6**
Net surplus attributable to owners of the Company		398.8	230.0	198.9
Net surplus attributable to non-controlling interest		49.6	47.3	75.7
Other comprehensive income, after tax				
Items that will not be reclassified to profit and loss				
Net change in fair value of property, plant & equipment recognised in equity		3.3	(10.9)	(22.9)
Share of associates other comprehensive income		-	9.0	7.2
Fair value movements in relation to the executive share scheme		-	-	0.1
Income tax effect of the above items		-	-	4.1
Items that may subsequently be reclassified to profit and loss				
Differences arising on translation of foreign operations		7.4	(51.6)	(49.7)
Realisations on disposal of subsidiary, reclassified to profit and loss		6.7	40.5	80.1
Net change in fair value of available for sale financial assets		0.4	-	-
Ineffective portion of hedges taken to profit and loss		-	0.2	-
Effective portion of changes in fair value of cash flow hedges		(10.4)	8.8	30.2
Income tax effect of the above items		4.9	(14.7)	(32.8)
Total other comprehensive income after tax		**12.3**	**(18.7)**	**16.3**
Total comprehensive income for the period		**460.7**	**258.6**	**290.9**
Total comprehensive income for the period attributable to owners of the Company		410.1	216.2	223.9
Total comprehensive income for the period attributable to non-controlling interest		50.6	42.4	67.0
Earnings per share				
Basic (cents per share)		71.0	39.3	34.4
Diluted (cents per share)		71.0	39.3	34.4

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	Notes	Consolidated		
		30 September 2014 $Millions Unaudited	30 September 2013 $Millions Unaudited	31 March 2014 $Millions Audited
Cash and cash equivalents		832.1	237.5	144.2
Trade and other accounts receivable and prepayments		225.8	410.2	356.5
Derivative financial instruments		2.9	24.8	6.1
Inventories		3.9	6.2	9.9
Income tax receivable		12.1	7.5	10.1
Investment properties		-	29.2	15.6
Current assets		**1,076.8**	**715.4**	**542.4**
Trade and other accounts receivable and prepayments		9.8	11.6	9.7
Property, plant and equipment		4,195.4	4,104.8	4,175.6
Investment properties		61.7	54.8	60.0
Derivative financial instruments		2.5	13.1	16.0
Intangible assets		78.1	98.2	100.3
Goodwill		179.7	247.5	251.7
Investments in associates	10	293.5	258.8	292.2
Other investments		18.7	2.1	1.9
Non-current assets		**4,839.4**	**4,790.9**	**4,907.4**
Total assets		**5,916.2**	**5,506.3**	**5,449.8**
Accounts payable		155.7	208.1	196.1
Accruals and other liabilities		99.7	124.7	108.4
Interest bearing loans and borrowings	11	85.5	206.3	217.6
Derivative financial instruments		10.2	6.7	15.5
Income tax payable		0.3	15.3	11.0
Wellington International Airport bonds		-	99.9	-
Trustpower bonds		75.0	54.7	75.0
Total current liabilities		**426.4**	**715.7**	**623.6**
Interest bearing loans and borrowings	11	956.0	617.7	684.5
Other liabilities		13.0	7.3	19.2
Deferred tax liability		425.2	395.6	413.7
Derivative financial instruments		50.2	84.5	42.6
Infrastructure bonds	12	748.1	679.2	747.3
Perpetual Infratil Infrastructure bonds	12	232.8	232.4	232.6
Wellington International Airport bonds		273.8	199.3	273.7
Trustpower bonds		377.3	451.1	376.7
Non-current liabilities		**3,076.4**	**2,667.1**	**2,790.3**
Attributable to owners of the Company		1,490.0	1,192.2	1,119.3
Non-controlling interest in subsidiaries		923.4	931.3	916.6
Total equity		**2,413.4**	**2,123.5**	**2,035.9**
Total equity and liabilities		**5,916.2**	**5,506.3**	**5,449.8**
Net tangible assets per share ($ per share)		2.19	1.44	1.37

Approved on behalf of the Board on 10 November 2014

Director

Director

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014

	Notes	Consolidated 6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		1,247.3	1,296.3	2,395.7
Distributions received from associates		12.0	100.9	107.4
Other dividends		-	-	0.8
Interest received		2.0	2.9	5.7
		1,261.3	1,400.1	2,509.6
Cash was disbursed to:				
Payments to suppliers and employees		(1,009.6)	(1,008.7)	(1,886.5)
Interest paid		(89.3)	(87.2)	(173.2)
Taxation paid		(40.2)	(29.6)	(42.7)
		(1,139.1)	(1,125.5)	(2,102.4)
Net cash inflow from operating activities	**13**	**122.2**	**274.6**	**407.2**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from repayment of associate financing		-	179.8	179.8
Proceeds from sale of subsidiaries (net of cash sold)		702.5	-	-
Proceeds from sale of property, plant and equipment		19.8	9.5	26.1
Cash arising on obtaining control of subsidiaries		-	6.1	160.2
Return of security deposits		10.2	3.0	9.3
		732.5	198.4	375.4
Cash was disbursed to:				
Purchase of investments		(15.6)	-	(147.9)
Lodgement of security deposits		(10.6)	(3.8)	(11.0)
Purchase of intangible assets		(18.5)	(12.4)	(31.5)
Interest capitalised on construction of fixed assets		(2.4)	(7.3)	(15.5)
Capitalisation of customer acquisition costs		(3.7)	(17.9)	(19.9)
Purchase of property, plant and equipment		(138.9)	(220.3)	(407.4)
		(189.7)	(261.7)	(633.2)
Net cash inflow / (outflow) from investing activities		**542.8**	**(63.3)**	**(257.8)**
Cash flows from financing activities				
Cash was provided from:				
Proceeds from issue of shares		-	6.6	9.7
Proceeds from issue of shares to non-controlling shareholders		-	-	-
Bank borrowings		252.3	325.1	867.3
Issue of bonds		-	143.7	287.2
		252.3	475.4	1,164.2
Cash was disbursed to:				
Repayment of bank debt		(147.2)	(412.0)	(844.5)
Loan establishment costs		(2.5)	(6.0)	(9.9)
Repayment of bonds/Perpetual Infratil Infrastructure bonds buyback		-	(85.3)	(240.0)
Infrastructure bond issue expenses		(0.2)	(2.1)	(4.1)
Share buyback		-	-	(61.7)
Share buyback of non-wholly owned subsidiary		(0.6)	(1.9)	(7.1)
Dividends paid to non-controlling shareholders in subsidiary companies		(43.3)	(41.9)	(72.5)
Dividends paid to owners of the Company		(39.3)	(35.0)	(57.0)
		(233.1)	(584.2)	(1,296.8)
Net cash inflow / (outflow) from financing activities		**19.2**	**(108.8)**	**(132.6)**
Net increase in cash and cash equivalents		684.2	102.5	16.8
Foreign exchange gains / (losses) on cash and cash equivalents		3.7	(10.2)	(15.7)
Cash and cash equivalents at beginning of the period		144.2	144.3	144.3
Adjustment for cash reclassified to disposal group assets held for sale		-	0.9	(1.2)
Cash and cash equivalents at end of the period		**832.1**	**237.5**	**144.2**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014
Attributable to equity holders of the Company - Unaudited

Consolidated	Capital	Revaluation reserve	Foreign currency translation reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2014	369.3	540.1	(46.0)	9.5	246.4	1,119.3	916.6	2,035.9
Total comprehensive income for the period								
Net surplus for the period	-	-	-	-	398.8	398.8	49.6	448.4
Other comprehensive income, after tax								
Differences arising on translation of foreign operations	-	-	8.2	-	-	8.2	3.8	12.0
Realisations on disposal of subsidiary, reclassified to profit and loss	-	(9.2)	28.0	(12.6)	(1.6)	4.6	(0.6)	4.0
Net change in fair value of available for sale financial assets	-	-	-	0.4	-	0.4	-	0.4
Ineffective portion of hedges taken to profit and loss	-	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	(3.7)	-	(3.7)	(3.7)	(7.4)
Fair value movements in relation to the executive share scheme	-	-	-	-	-	-	-	-
Net change in fair value of property, plant & equipment recognised in equity	-	1.7	-	-	-	1.7	1.6	3.3
Share of associates other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	(7.5)	36.2	(15.9)	(1.6)	11.2	1.1	12.3
Total comprehensive income for the period	**-**	**(7.5)**	**36.2**	**(15.9)**	**397.2**	**410.0**	**50.7**	**460.7**
Contributions by and distributions to non-controlling interest								
Minority interest arising on acquisition of subsidiary	-	-	-	-	-	-	-	-
Repurchase/acquisition of shares held by outside equity interest	-	-	-	-	-	-	(0.6)	(0.6)
Total contributions by and distributions to non-controlling interest	-	-	-	-	-	-	(0.6)	(0.6)
Contributions by and distributions to owners								
Share buyback	-	-	-	-	-	-	-	-
Treasury Stock reissued under dividend reinvestment plan	-	-	-	-	-	-	-	-
Conversion of executive redeemable shares	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	(39.3)	(39.3)	(43.3)	(82.6)
Total contributions by and distributions to owners	-	-	-	-	(39.3)	(39.3)	(43.3)	(82.6)
Balance as at 30 September 2014	**369.3**	**532.6**	**(9.8)**	**(6.4)**	**604.3**	**1,490.0**	**923.4**	**2,413.4**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013
Attributable to equity holders of the Company - Unaudited

Consolidated	Capital	Revaluation reserve	Foreign currency translation reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2013	421.3	551.7	(62.1)	(3.8)	97.3	1,004.4	931.1	1,935.5
Total comprehensive income for the period								
Net surplus for the period	-	-	-	-	230.0	230.0	47.3	277.3
Other comprehensive income, after tax								
Differences arising on translation of foreign operations	-	-	(47.6)	-	-	(47.6)	(4.6)	(52.2)
Realisations on disposal of subsidiary, reclassified to profit and loss	-	-	29.2	-	-	29.2	-	29.2
Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	-
Ineffective portion of hedges taken to profit and loss	-	-	-	0.1	-	0.1	0.1	0.2
Effective portion of changes in fair value of cash flow hedges	-	-	-	2.7	-	2.7	3.3	6.0
Fair value movements in relation to the executive share scheme	-	-	-	-	-	-	-	-
Net change in fair value of property, plant & equipment recognised in equity	-	(7.2)	-	-	-	(7.2)	(3.7)	(10.9)
Share of associates other comprehensive income	-	-	-	-	9.0	9.0	-	9.0
Total other comprehensive income	-	(7.2)	(18.4)	2.8	9.0	(13.8)	(4.9)	(18.7)
Total comprehensive income for the period	**-**	**(7.2)**	**(18.4)**	**2.8**	**239.0**	**216.2**	**42.4**	**258.6**
Contributions by and distributions to non-controlling interest								
Minority interest arising on acquisition of subsidiary	-	-	-	-	-	-	1.6	1.6
Repurchase/acquisition of shares held by outside equity interest	-	-	-	-	-	-	(1.9)	(1.9)
Total contributions by and distributions to non-controlling interest	-	-	-	-	-	-	(0.3)	(0.3)
Contributions by and distributions to owners								
Share buyback	-	-	-	-	-	-	-	-
Treasury Stock reissued under dividend reinvestment plan	6.6	-	-	-	-	6.6	-	6.6
Conversion of executive redeemable shares	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	(35.0)	(35.0)	(41.9)	(76.9)
Total contributions by and distributions to owners	6.6	-	-	-	(35.0)	(28.4)	(41.9)	(70.3)
Balance as at 30 September 2013	**427.9**	**544.5**	**(80.5)**	**(1.0)**	**301.3**	**1,192.2**	**931.3**	**2,123.5**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014
Attributable to equity holders of the Company - Audited

Consolidated	Capital	Revaluation reserve	Foreign currency translation reserve	Hedge/other reserve	Retained earnings	Total	Non-controlling	Total equity
	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions	$Millions
Balance as at 1 April 2013	421.3	551.7	(62.1)	(3.8)	97.3	1,004.4	931.1	1,935.5
Total comprehensive income for the year								
Net surplus for the year	-	-	-	-	198.9	198.9	75.7	274.6
Other comprehensive income, after tax								
Differences arising on translation of foreign operations	-	-	(52.7)	(3.1)	-	(55.8)	(7.2)	(63.0)
Realisations on disposal of subsidiary, reclassified to profit and loss	-	-	68.8	-	-	68.8	-	68.8
Net change in fair value of available for sale financial assets	-	-	-	-	-	-	-	-
Ineffective portion of hedges taken to profit and loss	-	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	16.3	-	16.3	5.7	22.0
Fair value movements in relation to the executive share scheme	-	-	-	0.1	-	0.1	-	0.1
Net change in fair value of property, plant & equipment recognised in equity	-	(11.6)	-	-	-	(11.6)	(7.2)	(18.8)
Share of associates other comprehensive income	-	-	-	-	7.2	7.2	-	7.2
Total other comprehensive income	-	(11.6)	16.1	13.3	7.2	25.0	(8.7)	16.3
Total comprehensive income for the year	**-**	**(11.6)**	**16.1**	**13.3**	**206.1**	**223.9**	**67.0**	**290.9**
Contributions by and distributions to non-controlling interest								
Minority interest arising on acquisition of subsidiary	-	-	-	-	-	-	1.6	1.6
Repurchase/acquisition of shares held by outside equity interest	-	-	-	-	-	-	(10.6)	(10.6)
Total contributions by and distributions to non-controlling interest	-	-	-	-	-	-	(9.0)	(9.0)
Contributions by and distributions to owners								
Share buyback	(61.7)	-	-	-	-	(61.7)	-	(61.7)
Treasury Stock reissued under dividend reinvestment plan	9.4	-	-	-	-	9.4	-	9.4
Conversion of executive redeemable shares	0.3	-	-	-	-	0.3	-	0.3
Dividends to equity holders	-	-	-	-	(57.0)	(57.0)	(72.5)	(129.5)
Total contributions by and distributions to owners	(52.0)	-	-	-	(57.0)	(109.0)	(72.5)	(181.5)
Balance at 31 March 2014	**369.3**	**540.1**	**(46.0)**	**9.5**	**246.4**	**1,119.3**	**916.6**	**2,035.9**

The accompanying notes form part of these financial statements.

(1) Accounting policies

Basis of preparation

These unaudited condensed consolidated half year financial statements ('half year statements') of Infratil Limited ('the Company') together with its subsidiaries and associates ('the Group') have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and comply with IAS 34 Interim Financial Reporting. The half year statements for the six months to 30 September 2014 have been prepared in accordance with the accounting policies stated in the published financial statements for the year ended 31 March 2014 and should be read in conjunction with the previous annual report. No changes have been made from the accounting policies used in the most recent annual report which can be obtained from Infratil's registered office or www.infratil.com.

The presentation currency used in the preparation of these financial statements is New Zealand dollars, which is also the Group's functional currency. Comparative figures have been restated where appropriate to ensure consistency with the current period.

New standards and amendments to standards that came into effect for interim periods ending on 30 September 2014 have been applied in preparing these financial statements. None of these has had a material effect on the financial statements of the Group.

(2) Nature of business

The Group owns and operates infrastructure and utility businesses and investments in New Zealand and Australia. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 5 Market Lane, Wellington, New Zealand.

(3) Reconciliation of earnings from continuing operations before interest, taxation, depreciation, amortisation, fair value movements, realisations and impairments ('EBITDAF')

EBITDAF is presented to provide further information on the operating performance of the Group. It is calculated by adjusting net surplus for the period from continuing operations for interest, taxation, depreciation, amortisation, fair value movements, realisations and impairments. EBITDAF is a non-GAAP measure presented to show management's view of underlying business performance.

		Consolidated		
	Note	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Net surplus for the period from continuing operations		**81.4**	**298.7**	**365.2**
Net financing expense		92.4	91.1	180.1
Taxation expense	7	21.8	32.3	58.8
Depreciation		64.5	52.5	110.6
Amortisation of intangibles		7.6	7.8	15.6
Net loss/(gain) on foreign exchange and derivatives		4.7	(65.5)	(70.7)
Fair value gain on acquisition of associate (included within equity accounted earnings of associates)		-	-	(33.1)
Net realisations, revaluations and impairments		(29.9)	(185.7)	(189.1)
EBITDAF		242.5	231.2	437.4

(4) Discontinued operations

During the period the Group sold two components of the Consolidated Group, which are now reported as discontinued operations.

On the 31st of August the Group completed the sale of its 54% shareholding in PayGlobal Limited to MYOB Finance NZ Limited for cash consideration of $8.5 million. Of the total cash proceeds, $0.4 million and $1.1 million are held in escrow until 14 November 2014 and 31 August 2016, respectively, to satisfy any warranty claims received.

On the 30th of September the Group completed the sale of its 100% shareholdings in Infratil Energy Australia, Lumo Energy and Direct Connect Australia to Snowy Hydro Limited for cash consideration of A$648.1 million. The transaction settled on the 30 September 2014, with an adjustment for final working capital amounts to be settled in November 2014.

These businesses were not discontinued operations or classified as held for sale as at 30 September 2013 or 31 March 2014, and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. The results from discontinued operations are presented separately below.

PayGlobal Limited	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Results of PayGlobal *(classified as discontinued)*			
Revenue	8.1	6.4	16.3
Operating expenses	6.9	6.4	14.6
Results from operating activities	1.2	-	1.7
Depreciation & amortisation of intangibles	(0.1)	(0.1)	(0.3)
Net realisations, revaluations, (impairments) and net (gain)/loss on foreign exchange and derivatives	-	(0.1)	(0.1)
Net interest expense	0.1	0.1	0.1
Profit before tax of PayGlobal	1.2	(0.1)	1.4
Taxation expense	-	-	(0.5)
Net surplus/(loss) of PayGlobal after tax	1.2	(0.1)	0.9
The Group's share of the net gain on the sale is calculated as follows:			
Net sales proceeds	8.5	-	-
Carrying value of PayGlobal net assets sold	(5.4)	-	-
Taxation expense on sale	(0.9)	-	-
Net gain on sale	2.2	-	-
Net surplus/(loss) from discontinued operation after tax	3.4	(0.1)	0.9
Basic earnings per share (cents per share)	0.6	(0.0)	0.2
Diluted earnings per share (cents per share)	0.6	(0.0)	0.2

($0.6 million) of the net surplus from the discontinued operation was attributable to the non-controlling interest of PayGlobal.

Cash flows from (used in) discontinued operation			
Net cash used in operating activities	(0.0)	(1.4)	(0.1)
Net cash from investing activities	(0.2)	(0.1)	(0.3)
Net cash from financing activities	(1.4)	-	-
Net cash flows for the period	(1.6)	(1.5)	(0.4)

There is no cumulative income recognised in other comprehensive income relating to PayGlobal at 30 September 2014 (September 2013: $0.2 million, March 2014: $0.2 million)

Infratil Energy Australia (including Lumo Energy and Direct Connect Australia)	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Results of Infratil Energy Australia ***(classified as discontinued)***			
Revenue	444.6	486.7	814.2
Operating expenses	403.8	432.8	753.0
Results from operating activities	40.8	53.9	61.2
Depreciation & amortisation of intangibles	(9.4)	(13.0)	(25.3)
Net realisations, revaluations, (impairments) and net (gain)/loss on foreign exchange and derivatives	4.9	1.2	(21.6)
Net interest expense	(0.3)	(0.2)	(1.0)
Profit before tax of Infratil Energy Australia	36.0	41.9	13.3
Taxation expense	(9.1)	(12.5)	(3.9)
Net surplus of Infratil Energy Australia after tax	26.9	29.4	9.4
The net gain on the sale is calculated as follows:			
Gross sale proceeds	726.3	-	-
less: Sale costs	(10.7)	-	-
less: Incentive fee payable to MCIM	(45.2)	-	-
Net sales proceeds	670.4	-	-
Carrying value of Infratil Energy Australia net assets sold	(325.9)	-	-
Realised foreign exchange losses reclassified to profit and loss on disposal and derivative gains and losses	(7.8)	-	-
Net gain on sale	336.7	-	-
Net surplus from discontinued operation after tax	363.6	29.4	9.4
Basic earnings per share (cents per share)	64.7	5.0	1.6
Diluted earnings per share (cents per share)	64.7	5.0	1.6
The profit from the discontinued operation is attributable entirely to the owners of the Company.			
Cash flows from (used in) discontinued operation			
Net cash used in operating activities	13.7	35.6	82.2
Net cash from investing activities	(14.9)	(8.9)	(21.9)
Net cash from financing activities	(4.4)	(8.2)	(19.3)
Net cash flows for the period	(5.6)	18.5	41.0

The above gross sale proceeds, sales costs, incentive fee and net gain on sale are provisional pending completion of final working capital amounts.

There is no cumulative income recognised in other comprehensive income relating to the Infratil Energy Australia at 30 September 2014 (September 2013: ($2.4 million), March 2014: $0.8 million).

Infratil Airports Europe

The Infratil Airports Europe segment comprising Glasgow Prestwick and Manston Airports is presented as a discontinued operation of the Group as the sale of these businesses was completed on 25 November 2013 and 29 November 2013 respectively. These businesses were discontinued operations/classified as held for sale as at 31 March 2014 and 30 September 2013 respectively.

Results of Infratil Airports Europe ***(classified as discontinued)***	6 months ended 30 September $Millions Unaudited	6 months ended 30 September $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Revenue	-	20.3	27.3
Operating expenses	-	(26.7)	(36.6)
Results from operating activities	-	(6.4)	(9.3)
Depreciation & amortisation of intangibles	-	(1.8)	(2.5)
Net realisations, revaluations, (impairments) and net (gain)/loss on foreign exchange and derivatives	-	(20.5)	(20.2)
Net interest expense	-	(0.1)	(0.1)
Loss before tax of Infratil Airports Europe	-	(28.8)	(32.1)
Taxation (expense)/credit	-	8.5	11.3
Net surplus loss of Infratil Airports Europe	-	(20.3)	(20.8)
Realised foreign exchange losses reclassified to profit and loss on disposal	-	(30.4)	(80.1)
Net surplus loss from discontinued operation after tax	-	(50.7)	(100.9)
Basic earnings per share (cents per share)	-	(8.7)	(17.4)
Diluted earnings per share (cents per share)	-	(8.7)	(17.4)
The loss from discontinued operation is attributable entirely to the owners of the Company.			
Cash flows from (used in) discontinued operation			
Net cash used in operating activities	-	(8.8)	(13.9)
Net cash from investing activities	-	(2.5)	(2.5)
Net cash from financing activities	-	-	-
Net cash flows for the period	-	(11.3)	(16.4)

There is no cumulative income recognised in other comprehensive income relating to the Infratil Airports Europe at 30 September 2014 (September 2013: nil, March 2014: nil)

(5) Other operating expenses

	Note	Consolidated 6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Fees paid to the Group auditor		0.4	0.3	0.6
Audit fees paid to other auditors		0.2	0.2	0.4
Bad debts written off		0.1	0.0	1.8
Increase in provision for doubtful debts		0.8	0.9	-
Directors' fees		1.0	1.1	2.0
Administration and other corporate costs		4.6	4.2	10.8
Management fee (to related party Morrison & Co Infrastructure Management)	18	8.7	9.6	17.2
Trading operations				
Energy and wholesale costs		188.2	190.7	375.2
Line, distribution and network costs		182.0	158.0	307.2
Other energy business costs		76.4	59.0	123.9
Transportation business costs		37.4	39.4	75.0
Airport business costs		8.4	8.0	15.7
Other operating business costs		11.0	9.0	18.4
Total other operating expenses		**519.2**	**480.5**	**948.2**

	6 months ended 30 September 2014 $000's Unaudited	6 months ended 30 September 2013 $000's Unaudited	Year ended 31 March 2014 $000's Audited
Fees paid to the Group auditor			
Audit and review of financial statements	256.1	205.2	418.8
Regulatory audit work	35.0	24.0	25.0
Other assurance services	15.0	6.8	27.1
Taxation services	67.5	31.8	43.7
Other services	-	39.3	41.7
Total fees paid to the Group auditor	373.6	307.1	556.3

The audit fee includes the fees for both the annual audit of the financial statements and the review of the interim financial statements. Regulatory audit work consists of the audit of regulatory disclosures. Other assurance services comprise of agreed upon procedures, audit of compliance reports and verification in relation to gas trading licence. Tax services relate to tax compliance work. Other services related to tax advisory services provided to a subsidiary of the group and investment due diligence work.

No Donations were made during the period (September 2013: $0.2 million, March 2014: $0.7 million).

(6) Seasonality

Trustpower
The retail sale of electricity is subject to seasonal fluctuations, with peak demand in the second quarter, and to a lesser extent the first quarter, of each financial year. This is due to higher demand for electricity in colder weather. For the six months ended 30 September 2013, the volume of customer sales was 9% higher than for the six months ended 31 March 2014.

Infratil Energy Australia (discontinued)
Wholesale electricity prices (and the cost of the hedge contracts used to cover these prices) in Australia can vary throughout a financial year depending on the period these purchases cover. These prices are generally higher during warmer months. This seasonality can result in higher margins in the first six months of the year, than in the second six months of the year.

(7) Taxation

	Consolidated 6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Net surplus before taxation	103.2	331.0	424.0
Taxation on the surplus for the period @ 28%	28.9	92.7	118.7
Plus/(less) taxation adjustments:			
Effect of tax rates in foreign jurisdictions	0.6	(0.1)	0.1
Net benefit of imputation credits	(3.2)	(27.4)	(29.4)
Exempt dividends	(0.1)	-	-
Tax losses not recognised/(utilised)	-	-	(3.4)
Equity accounted earnings of associates	(0.2)	22.2	20.8
Temporary differences not recognised	-	0.1	-
(Over)/Under provision in prior periods	2.6	0.1	1.2
Net investment realisations	-	(51.8)	(51.3)
Other permanent differences	(6.8)	(3.5)	2.1
Taxation expense	**21.8**	**32.3**	**58.8**
Current taxation	21.7	18.9	29.8
Deferred taxation	0.1	13.4	29.0
Tax on discontinued operations	9.3	1.9	(11.0)

Income tax recognised in other comprehensive income	6 months ended 30 September 2014 Before tax $Millions Unaudited	Tax (expense) /benefit $Millions Unaudited	Net of tax $Millions Audited
Differences arising on translation of foreign operations	7.4	4.6	12.0
Realisations on disposal of subsidiary, reclassified to profit and loss	6.7	(2.7)	4.0
Net change in fair value of available for sale financial assets	0.4	-	0.4
Effective portion of changes in fair value of cash flow hedges	(10.4)	3.0	(7.4)
Net change in fair value of property, plant & equipment recognised in equity	3.3	-	3.3
Balance at the end of the period	7.4	4.9	12.3

	6 months ended 30 September 2013 Before tax $Millions Unaudited	Tax (expense) /benefit $Millions Unaudited	Net of tax $Millions Audited
Differences arising on translation of foreign operations	(51.6)	(0.6)	(52.2)
Realisations on disposal of subsidiary, reclassified to profit and loss	40.5	(11.3)	29.2
Ineffective portion of hedges taken to profit and loss	0.2	-	0.2
Effective portion of changes in fair value of cash flow hedges	8.8	(2.8)	6.0
Net change in fair value of property, plant & equipment recognised in equity	(10.9)	-	(10.9)
Share of associates other comprehensive income	9.0	-	9.0
Balance at the end of the period	(4.0)	(14.7)	(18.7)

	Year ended 31 March 2014 Before tax $Millions Unaudited	Tax (expense) /benefit $Millions Unaudited	Net of tax $Millions Audited
Differences arising on translation of foreign operations	(49.7)	(13.3)	(63.0)
Realisations on disposal of subsidiary, reclassified to profit and loss	80.1	(11.3)	68.8
Effective portion of changes in fair value of cash flow hedges	30.2	(8.2)	22.0
Fair value movements in relation to executive share scheme	0.1	-	0.1
Net change in fair value of property, plant & equipment recognised in equity	(22.9)	4.1	(18.8)
Share of associates other comprehensive income	7.2	-	7.2
Balance at the end of the year	45.0	(28.7)	16.3

(8) Infratil shares

Ordinary shares (fully paid)	6 months ended 30 September 2014 Unaudited	6 months ended 30 September 2013 Unaudited	Year ended 31 March 2014 Audited
Total issued capital at the beginning of the period	561,617,737	583,321,349	583,321,349
Movements in issued and fully paid ordinary shares during the period:			
Share buyback (held as treasury stock)	-	-	(25,983,615)
Treasury Stock reissued under dividend reinvestment plan	-	2,913,162	4,096,777
Conversion of executive redeemable shares	-	-	183,226
Total issued capital at the end of the period	561,617,737	586,234,511	561,617,737

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity.

Dividends paid on ordinary shares *cents per share*	6 months ended 30 September 2014 Unaudited	6 months ended 30 September 2013 Unaudited	Year ended 31 March 2014 Audited
Final dividend prior year	7.00	6.00	6.00
Interim dividend paid current year	-	-	3.75
Dividends paid on ordinary shares	7.00	6.00	9.75

Dividends paid on ordinary shares *$Millions*	6 months ended 30 September 2014 Unaudited	6 months ended 30 September 2013 Unaudited	Year ended 31 March 2014 Audited
Final dividend prior year	39.3	35.0	35.0
Interim dividend paid current year	-	-	22.0
Dividends paid on ordinary shares	39.3	35.0	57.0

(9) Business combinations

On 18 July 2014 Trustpower purchased the majority of the assets and liabilities of Green State Power Pty Limited, an Australian electricity generator, for a cash consideration of NZ$81.3 million. Primarily, the assets acquired were hydro and wind generation assets in New South Wales.

The following table sets out the consideration paid and the fair value of the assets and liabilities acquired at the acquisition date:	$Millions Unaudited
Cash consideration paid	79.5
Accrued estimated settlement adjustment	1.8
Total consideration	81.3
Recognised amounts of identifiable assets and liabilities acquired:	
Trade and other accounts receivable and prepayments	0.5
Generation assets	124.7
Other property, plant and equipment	0.3
Accounts payable and accruals	(0.5)
Deferred tax liability	(18.7)
Net assets acquired	106.3
Discount on acquisition	(25.0)
Total acquisition cost	81.3

The fair values set out in the table above are provisional pending the receipt of final information relating to the generation assets and the agreement of the working capital settlement adjustment. The revenue included in the consolidated income statement since 18 July 2014 contributed by the acquired assets was $2.2 million and the loss before tax was $0.9 million. Had the assets and liabilities been consolidated from 1 April 2014, the consolidated income statement would show pro-forma revenue of $5.7 million and a loss before tax of $0.8 million.

(10) Investments in associates

	Consolidated		
	30 September 2014 $Millions Unaudited	30 September 2013 $Millions Unaudited	31 March 2014 $Millions Audited
Investments in associates are as follows:			
Z Energy Limited	97.1	256.6	104.1
Metlifecare Limited	194.3	-	186.0
Mana Coach Holdings Limited	2.1	2.2	2.1
Investments in associates	**293.5**	**258.8**	**292.2**

	30 September 2014 $Millions Unaudited	30 September 2013 $Millions Unaudited	31 March 2014 $Millions Audited
Equity accounted earnings of associates are as follows:			
Z Energy Limited	4.4	21.8	32.7
Metlifecare Limited	8.3	-	38.1
Mana Coach Holdings Limited	-	-	-
Share of earnings of associate companies	**12.7**	**21.8**	**70.8**

Z Energy Limited

Z Energy Limited ('ZEL') operates within the downstream oil industry. On 21 August 2013, ZEL was listed on the New Zealand and Australian Stock Exchanges with opening share prices of $3.50 and A$3.26 respectively. The shareholders in ZEL (Infratil Limited and The Guardians of New Zealand Superannuation ('GNZS')) sold 60% of their holding in ZEL, recognising a net gain on IPO after costs and asset revaluations of $365.0 million, of which the Group's 50% share was $182.5 million.

On acquisition, the Group's interest in ZEL was held through a 50% owned associate Aotea Energy Holdings Limited and its subsidiaries ('AEHL'), with the remaining 50% owned by GNZS. Subsequent to the IPO of ZEL, 50% of the investment in ZEL was sold to GNZS, and the Group acquired the remaining 50% shareholding in AEHL. Following this restructure of AEHL, the Group continues to equity account for its investment in ZEL.

	Consolidated		
Movement in the carrying amount of investment in ZEL:	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Carrying value at 1 April	104.1	324.0	324.0
Share of associate's surplus before income tax	5.8	23.4	38.4
Share of associate's income tax (expense)	(1.4)	(6.9)	(11.0)
Share of associate's net profit after tax	4.4	16.5	27.4
Interest on shareholder loan (including accruals)	-	3.3	3.3
Dividend on redeemable preference shares (including accruals)	-	2.0	2.0
Total share of associate's earnings in the period	4.4	21.8	32.7
Share of associate's other comprehensive income	-	9.0	7.2
Share of net gain on IPO of ZEL	-	182.5	182.5
less: repayment of redeemable preference shares	-	(57.5)	(57.5)
less: repayment of shareholder loan	-	(122.3)	(122.3)
less: distributions received	(11.4)	(100.9)	(107.2)
less: assets acquired on the restructure of AEHL	-	-	(155.3)
Carrying value of investment in associate	97.1	256.6	104.1

The Group's share of the net gain on IPO is calculated as follows:	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Gross sale proceeds	-	840.0	840.0
less: IPO costs	-	(43.9)	(43.9)
Net sales proceeds	-	796.1	796.1
Z Energy Limited carrying value of net assets sold	-	(393.6)	(393.6)
Impairment of assets associated with Z Energy IPO			
Associate investment in NZR previously carried at ZEL valuation	-	(33.4)	(33.4)
Other assets previously carried at ZEL valuations	-	(4.1)	(4.1)
Net gain on IPO	-	365.0	365.0
Infratil Group 50% share of gain on IPO	-	182.5	182.5

	Consolidated		
Summary financial information for Z Energy Limited, not adjusted for the percentage ownership held by the Group:	30 September 2014 $Millions Unaudited	30 September 2013 $Millions Unaudited	31 March 2014 $Millions Audited
Current assets	754.0	812.0	885.0
Non-current assets	653.0	642.0	655.0
Total Assets	1,407.0	1,454.0	1,540.0
Current liabilities	359.0	360.0	449.0
Non-current liabilities	494.0	506.0	500.0
Total liabilities	853.0	866.0	949.0
Revenues	1,380.0	1,393.0	2,825.0
Net profit after tax	22.0	56.0	95.0
Total other comprehensive income	-	149.0	144.0

At 30 September 2014 the Group's investment in ZEL had a fair value of $316.8 million based on the quoted market price of ZEL shares on the NZX at that date (30 September 2013: $307.2 million, 31 March 2014: $312.0 million).

Metlifecare Limited

On 28 November 2013, the Group acquired a 19.9% shareholding in Metlifecare Limited for $147.9 million. The fair value of the shares on the acquisition date determined by reference to the listed share price was $181.0 million, resulting in a gain on acquisition of $33.1 million. Metlifecare is a NZX and ASX listed retirement village and aged care provider in New Zealand.

Movement in the carrying amount of investment in Metlifecare Limited:	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Carrying value at 1 April	186.0	-	-
Cost of investment in Metlifecare - *Shares acquired*	0.5	-	147.9
Share of associate's surplus before income tax	9.4	-	5.0
Fair value gain on acquisition of associate	-	-	33.1
Share of associate's income tax (expense)	(1.1)	-	-
Total share of associate's earnings in the period	8.3	-	38.1
Share of associate's other comprehensive income	-	-	-
less: distributions received	(0.5)	-	-
Carrying value of investment in associate	194.3	-	186.0

Summary financial information for Metlifecare Limited, not adjusted for the percentage ownership held by the Group: The summary information provided is taken from the most recent NZ IFRS audited annual financial statements of Metlifecare Limited which have a balance date of 30 June 2014 and is reported as at that date.	30 June 2014 $Millions Audited	30 June 2013 $Millions Audited	31 December 2013 $Millions Unaudited
Current assets	13.5	14.0	17.6
Non-current assets	1,996.1	1,879.3	1,927.0
Total Assets	2,009.6	1,893.3	1,944.6
Current liabilities	18.2	16.8	16.0
Non-current liabilities	1,199.7	1,158.7	1,177.8
Total liabilities	1,217.9	1,175.5	1,193.8
Revenues	94.8	92.8	46.2
Net profit after tax	68.8	120.3	26.8
Total other comprehensive income	0.2	(0.3)	-

At 30 September 2014 the Group's investment in MET had a fair value of $193.4 million based on the quoted market price of MET shares on the NZX at that date (30 September 2013: n/a, 31 March 2014: $170.6 million).

(11) Loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings.

	Consolidated		
Current liabilities	30 September 2014 $Millions Unaudited	30 September 2013 $Millions Unaudited	31 March 2014 $Millions Audited
Unsecured loans	82.4	185.7	210.2
Secured bank facilities	4.2	11.4	6.2
less: Capitalised loan establishment costs	(1.1)	(0.3)	(0.1)
	85.5	196.8	216.3
Non-current liabilities			
Unsecured loans	906.7	560.7	638.0
Secured bank facilities	56.0	70.3	55.3
less: Capitalised loan establishment costs	(6.7)	(13.3)	(8.8)
	956.0	617.7	684.5
Facilities utilised at reporting date			
Unsecured bank loans	989.1	746.4	848.2
Unsecured guarantees	11.2	33.0	47.7
Secured bank loans	60.2	81.7	61.5
Secured guarantees	0.2	0.2	0.2
Facilities not utilised at reporting date			
Unsecured bank loans	486.8	1,060.7	754.9
Unsecured guarantees	-	24.4	2.7
Secured bank loans	157.3	136.0	140.0
Secured guarantees	0.6	0.6	-
Vendor financing			
Vendor financing - *current*	-	9.5	1.3
Vendor financing - *non-current*	-	-	-
	-	9.5	1.3
Interest bearing loans and borrowings - *current*	85.5	206.3	217.6
Interest bearing loans and borrowings - *non-current*	956.0	617.7	684.5
Total interest bearing loans and borrowings	**1,041.5**	**824.0**	**902.1**

Financing arrangements

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

The secured and unsecured debt facilities are able to be drawn-down as required subject to the borrower being in compliance with undertakings in respect of those facilities. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the period ranged from 3.6% to 7.4% (September 2013: 3.0% to 7.4%, March 2014: 3.0% to 7.4%).

Secured bank facilities of a non-wholly owned subsidiary are non-recourse to the assets of Infratil and its other subsidiary and associate companies.

A non-wholly owned subsidiary company had a unsecured A$1 million loan facility, maturing in August 2014, from one of its minority shareholders. The interest rate on this loan was fixed at 12%.

(12) Infrastructure bonds

	Consolidated		
	30 September 2014 $Millions Unaudited	30 September 2013 $Millions Unaudited	31 March 2014 $Millions Audited
Balance at the beginning of the period	979.9	904.3	904.3
Issued during the period	-	93.7	162.2
Matured during the period	-	(85.3)	(85.3)
Purchased by Infratil during the period	-	(0.1)	(0.1)
Bond issue costs capitalised during the period	-	(1.8)	(3.1)
Bond issue costs amortised during the period	1.0	0.8	1.9
Balance at the end of the period	980.9	911.6	979.9
Current	-	-	-
Non-current fixed coupon	748.1	679.2	747.3
Non-current perpetual variable coupon	232.8	232.4	232.6
Balance at the end of the period	980.9	911.6	979.9
Repayment terms and interest rates:			
Maturing in September 2013, 8.50% per annum fixed coupon rate	-	-	-
IFT070 Maturing in November 2015, 8.50% per annum fixed coupon rate	152.8	152.8	152.8
IFT150 Maturing in June 2016, 8.50% per annum fixed coupon rate	100.0	100.0	100.0
IFT160 Maturing in June 2017, 8.50% per annum fixed coupon rate	66.3	66.3	66.3
IFT170 Maturing in November 2017, 8.0% per annum fixed coupon rate	81.1	81.1	81.1
IFT180 Maturing in November 2018, 6.85% per annum fixed coupon rate	111.4	111.4	111.4
IFT200 Maturing in November 2019, 6.75% per annum fixed coupon rate	68.5	-	68.5
IFT090 Maturing in February 2020, 8.50% per annum fixed coupon rate	80.5	80.5	80.5
IFT190 Maturing in June 2022, 6.85% per annum fixed coupon rate	93.7	93.7	93.7
IFTHA Perpetual Infratil infrastructure bonds	234.9	234.9	234.9
less: Bond issue costs capitalised and amortised over term	(8.3)	(9.1)	(9.3)
Balance at the end of the period	**980.9**	**911.6**	**979.9**

Fixed coupon

The fixed coupon bonds the Company has on issue are at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. 25 days prior to the maturity date of bonds issued prior to November 2011, Infratil can elect to redeem all infrastructure bonds in that series at their $1.00 face value payable in cash, or convert all the infrastructure bonds in the relevant series by issuing the number of shares equivalent to 98% of the face value of the bonds multiplied by the market price of the shares. The market price is the average price weighted by volume of all trades of ordinary shares over the 10 business days up to the fifth business day before the maturity date.

Perpetual Infratil infrastructure bonds ('PIIBs')

The Company has 234,857,200 (September 2013: 234,857,200, March 2014: 234,857,200) PIIBs on issue at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. For the period to 15 November 2014 the coupon is fixed at 4.53% per annum (September 2013: 3.97%, March 2014: 4.53%). Thereafter the rate will be reset annually at 1.5% per annum over the then one year bank rate (quarterly), unless Infratil's gearing ratio exceeds certain thresholds, in which case the margin increases. These infrastructure bonds have no fixed maturity date. No PIIBs (September 2013: 86,000, March 2014: 86,000) were repurchased by Infratil Limited during the period.

At 30 September 2014 the Infrastructure bonds (including PIIBs) had a fair value of $963.4 million (30 September 2013: $872.7 million, 31 March 2014: $955.3 million).

(13) Reconciliation of net surplus with cash flow from operating activities

	Consolidated		
	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Net surplus for the period	448.4	277.3	274.6
(Add) / Less items classified as investing activity			
(Gain) / Loss on investment realisations and impairments	(372.3)	(165.6)	(164.3)
Add items not involving cash flows			
Movement in financial derivatives taken to the profit or loss	2.7	(36.3)	27.0
Decrease in deferred tax liability excluding transfers to reserves	6.6	16.2	6.3
Changes in fair value of investment properties	(0.3)	-	(0.5)
Equity accounted earnings of associate net of distributions received	(0.7)	79.2	36.6
Depreciation	67.3	58.2	120.4
Movement in provision for bad debts	8.9	11.0	19.6
Amortisation of intangibles	14.3	17.0	33.9
Other	5.8	6.5	9.3
Movements in working capital			
Change in receivables	(33.5)	7.4	32.3
Change in inventories	5.8	5.3	1.0
Change in trade payables	36.7	(14.9)	(4.3)
Change in accruals and other liabilities	(52.5)	22.8	12.4
Change in current and deferred taxation	(15.0)	(9.5)	2.9
Net cash flow from operating activities	**122.2**	**274.6**	**407.2**

(14) Segment analysis

Reportable segments of the Group are analysed by significant businesses. The Group has six reportable segments, as described below:

Trustpower is our renewable generation investment, Wellington International Airport is our Wellington airport investment, NZ Bus is our transportation investment, Infratil Energy Australia (including Perth Energy) is our non renewable generation investment and Infratil Airports Europe was our UK airport investment. Other comprises investment activity not included in the specific categories. The principal investments in Other are the Group's interest in Z Energy and Metlifecare.

For the period ended 30 September 2014	Trustpower New Zealand $Millions Unaudited	Wellington Airport New Zealand $Millions Unaudited	NZ Bus New Zealand $Millions Unaudited	Infratil Energy Australia Australia $Millions Unaudited	Infratil Airports Europe UK $Millions Unaudited	All other segments and corporate New Zealand $Millions Unaudited	Eliminations and reclassification to discontinued operations $Millions Unaudited	Total $Millions Unaudited
Segment revenue	504.9	53.6	117.1	593.2	-	104.0	(452.7)	920.1
Share of earnings and income of associate companies	-	-	-	-	-	12.7	-	12.7
Inter-segment revenue	-	(0.8)	(1.8)	-	-	(78.0)	-	(80.6)
Segment revenue - external	504.9	52.8	115.3	593.2	-	38.7	(452.7)	852.2
EBITDAF	173.3	40.4	20.0	45.7	-	5.1	(42.0)	242.5
Interest revenue	0.5	0.3	-	0.4	-	5.1	(4.5)	1.8
Interest expense	(38.2)	(9.4)	(2.2)	(5.8)	-	(43.3)	4.7	(94.2)
Depreciation and amortisation	(46.2)	(8.1)	(13.2)	(12.4)	-	(1.7)	9.5	(72.1)
Net gain/(loss) on foreign exchange and derivatives	(4.4)	0.3	-	4.9	-	(0.6)	(4.9)	(4.7)
Net realisations, revaluations and (impairments)	25.0	(0.3)	(0.1)	336.7	-	8.4	(339.8)	29.9
Fair value gain on acquisition of associate	-	-	-	-	-	-	-	-
Taxation expense	(20.8)	(6.5)	-	(9.9)	-	5.5	9.9	(21.8)
Segment result	89.2	16.7	4.5	359.6	-	(21.5)	(367.1)	81.4
Investments in associates	-	-	-	-	-	293.5	-	293.5
Total non-current assets (excluding financial instruments and deferred tax)	3,226.6	797.9	307.5	144.3	-	360.6	-	4,836.9
Total assets	3,446.9	814.8	328.2	199.8	-	1,126.5	-	5,916.2
Total liabilities	1,794.4	408.0	47.3	105.2	-	1,147.9	-	3,502.8
Capital expenditure/investment (including accruals)	143.9	7.3	10.3	16.5	-	18.0	-	196.0

For the period ended 30 September 2013	Trustpower New Zealand $Millions Unaudited	Wellington Airport New Zealand $Millions Unaudited	NZ Bus New Zealand $Millions Unaudited	Infratil Energy Australia Australia $Millions Unaudited	Infratil Airports Europe UK $Millions Unaudited	All other segments and corporate New Zealand $Millions Unaudited	Eliminations and reclassification to discontinued operations $Millions Unaudited	Total $Millions Unaudited
Segment revenue	418.7	55.0	113.0	658.0	20.3	97.1	(513.4)	848.7
Share of earnings and income of associate companies	-	-	-	-	-	21.8	-	21.8
Inter-segment revenue	-	(0.9)	(1.7)	-	-	(73.5)	-	(76.1)
Segment revenue - external	418.7	54.1	111.3	658.0	20.3	45.4	(513.4)	794.4
EBITDAF	153.2	42.4	21.5	57.4	(6.3)	10.6	(47.6)	231.2
Interest revenue	0.8	0.6	-	0.8	-	12.1	(11.8)	2.5
Interest expense	(30.9)	(10.4)	(1.8)	(12.2)	(1.8)	(48.4)	11.9	(93.6)
Depreciation and amortisation	(34.0)	(7.7)	(13.1)	(16.4)	(1.8)	(2.2)	14.9	(60.3)
Net gain/(loss) on foreign exchange and derivatives	10.1	6.7	-	1.2	(30.4)	48.7	29.2	65.5
Net realisations, revaluations and (impairments)	-	(0.6)	1.7	-	(20.5)	184.5	20.6	185.7
Fair value gain on acquisition of associate	-	-	-	-	-	-	-	-
Taxation expense	(21.9)	(8.8)	(0.8)	(9.4)	8.5	(3.9)	4.0	(32.3)
Segment result	77.3	22.2	7.5	21.4	(52.3)	201.4	21.2	298.7
Investments in associates	-	-	-	-	-	258.8	-	258.8
Total non-current assets (excluding financial instruments and deferred tax)	2,994.7	797.5	287.0	387.3	-	311.3	-	4,777.8
Total assets	3,223.4	865.3	301.6	727.7	-	388.3	-	5,506.3
Total liabilities	1,561.7	461.2	38.0	284.2	3.2	1,034.5	-	3,382.8
Capital expenditure/investment (including accruals)	193.3	12.0	39.4	8.9	2.5	1.3	-	257.4

For the year ended 31 March 2014	Trustpower New Zealand $Millions Audited	Wellington Airport New Zealand $Millions Audited	NZ Bus New Zealand $Millions Audited	Infratil Energy Australia Australia $Millions Audited	Infratil Airports Europe UK $Millions Audited	All other segments and corporate New Zealand $Millions Audited	Eliminations and reclassification to discontinued operations $Millions Audited	Total $Millions Audited
Segment revenue	811.7	110.9	222.9	1,154.3	27.3	225.8	(1,037.1)	1,515.8
Share of earnings and income of associate companies	-	-	-	-	-	37.7	-	37.7
Inter-segment revenue	-	(1.9)	(3.4)	-	-	(174.0)	179.3	-
Segment revenue - external	811.7	109.0	219.5	1,154.3	27.3	89.5	(857.8)	1,553.5
EBITDAF	277.4	86.0	40.0	78.0	(9.3)	18.9	(53.6)	437.4
Interest revenue	1.5	1.3	0.1	1.5	-	21.6	(21.0)	5.0
Interest expense	(63.2)	(20.0)	(4.0)	(23.0)	(2.1)	(94.7)	21.9	(185.1)
Depreciation and amortisation	(72.0)	(15.8)	(27.2)	(32.4)	(2.5)	(4.4)	28.1	(126.2)
Net gain/(loss) on foreign exchange and derivatives	9.4	10.2	-	(17.9)	(80.1)	51.4	97.7	70.7
Net realisations, revaluations and (impairments)	(0.2)	(0.3)	3.4	(4.1)	(20.2)	186.2	24.3	189.1
Fair value gain on acquisition of associate	-	-	-	-	-	33.1	-	33.1
Taxation expense	(37.8)	(2.6)	(1.3)	(0.9)	11.3	(20.6)	(6.9)	(58.8)
Segment result	115.1	58.8	11.0	1.2	(102.9)	191.5	90.5	365.2
Investments in associates	-	-	-	-	-	292.2	-	292.2
Total non-current assets (excluding financial instruments and deferred tax)	3,070.4	799.0	310.2	365.1	-	346.7	-	4,891.4
Total assets	3,255.8	842.3	329.1	598.1	-	424.5	-	5,449.8
Total liabilities	1,632.3	402.0	46.7	223.2	-	1,109.7	-	3,413.9
Capital expenditure/investment (including accruals)	349.7	20.3	68.1	22.0	2.5	5.6	-	468.2

Entity wide disclosure - geographical

The Group operated in three principal areas New Zealand, Australia and the United Kingdom. The groups geographical segments are based on the location of both customers and assets.

	New Zealand	Australia	United Kingdom	Eliminations and reclassification to discontinued operations	Total
For the period ended 30 September 2014	$Millions Unaudited	$Millions Unaudited	$Millions Unaudited	$Millions Unaudited	$Millions Unaudited
Segment revenue	722.3	650.5	-	(452.7)	920.1
Share of earnings and income of associate companies	12.7	-	-	-	12.7
Inter-segment revenue	(80.6)	-	-	-	(80.6)
Segment revenue - external	654.4	650.5	-	(452.7)	852.2
EBITDAF	196.1	88.3	-	(41.9)	242.5
Interest revenue	5.7	0.6	-	(4.5)	1.8
Interest expense	(76.0)	(22.9)	-	4.7	(94.2)
Depreciation and amortisation	(53.4)	(28.2)	-	9.5	(72.1)
Net gain/(loss) on foreign exchange and derivatives	(4.1)	1.4	-	(2.0)	(4.7)
Net realisations, revaluations and (impairments)	8.0	361.7	-	(339.8)	29.9
Taxation expense	(18.1)	(13.6)	-	9.9	(21.8)
Segment result	58.2	387.3	-	(364.1)	81.4
Investments in associates	293.5	-	-	-	293.5
Total non-current assets (excluding financial instruments and deferred tax)	3,834.0	1,002.9	-	-	4,836.9
Total assets	4,775.3	1,140.9	-	-	5,916.2
Total liabilities	2,614.5	888.3	-	-	3,502.8
Capital expenditure/investment (including accruals)	63.9	132.1	-	-	196.0

	New Zealand	Australia	United Kingdom	Eliminations and reclassification to discontinued operations	Total
For the period ended 30 September 2013	$Millions Unaudited	$Millions Unaudited	$Millions Unaudited	$Millions Unaudited	$Millions Unaudited
Segment revenue	665.4	676.4	20.3	(513.4)	848.7
Share of earnings and income of associate companies	21.8	-	-	-	21.8
Inter-segment revenue	(76.1)	-	-	-	(76.1)
Segment revenue - external	611.1	676.4	20.3	(513.4)	794.4
EBITDAF	217.3	67.8	(6.3)	(47.6)	231.2
Interest revenue	13.3	1.0	-	(11.8)	2.5
Interest expense	(83.2)	(20.5)	(1.8)	11.9	(93.6)
Depreciation and amortisation	(49.9)	(23.5)	(1.8)	14.9	(60.3)
Net gain/(loss) on foreign exchange and derivatives	63.6	3.1	(30.4)	29.2	65.5
Net realisations, revaluations and (impairments)	185.6	-	(20.5)	20.6	185.7
Taxation expense	(37.4)	(7.4)	8.5	4.0	(32.3)
Segment result	309.3	20.5	(52.3)	21.2	298.7
Investments in associates	258.8	-	-	-	258.8
Total non-current assets (excluding financial instruments and deferred tax)	3,793.8	984.0	-	-	4,777.8
Total assets	4,119.6	1,386.7	-	-	5,506.3
Total liabilities	2,555.8	823.8	3.2	-	3,382.8
Capital expenditure/investment (including accruals)	96.2	158.7	2.5	-	257.4

	New Zealand	Australia	United Kingdom	Eliminations and reclassification to discontinued operations	Total
For the year ended 31 March 2014	$Millions Audited	$Millions Audited	$Millions Audited	$Millions Audited	$Millions Audited
Segment revenue	1,319.9	1,205.7	27.3	(1,037.1)	1,515.8
Share of earnings and income of associate companies	37.7	-	-	-	37.7
Inter-segment revenue	(179.3)	-	-	179.3	-
Segment revenue - external	1,178.3	1,205.7	27.3	(857.8)	1,553.5
EBITDAF	390.0	110.3	(9.3)	(53.6)	437.4
Interest revenue	24.1	1.9	-	(21.0)	5.0
Interest expense	(163.2)	(41.7)	(2.1)	21.9	(185.1)
Depreciation and amortisation	(102.7)	(49.1)	(2.5)	28.1	(126.2)
Net gain/(loss) on foreign exchange and derivatives	67.3	(14.2)	(80.1)	97.7	70.7
Net realisations, revaluations and (impairments)	189.1	(4.1)	(20.2)	24.3	189.1
Fair value gain on acquisition of associate	33.1	-	-	-	33.1
Taxation expense	(68.3)	5.1	11.3	(6.9)	(58.8)
Segment result	369.4	8.2	(102.9)	90.5	365.2
Investments in associates	292.2	-	-	-	292.2
Total non-current assets (excluding financial instruments and deferred tax)	3,842.8	1,048.6	-	-	4,891.4
Total assets	4,126.5	1,323.3	-	-	5,449.8
Total liabilities	2,570.9	843.0	-	-	3,413.9
Capital expenditure/investment (including accruals)	147.8	317.9	2.5	-	468.2

The group has no significant reliance on any one customer.

(15) Financial Instruments

Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements is their fair value, with the exception of bond debt held at amortised cost which has a fair value at 30 September 2014 of $1,712.7 million compared to a carrying value of $1,707.0 million (30 September 2013: Fair value of $1,709.9 million compared to a carrying value of $1,716.6 million, 31 March 2014: Fair value of $1,707.2 million compared to a carrying value of $1,705.3 million).

Estimation of fair values

The fair values of financial assets and financial liabilities are determined as follows:

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

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:

- forward price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

Valuation Input	*Source*
Interest rate forward price curve	Published market swap rates
Foreign exchange forward prices	Published spot foreign exchange rates
Electricity forward price curve	Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available.
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument.
Discount rate for valuing forward foreign exchange contracts	Published market rates as applicable to the remaining life of the instrument.
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 5.0% to 5.3% (September 2013: 4.1% to 4.7%, March 2014: 4.1% to 5.2%)

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (**level 1**)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (**level 2**)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (**level 3**).

The following tables present the Group's financial assets and liabilities that are measured at fair value.

30 September 2014	Level 1 $Millions Unaudited	Level 2 $Millions Unaudited	Level 3 $Millions Unaudited	Total $Millions Unaudited
Assets per the statement of financial position				
Derivative financial instruments - energy	-	-	1.9	1.9
Derivative financial instruments - foreign exchange	-	0.8	-	0.8
Derivative financial instruments - interest rate	-	2.7	-	2.7
Total	-	3.5	1.9	5.4
Liabilities per the statement of financial position				
Derivative financial instruments - energy	-	0.3	14.0	14.3
Derivative financial instruments - foreign exchange	-	3.2	-	3.2
Derivative financial instruments - interest rate	-	42.9	-	42.9
Total	-	46.4	14.0	60.4

30 September 2013	Level 1 $Millions Unaudited	Level 2 $Millions Unaudited	Level 3 $Millions Unaudited	Total $Millions Unaudited
Assets per the statement of financial position				
Derivative financial instruments - energy	-	12.5	7.0	19.5
Derivative financial instruments - foreign exchange	-	13.1	-	13.1
Derivative financial instruments - interest rate	-	5.3	-	5.3
Total	-	30.9	7.0	37.9
Liabilities per the statement of financial position				
Derivative financial instruments - energy	2.4	8.3	20.0	30.7
Derivative financial instruments - foreign exchange	-	1.9	-	1.9
Derivative financial instruments - interest rate	-	58.6	-	58.6
Total	2.4	68.8	20.0	91.2

31 March 2014	Level 1 $Millions Audited	Level 2 $Millions Audited	Level 3 $Millions Audited	Total $Millions Audited
Assets per the statement of financial position				
Derivative financial instruments - energy	12.0	-	2.6	14.6
Derivative financial instruments - foreign exchange	-	2.8	-	2.8
Derivative financial instruments - interest rate	-	4.7	-	4.7
Total	12.0	7.5	2.6	22.1
Liabilities per the statement of financial position				
Derivative financial instruments - energy	3.1	7.0	9.3	19.4
Derivative financial instruments - foreign exchange	-	1.0	-	1.0
Derivative financial instruments - interest rate	-	37.7	-	37.7
Total	3.1	45.7	9.3	58.1

There were no transfers between derivative financial instrument assets or liabilities classified as level 1 or level 2, and level 3 of the fair value hierarchy during the period ended 30 September 2014 (September 2013: none, March 2014: none).

The following table reconciles the movements in level 3 for measurement of the fair value hierarchy	6 months ended 30 September 2014 $Millions Unaudited Energy derivatives	6 months ended 30 September 2013 $Millions Unaudited Energy derivatives	Year ended 31 March 2014 $Millions Audited Energy derivatives
Assets per the statement of financial position			
Opening balance	2.6	5.9	5.9
Foreign exchange movement on opening balance	-	(0.6)	(0.4)
Gains and (losses) recognised in profit or loss	(0.7)	1.7	(2.9)
Gains and (losses) recognised in other comprehensive income	-	-	-
Closing balance	1.9	7.0	2.6
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	0.5	2.5	(2.3)
Liabilities per the statement of financial position			
Opening balance	9.3	14.9	14.9
Foreign exchange movement on opening balance	0.1	-	(0.1)
(Gains) and losses recognised in profit or loss	(1.4)	0.2	5.7
(Gains) and losses recognised in other comprehensive income	7.8	4.9	(11.2)
Sold as part of the disposal of a subsidiary	(1.8)	-	-
Closing balance	14.0	20.0	9.3
Total losses for the period included in profit or loss for liabilities held at the end of the reporting period	0.3	14.4	6.2
Settlements during the period	(6.5)	5.8	(2.1)

Energy derivatives

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

The following table shows the impact on post-tax profit and equity of an increase/decrease in the relevant forward electricity prices with all other variables held constant:

Energy price sensitivity analysis	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Profit and loss			
10% increase in energy forward prices	1.2	11.2	7.5
10% decrease in energy forward prices	(1.2)	(13.5)	(7.1)
Other comprehensive income			
10% increase in energy forward prices	5.0	7.9	12.7
10% decrease in energy forward prices	(5.0)	(7.9)	(12.7)

(16) Commitments

	Consolidated		
Capital commitments	6 months ended 30 September 2014 $Millions Unaudited	6 months ended 30 September 2013 $Millions Unaudited	Year ended 31 March 2014 $Millions Audited
Committed but not contracted for	2.9	5.7	3.1
Contracted but not provided for	4.7	214.0	65.1
	7.6	219.7	68.2

The prior period capital commitments comprise the contracts for the construction of stage 2 of Trustpower's Snowtown Wind Farm.

(17) Contingent liabilities and legal matters

The Company and certain wholly owned subsidiaries are guarantors of the bank debt facilities of Infratil Finance Limited under a Deed of Negative Pledge, Guarantee and Subordination and the Company is a guarantor to certain obligations of subsidiary companies.

The Company has a contingent liability under the management agreement with Morrison & Co International Limited in the event that the Group sells its international assets, or valuation of the assets exceeds the performance thresholds set out in the management agreement.

During 2007 the European Commission opened formal investigations into alleged state aid in relation to Lübeck airport (owned and operated by Flughafen Lübeck GmbH, one of the Group's subsidiaries at that time). In 2009 Infratil exercised a put option and sold its interest in Lübeck airport back to the City of Lübeck. Lübeck is one of several airports in Germany in relation to which the European Commission has opened formal state aid investigations. Infratil understands a significant number of airports elsewhere in the European Union are also under investigation. Three of the four matters being investigated since 2007 do not relate to Infratil Airports Europe Limited ('IAEL'), but to the financing of the airport by the City of Lübeck and to arrangements with Ryanair which were entered into prior to the sale of the airport to IAEL. The fourth relates to the price IAEL paid when it purchased Flughafen Lübeck GmbH. The European Commission appears to have prioritized the long running German airport investigations. In February 2012, the investigation was formally extended to include the put option arrangements. IAEL, Flughafen Lübeck GmbH, Ryanair, the Hanseatic City of Lübeck, and the government of the Federal Republic of Germany continue to work to refute the allegations of state aid. IAEL maintains its position that the purchase of 90 % in Flughafen Lübeck GmbH which was the result of an open, unconditional and transparent tender process in 2005, and the put option arrangements, cannot, by their very nature and the circumstances they were agreed on, involve state aid. IAEL continues to be confident that it will be able to demonstrate this to the Commission and, if necessary, the European Court of Justice. If IAEL was found to have received state aid, it would be required to refund the state aid received, together with interest. The European Commission had previously indicated that it would will close all pending cases by September 2014. However, it is not anticipated that a decision will be made before the end of the year.

Trustpower was successful in its High Court case against Inland Revenue. The Court ruled that Trustpower's existing tax treatment of feasibility expenditure incurred in the 2006 to 2008 financial years was appropriate and disagreed with Inland Revenue's view that the resource consents acquired were capital assets. Inland Revenue has appealed this decision. The appeal will be heard by the Appeal Court in March 2015. Should Inland Revenue be completely successful in its claim for all three years, the resulting liability would give rise to a tax payment of $5,924,000 and interest expense of $2,951,000. Following the statutory disputes process, Inland Revenue has now begun the reassessment of the 2009 and 2010 years, proposing tax payments of $2,632,000 and interest expense of $1,198,000. Based on the principle of the assessment and the proposed reassessments, the Group would need to revise its policy for capitalising the costs of resource consents for tax purposes in the 2011 and future years. This would give rise to a further estimated tax payment of $2,029,000 and interest expense of $398,000 in respect of the 2011 to 2015 years. This would primarily result in a balance sheet adjustment in the financial statements as most resource consents are depreciable intangible property. The impact of these adjustments on the tax expense in the income statement is difficult to estimate but is unlikely to exceed $2,500,000 for all years up to September 2015.
Trustpower has been awarded costs in relation to the High Court case. The parties are unable to agree on the amount and the matter has been referred back to the Court for a decision. This hearing has been held but to date no judgment has been received. The award is likely to be between $639,000 and $1,400,000. The Inland Revenue has paid the undisputed $639,000 portion of the costs. The awarding of costs has also been appealed and is therefore contingent on the outcome of the Appeal Court case noted above.

(18) Related parties

Certain Infratil Directors have relevant interests in a number of companies with which Infratil has transactions in the normal course of business. A number of key management personnel are also Directors of Group subsidiary companies and associates. Transactions undertaken with Group companies, including associates, have been entered into on an arm's length commercial basis.

Morrison & Co Infrastructure Management Limited ('MCIM') is the management company for the Company and receives management fees in accordance with the management agreement.

MCIM is owned by H.R.L. Morrison & Co Group Limited Partnership ('MCO'). Messrs M Bogoievski and D P Saville are directors of the Company, and Mr Muh (an alternate director) is also a Director and executive of MCO. Mr Bogoievski is Chief Executive Officer of MCO. Entities associated with Mr Bogoievski, Mr Saville and Mr Muh have a beneficial interest in MCO.

	Consolidated		
Management and other fees paid by the Group (including associates) to MCIM, MCO or its related parties during the period were:	6 months ended 30 September 2014	6 months ended 30 September 2013	Year ended 31 March 2014
	$Millions Unaudited	$Millions Unaudited	$Millions Audited
Management fees	9.1	10.7	19.0
Incentive fees	45.2	-	-
Executive secondment and consulting	0.1	0.2	0.6
Directors fees	0.8	0.8	1.6
Financial management, accounting, treasury, compliance and administrative services	0.6	0.6	1.2
Investment banking services	3.7	0.2	0.8
Total management and other fees	59.5	12.5	23.2

At 30 September 2014 an amount owing to MCIM of $1.9 million (excluding GST) is included in trade creditors (30 September 2013: $2.0 million, 31 March 2014: $1.9 million).

The incentive fee payable to Morrison & Co International Limited at 30 September 2014 of $45.2 million has been accrued pending the final proceeds from the sale of Infratil Energy Australia and is calculated in accordance with the international portfolio management agreement. The sales fee payable to Morrison & Co International Limited of $3.3 million is included within Investment banking services and has been accrued pending the final proceeds from the sale of Infratil Energy Australia.

$4.2 million of total management and other fees, and $45.2m of incentive fees during the period were paid or are payable by Infratil Energy Australia, and are included within the result from discontinued operations (Infratil Airports Europe Limited and Infratil Energy Australia: September 2013: $1.4 million, March 2014: $2.6 million).

(19) Events after balance date

Dividend
On 10 November 2014, the Directors approved a fully imputed interim dividend of 4.5 cents per share to holders of fully paid ordinary shares to be paid on 15 December 2014.

Special Dividend
On 10 November 2014, the Directors approved a fully imputed special dividend of 15.0 cents per share to holders of fully paid ordinary shares to be paid on 15 December 2014.

Share Buyback
On 10 November 2014, the Directors approved an on-market share buyback of up to $35.8 million with the intention to complete the buyback in the 4th quarter of FY2015.

Directory

Directors
M Tume (Chairman)
M Bogoievski
A Gerry (appointed 11 July 2014)
P Gough
H J D Rolleston
D P Saville
A Y Muh (alternate to D P Saville)

Company Secretary
P Harford

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Bank of New Zealand
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Commonwealth Bank of Australia
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ASB North Wharf
12 Jellicoe Street
Auckland

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

Kiwibank Limited
Level 12
New Zealand Post House
7 Waterloo Quay
Wellington

Westpac New Zealand Limited
Westpac On Takutai Square
16 Takutai Square
Auckland

Auditors' review report

To the shareholders of Infratil Limited

We have completed a review of the interim financial statements on pages 1 to 19 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board. The financial statements provide information about the past financial performance of Infratil Limited and its subsidiaries ("the Group") and its financial position as at 30 September 2014.

Directors' responsibilities

The Directors of Infratil Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 30 September 2014 and the results of its operations and cash flows for the six month period ended on that date.

Reviewers' responsibilities

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

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Group in relation to taxation, regulatory disclosures, advisory and other assurance engagements. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 1 to 19 do not give a true and fair view of the financial position of the Group as at 30 September 2014 and the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 10 November 2014 and our opinion is expressed as at that date.

KPMG

Wellington

INFRATIL HALF YEAR RESULTS PRESENTATION

Six Months Ended 30 September 2014

INFRATIL

11 November 2014

Half Year Overview

Investment realisations provide capital management options

- Record net surplus following asset realisations
  - $336.7m gain on sale of the IEA Group
- EBITDAF from continuing operations +4.9%
- New capital investment continues:
  - A$72m acquisition of Green State Power by TPW
  - Completion of Snowtown II wind farm
- FY2015 guidance maintained (adjusted for the sale of IEA Group)
  - Revised FY2015 EBITDAF range of $475-$500m
- $120m capital return targeted for 2nd half of FY15:
  - Special dividend of 15cps ($84.2m)
  - On-market buyback of $35.8m via tender in Q4 FY15
  - Review further capital options post FY15
- Increase in interim dividend to 4.5cps (+20%)

Financial Highlights

IEA Group divestment drives record net surplus

Half Year Ended 30 September ($Millions)	2014	2013	Variance	% Change
EBITDAF (continuing activities)[1]	242.5	231.2	11.3	4.9%
Operating Earnings (continuing activities)[1]	78.0	79.8	(1.8)	(2.3%)
Net Surplus after Tax, MI and Disc Ops	398.8	230.0	168.8	73.4%
Net Operating Cash Flow	122.2	274.6[2]	(152.4)	(55.5%)
Capital Expenditure/Investment	196.0	257.4	(61.4)	(23.9%)

(1) Continuing operations in FY14 and FY13 exclude the IEA Group and PayGlobal which were sold during the period and the European Airports which were sold in November 2013

(2) Net operating cash flow includes $107m of distributions from Z Energy in 2013

Result Summary

Adjusted EBITDAF +6.8% on prior year

- $15.6m increase in adjusted EBITDAF[(1)] of $245.9m (+6.8%)
- Increased contribution from Trustpower offset by lower historic cost contribution from Z Energy
- Steady underlying performance from Z Energy, WIAL, NZ Bus and MET
- IEA EBITDAF included within discontinued operations

($Millions)	30 Sep 2014	30 Sep 2013	% Change
EBITDAF[(1)]	242.5	231.2	4.9%
Z Energy equity earnings adjustment[(2)]	3.4	(0.9)	477%
Adjusted EBITDAF	245.9	230.3	6.8%
Depreciation & Amortisation	(72.1)	(60.3)	(19.6%)
Adjusted EBIT	173.8	170.0	2.2%

(1) EBITDAF from continuing operations
(2) Z Energy adjustments detailed in Appendix II

Results Summary

Portfolio changes have dominated reported results

IEA GROUP SALE

- Sale of 100% of the IEA Group for net sales price of $670.4m
- Net gain on sale of $336.7m
- Gain on sale and 6 month results reported within discontinued operations

OPERATING CASH FLOW

- $122.2m for the period (-55% versus PY of $274.6m)
- Prior period included $100.9m of distributions from Z Energy and derivative realisations of $37.5m

MARK TO MARKET FAIR VALUES

- Energy, FX and IRS derivative losses of $4.7m
- Fair value gain on acquisition of Green State Power of $25.0m
- Gains on realisations of PayGlobal and New Lynn property of $7.4m after tax

INTERIM DIVIDEND [1]

Interim dividend of **4.5 cps** and Special dividend of **15.0 cps**, both fully imputed and payable on **15 December 2014** to shareholders of record as at **28 November 2014** (last year 3.75 cps)

[1] The DRP will be suspended for this dividend

EBITDAF Breakdown

EBITDAF growth driven by Snowtown II wind farm

HY 30 September ($Millions)	Sep 2014	Sep 2013
Trustpower	173.3	153.2
Wellington Airport	40.4	42.4
NZ Bus	20.0	21.5
Perth Energy	4.9	3.5
Other, eliminations, etc.	(8.8)	(11.2)
EBITDAF pre associates	229.8	209.4
Z Energy	4.4	21.8
Metlifecare	8.3	-
EBITDAF – continuing	242.5	231.2
Infratil Energy Australia	40.8	53.9
Other Discontinued	1.2	(6.3)
Total EBITDAF	284.5	278.8

- **Trustpower –** EBITDAF increase of 13% driven by growth in Australian generation volumes from Snowtown II
- **WIAL –** Reset aeronautical charges reducing EBITDAF from 1 June
- **NZ Bus –** Growth in patronage offset by reducing fare yields in Auckland
- **Z Energy –** Reduction in ownership percentage following IPO in 2013
- **Metlifecare –** Acquired in November 2013, contribution driven by asset revaluations
- **IEA –** sold to Snowy Hydro on 30 September 2014 and result included within discontinued operations

IEA Group Sale

Significant gain realised on sale

- On 30 September 2014, Infratil completed the sale of 100% of the IEA Group to Snowy Hydro Limited for a net sales price of $670.4m, subject to finalisation of the working capital adjustment
- Net gain on sale of $336.7m recognised within discontinued operations

Reported Gain on IEA Group Sale	$Millions
Gross sales proceeds	726.3
less: sales costs	(10.7)
less: incentive fee payable to Morrison & Co	(45.2)
Net sales proceeds	670.4
Carrying value of net assets sold	(325.9)
Realised FX and derivatives	(7.8)
Net gain on sale	336.7

Economic value gain	$Millions	$ per share
IFT carrying value 31 March 2014	271.9	0.48
Increase in NAV during period	61.8	0.11
Net sales proceeds	670.4	1.19
Net gain on sale	336.7	0.60
Total gain during period	398.5	0.71

Debt Profile

Strong net cash position and duration profile

- Total Infratil and wholly owned subsidiaries[1] bank facilities of $502.6m. Net cash position of $640.4m at 30 September 2014
- Senior borrowing facilities include senior debt with terms up to 5 years and 7.5 year export credit facilities
- Infratil gearing 20.0% (net debt / total net debt + equity capitalisation) including Piibs (down from 46% at March 2014)
- Infratil continues to target duration of its borrowings consistent with the profile of its assets and long-term ownership

As at 30 September[2] ($Millions)	2015	2016	2017	2018	>4 yrs	>10 yrs
Bonds	-	152.8	100.0	147.4	354.1	234.9
Infratil bank facilities[1]	-	62.0	132.0	197.0	25.0	-
100% subsidiaries bank facilities [3]	6.4	12.7	12.7	12.7	42.1	-

(1) Infratil and wholly-owned subsidiaries excludes Trustpower, WIAL, Perth Energy, Z Energy and Metlifecare
(2) Maturity profile based on 31 March financial year ends
(3) NZ Bus export credit guarantee fleet procurement facility

Capital Management

Current context - full range of alternatives examined

- Following the sale of IEA, Infratil has significant cash balances, no net wholly-owned bank debt, and no bond maturities until November 2015
- Macro view suggests it will be advantageous to maintain financial flexibility in any future capital structure;
  - Infrastructure and capital markets are currently positive, although we remain cautious given current pricing and the potential for significant volatility as developed markets face the end of QE
  - The pipeline for future investment remains strong with an emphasis on growth infrastructure, and developments in confirmed areas of interest (e.g. renewables and retirement sector)
  - A number of near term value accretive investment opportunities are underway
- Capital management is always challenging when buying or selling large private market or control assets

Capital Management (cont'd)

A flexible and staged recommendation

- A combination of a fully imputed special dividend and a share buy-back will improve capital efficiency while rewarding shareholders equitably:
  - Addresses current IFT valuation and capacity to secure long-term returns from growth infrastructure
  - Current stock of imputation credits is inefficient and high relative to existing dividend policy
  - Buyback accretion benefits are meaningful, although residual capital structure needs to provide ongoing flexibility
  - Infratil's share price has responded very positively to the sale of Lumo/IEA, lifting 50 cents per share (20%) since the announcement with commensurate increases in consensus broker valuations
- Review of position for further capital returns in FY16 following developments and progress with internal and external origination

Capital Return	• Special dividend of 15cps ($84.2m) in conjunction with the interim dividend • On-market buyback via tender of $35.8m targeted for Q4 2015

Net Asset Values

Book Values at 30 September – sale of IEA has reduced totals

Investment[1,2] ($Millions)	30 Sep 2014	31 Mar 2014
Trustpower	1,167.7	1,036.7
Wellington Airport	329.6	351.5
NZ Bus	300.5	303.1
Infratil Energy Australia	-	271.9
Perth Energy	76.5	76.8
Z Energy	316.8	312.0
Metlifecare	193.4	170.6
Other	73.3	78.6
Total	2,457.8	2,601.2

(1) Book values represent accounting based measures of value, other than for listed investments (Trustpower, Z Energy and Metlifecare)
(2) Values exclude 100% subsidiaries' cash balances and deferred tax where CGT does not apply

- **Trustpower** – listed market value ($7.31) reflects re-rating of generators-retailers post the NZ election
- **WIAL** – minor movement reflects shareholder distributions and payment for tax losses
- **NZ Bus** – minor movement in net invested capital
- **Z Energy** – movement in listed market share price ($3.96)
- **Metlifecare** – movement in listed market share price ($4.60)
- **Other** investments include ASIP, iSite, Snapper and Property

NZ Energy - Trustpower

Snowtown II construction completed ahead of expectations

EBITDAF of $173.3m up 13% over prior period

Good traction on mass market acquisitions through metro market campaigns

- energy accounts increased to 255k, up 12% over prior period
- multi-service offer continues to gather momentum

Snowtown II construction completed

- full hand-over 24th October
- final cost of A$424m (ex capitalised interest). $16m under budget (14%+ project IRR)
- Snowtown I and II wind farms produced 584 GWh up 300% on prior year

Acquisition of Green State Power

- successful acquisition of NSW-based hydro and wind assets. 105MW of hydro and wind expected to produce 270 GWh in an average year

NZ Fuel Distribution - Z Energy

Solid underlying performance impacted by GRM and FX volatility

- 13% decline in RC operating EBITDAF despite fuel marketing margin growth
- Extremely low refining margins exacerbated by unplanned operational production outages at Refining NZ
- Negative impacts from foreign exchange volatility at the end of the reporting period
- Fuel margin +5% and non-fuel margin +7%
- Strategy projects support momentum:
  - 2 new sites and 5 rebuilds completed during the period
  - New agreement for product imports finalised (+$1m savings)
- FY guidance for replacement cost EBITDAF maintained suggesting stronger 2nd half performance
- Interim dividend of 7.7cps to be paid 3 December 2014

Wellington International Airport
Major development programme initiated

- **EBITDAF -4.8% to $40.4m**
  - 40 cent per passenger charge reductions effective 1 June 2014
  - Passenger growth on budget but below trend, expected to improve in the second half of year
  - New Jetstar direct service to Coolangatta commences December 2014 and delivers an additional 50,000 seats to Wellington's trans-Tasman market and improved connectivity to Asia

- **Capital expenditure programme**
  - Work about to commence on a 6,000 sq metre extension to the terminal
  - Evaluation of the proposed 300m extension to the runway positive

NZ Public Transport – NZ Bus

New contract environment imminent

- **EBITDAF $20.0m vs prior year $21.5m**
  - Total passengers of 31 million, up 3% on the prior year
  - Reduction in yields following the introduction of integrated ticketing in Auckland
  - Additional spend on operational efficiency measures aimed at productivity improvement and positioning for new bus contract tenders
- **Public Transport Operating Model (PTOM)**
  - Auckland Transport has released draft contracts and consultation with incumbent operators is underway
  - The first round of tenders will follow contract finalisation, with implementation expected 2015/16
  - Dialogue is continuing with GWRC on a transition plan for trolley buses in Wellington

NZ Retirement - Metlifecare

Solid progress across most KPIs

- **$8m equity accounted contribution to the group**
  - On track to deliver 200+ units and beds target per annum by FY15
  - Result included strong revaluation gains
- **Current land-bank capable of accommodating 1,000 units and care beds**
  - Greenfield and brownfield construction in Auckland and Tauranga
  - Resource consent obtained for Greenwich Gardens
- **Continuum of care model developing**

Capital Expenditure

Modest internal capex profile for the 2nd half

Capex ($Millions)	30 Sep 2014	FY15 Outlook
Trustpower	143.9	155-175
Wellington Airport	7.3	40-45
NZ Bus	10.3	15-25
Infratil Energy Australia	16.4	16.4
Perth Energy	0.1	1-2
Z Energy	-	-
Metlifecare	0.5	1-2
Australian PPP	16.4	25-35
Other	1.1	1-2
Total	196.0	255-305

- **Trustpower –** Snowtown II completed in September 2014 and acquisition of Green State Power concluded – remaining capital spend on ongoing optimisation of NZ hydro facilities
- **Wellington Airport –** commencement of 6,000 sq metre terminal expansion in November 2014
- **NZBus –** investment in bus repowering
- **Australian PPP –** investment contributions for the new Royal Adelaide Hospital development via ASIP

2014/15 Outlook

Updated guidance post the sale of the IEA Group

$Millions	30 Sep 2014 Actual	FY 2015 Outlook[1]
EBITDAF – continuing operations	242.5	475-500
Net interest	92.2	165-175
Operating cash flow	122.2	250-280
Depreciation and amortisation	72.0	155-165

[1] Continuing operations based on Z Energy replacement cost earnings (refer Appendix III)

- 2014/15 EBITDAF range $475m - $500m:
  - Assumes no further major changes in the IFT portfolio
  - Reduction from original guidance reflects the sale of IEA – now included in discontinued operations

Infratil Group - Summary
Previous divestment bias shifting to origination focus

- Strong underlying performance in the portfolio and the sale of Infratil Energy Australia has created significant flexibility for the Group
  - Following the sale of IEA, Infratil has significant cash balances, no net wholly-owned bank debt, and no bond maturities until November 2015
  - Combination of $120m special dividend and share buy-back will improve capital efficiency while rewarding shareholders equitably
- Growing confidence in origination and uncertainty in markets support the case for capital retention and financial flexibility
  - A number of near term value accretive investment opportunities are underway
- Near term portfolio plan includes:
  - Allocate some capital to early stage and higher growth development exposures in favoured sectors (e.g. renewables, retirement, water and irrigation)
  - Further traction of the NZ retail multi-service offering and international development programme in TPW
  - Execute the capital expenditure plans in WIAL
  - Assess future long term returns available from NZ public transport with PTOM
  - Continue to support MET and ZEL as an active shareholder
- Cash flow growth and outlook supports continued growth in dividends per share

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Appendix I – Consolidated Profit & Loss

Group Financial Performance ($Millions)	30 Sep 2014	30 Sep 2013
Operating revenue	852.2	794.4
Operating expenditure (excluding depreciation & amortisation)	(609.7)	(563.2)
EBITDAF (continuing activities)	**242.5**	**231.2**
Net interest	(92.4)	(91.1)
Depreciation & amortisation	(72.1)	(60.3)
Operating Earnings (continuing activities)	**78.0**	**79.8**
Net (loss) / gain on foreign exchange and financial derivatives	(4.7)	65.5
Net investment realisations	29.9	185.7
Tax	(21.8)	(32.3)
Discontinued operations[i]	367.0	(21.4)
Net Surplus after Tax	**448.4**	**277.3**
Minority interests	(49.6)	(47.3)
Net Parent Surplus	**398.8**	**230.0**

[i] Discontinued operations refers to the European Airport investment which was sold in November 2013, the IEA Group sold in September 2014 and PayGlobal Limited sold in August 2014

Appendix II – Adjusted Earnings Reconciliation

Half Year Ended 30 September ($Millions)	Sep 2014	Sep 2013	Variance	% Change
Net Profit after Tax – reported	448.4	277.3	171.1	61.7%
• Net (gain)/loss on foreign exchange and derivatives[(i)]	4.7	(65.5)		
• Net investment revals, realisations and impairments	(29.9)	(185.7)		
• Tax effect of changes[(ii)]	0.3	18.3		
• Add back result from discontinued operations	(367.0)	21.4		
Z Energy Adjustments (after tax)				
• Z Energy equity earnings (HCA to RC adjustment)[(iii)]	3.4	(0.8)		
• Z Energy gain on derivatives	-	(0.2)		
• Z Energy net investment revals, realisations and impairments	-	0.1		
Net Profit after Tax – adjusted	**59.9**	64.9	**(5.0)**	**(7.7%)**

(i) Mark to market movements on derivatives reflect the market value of interest rate, foreign exchange and energy hedges at a reporting date and are subject to the market prices of the respective hedges

(ii) The tax effect reflects the tax change as a result of removing the other adjustments

(iii) Z Energy reports its earnings on a historic cost basis, which may be volatile depending on how much the price of oil fluctuates. Further details are provided on the next page

Appendix III

Z Energy HCA to RC Adjustment

- RC Earnings is a non-GAAP measure used by the downstream fuel industry to measure and report earnings on a replacement cost basis
- RC Earnings adjusts purchases of crude and product as if the product sold in a month had been purchased in that month, rather than the Historical Cost (HC) which reflects the prices at the time of purchase
- RC Earnings exclude the impact of changes in crude oil and refined product prices on the value of inventory held by Z, thus it is a better measure of underlying performance
- The difference between HC earnings and RC earnings is the Cost of Sales Adjustment (COSA). Refer to the reconciliation between HC NPAT and RC NPAT in these appendices

Infratil

Interim Report
2014

Snowtown II wind farm
South Australia

Highlights

for the six months ended 30 September 2014

Net surplus was $399 million compared with $230 million last year (71 cents per share, up from 39 cents).

Consolidated EBITDAF including discontinued operations[1] was $285 million, up 2% compared with last year's $279 million:

- $20 million increase in Trustpower EBITDAF. $18 million decline in Z Energy contribution.
- Satisfactory performances were provided by Infratil's other businesses.

Full year EBITDAF guidance is maintained (adjusted for asset sales)[2]:

- FY2015 EBITDAF guidance is $475 million to $500 million (assuming no further asset sales and Z equity earnings reported on a replacement cost basis).

$196 million of capital was invested over the period, including:

- Trustpower's acquisition of Green State Power hydro and wind assets from the NSW Government for A$72 million.
- Completion of the A$424 million Snowtown II wind farm in South Australia.
- A$15 million incremental investment in Australia Social Infrastructure Partners (ASIP).

The sale of Lumo/Infratil Energy Australia and interests in PayGlobal and property raised $694 million and provided a gain on book value of $343 million.

Net debt of Infratil and wholly owned subsidiaries fell to $349 million from $1,062 million at the start of the period (under 20% of total capitalisation from 46%).

$120 million of capital management initiatives for the second half of FY2015:

- $84 million (15 cents per share) fully-imputed special dividend to be paid in conjunction with the ordinary interim dividend.
- A $36 million on-market share buy-back targeted for the fourth quarter of FY2015.

Additional capital management initiatives will be considered in 2015 pending development of Infratil's investment plans.

The interim dividend increased to 4.50 cents per share from 3.75 cents last year, which is to be paid on 15 December 2014 to shareholders of record on 28 November 2014.

1. EBITDAF is a non-GAAP measure which shows management's view of underlying business performance. It shows operating earnings before deducting interest, tax, depreciation and amortisation and before making any adjustments for fair value movements, realisations and impairments.
2. When assets are sold their financial contributions are separated out from those of continuing operations. While actual consolidated EBITDAF for the half year period was $285 million against $279 million last year, if this is adjusted for the contribution from discontinued businesses the amounts would be $243 million and $231 million respectively. The full year guidance EBITDAF excludes the earnings of discontinued businesses.

Chairman and Chief Executive Report

Infratil's results reflect operational performance, valuation changes and capital allocation decisions. Over the first half of FY2015 capital decisions have overshadowed business performance, but ultimately earnings and projected returns drive value and future capital choices.

Measured by EBITDAF, the period was satisfactory. Operating outcomes were largely consistent with targets and the full year guidance has been maintained (other than to adjust for the impact of asset sales). Naturally each business had its own developments and these are summarised below.

Trustpower had good growth in its retailing operations while experiencing trying wind/hydrology conditions, which are part and parcel of renewable generation. The election result reduced regulatory risk in New Zealand, and the Snowtown II wind farm was completed and commissioned. Australian generation is now a material contributor and the main reason why Trustpower's EBITDAF rose to $173 million from $153 million in the prior period.

Wellington Airport traffic growth was below its five year trend due to airline fleet and route changes, none of which are likely to alter the medium term outlook. A new Jetstar service with Coolangatta was the key airline event of the period. Work is about to start on a major reconstruction of the terminal and the runway extension programme was also progressed. EBITDAF was $40 million, down from $42 million mainly due to lower aeronautical charges.

NZ Bus experienced patronage growth of 5% in Auckland and 1% in Wellington/Hutt. EBITDAF was however down $2 million to $20 million because of lower average fares in Auckland and up-front costs associated with implementing efficiency initiatives. The new contracting model being developed for public transport moved a step closer and the contract structure is now subject to consultation between the industry and Auckland Transport.

Z Energy provided a $4 million equity accounted earnings contribution to Infratil. It was a difficult period with low refining margins and volatile currencies and oil prices, but Z Energy's guidance for the full year replacement cost EBITDAF was maintained, indicating that a strong improvement in the second half of FY2015 is anticipated.

Metlifecare provided an $8 million equity accounted earnings contribution to Infratil. In its full year announcement Metlifecare indicated satisfactory performance measured by earnings, occupancy and unit demand and a marked step up in construction activity with over 200 new units per year to be delivered from 2015, against an average of approximately 60 units in each of the last five years.

Perth Energy EBITDAF was $5 million, up from $4 million last year as it benefitted from a lower obligation to purchase renewable energy certificates.

Snapper, achieved a notable success with its technology being taken up by the Dublin public transport agency in Ireland. Snapper had originally developed the technology for Wellington City Council's cable car.

Investment Environment & Opportunities

In Australia and New Zealand the growing need for private sector involvement in infrastructure is largely being matched by increased investor appetite for assets with stable earnings. Rising supply and rising demand creates both opportunities and challenges. The opportunity is reflected by the high valuations available for mature, well-managed businesses such as Z Energy and Infratil Energy Australia. The challenge is in finding new investments that do not attract a premium entry price.

We believe that the group's investment and divestment activities over the last five years show that both the opportunities and challenges are being well managed. Over that period the Infratil group has realised $1,489 million from divestments and committed $2,067 million to new investment. Over the same period EBITDAF has risen from $363 million to this year's forecast range of $475-$500 million.

It should be noted that while turning over a portion of the group's assets can make good commercial sense, it is not Infratil's core business or purpose. The current period should be seen as a generational refresh of the portfolio rather than a change in strategy or goals. Infratil's over-riding objective is to build good infrastructure businesses providing above average opportunities and returns over the long-term.

While projecting returns from future investment can be difficult, we know that demand for infrastructure is increasing and that investors with operating capability can earn a premium. Infratil's pipeline of growth infrastructure and development opportunities remains very strong and management are actively engaged on a number of opportunities.

Given this perspective, retaining access to capital is important.

Capital and Shareholder Returns

Maintaining an optimal capital structure is difficult at any time, but is particularly challenging when buying or selling large investments. As an example the sale of Infratil Energy Australia has provided the group with a significant short-term cash position and significant access to capital. On 30 September 2014 the $349 million net debt of the Infratil wholly owned group made up less than 20% of total capitalisation (net debt + market value of equity) against a more normal level of about 40%.

Given our long-term return goals and confidence around future opportunities, a staged process has been selected as the best way to deliver capital efficiency while also allowing pursuit of good long-term investments.

Consequently, $120 million of capital management initiatives are targeted for the second half of FY2015 including:

- A special dividend of $84 million or 15 cents per share, fully imputed, to be paid in conjunction with the ordinary interim dividend on 15 December to all shareholders of record on 28 November.
- A $36 million on-market buy-back to repurchase Infratil shares in the fourth quarter of FY2015.

Additional capital management initiatives will be considered in 2015 pending development of Infratil's investment plans.

The future will show whether current investment and capital decisions will deliver above-average returns. Fortunately, Infratil's track record should give its shareholders confidence. As at 30 September 2014 Infratil had provided a compound after tax return since listing in March 1994 of 17.8% per annum. An investor who had invested $1,000 in the listing and reinvested all subsequent distributions would have had a holding valued at $28,827 as at 30 September 2014.

Taking a more recent time frame, over the last three years Infratil's sharemarket return was 21.6% per annum compared with the NZX50 return over that period of 17.1% per annum.

Dividends

In addition to the 15 cents special dividend noted above, Infratil has also declared a regular interim dividend for the first half of FY2015 of 4.5 cents per share fully imputed (3.75 cents last year).

This continues the strategy of converting strong earnings growth into steady increases in shareholder dividends.

Annual Meeting

Infratil's 2014 annual meeting was held on 12 August. All resolutions were passed, including the resolution to appoint Alison Gerry as a director. The meeting presentation is available on the website and minutes of the meeting are available on request. The meeting was well attended by shareholders, bondholders and Infratil's management team. As always, there were some interesting questions posed to the board and management.

Mark Tume
Chairman

Marko Bogoievski
Chief Executive

Financial Performance

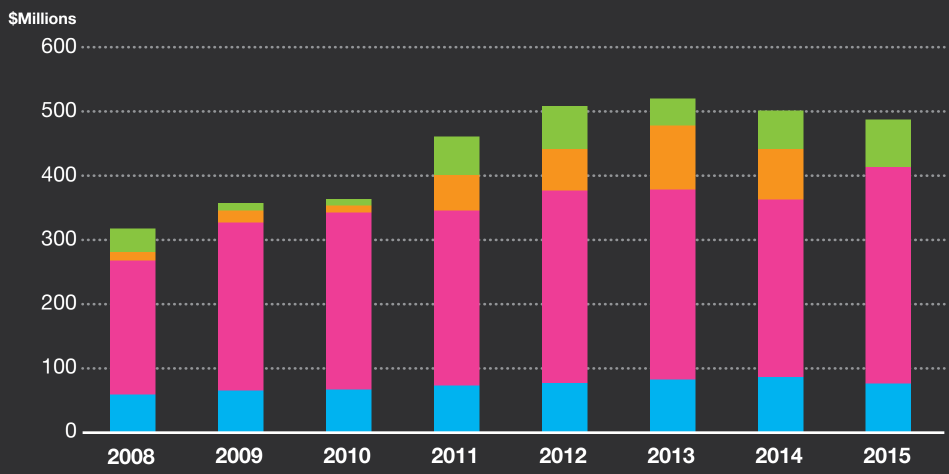
Key EBITDAF, cash flow, dividend, asset and capital trends are shown in the graphs. (Years ended 31 March except where noted)

EBITDAF

In FY2008 Infratil's EBITDAF was $316 million, this year it is expected to be between $475 million and $500 million. EBITDAF has not risen since 2012 because of the partial sale of Z Energy and divestment of IEA. While EBITDAF hasn't risen, the net debt of Infratil and 100% subsidiaries is now $797 million less than it was as at 31 March 2008.

The 2015 column in the graph shows the mid-point guidance for the full year.

- NZ Bus and Other
- Infratil Energy Australia
- Trustpower
- Wellington Airport



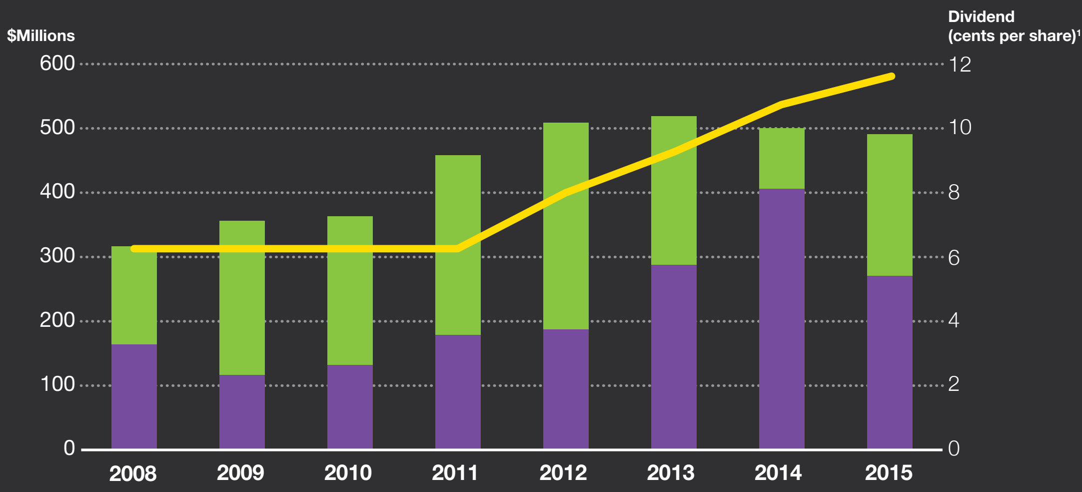
Cash Flows & Dividends

Deriving operating cash flows starts with EBITDAF and deducts interest, tax payments, and adjust for working capital changes. FY2015 operating cash flows are expected to be lower than those of FY2014 which saw $107 million of distributions from Z Energy and $38 million gained from closing foreign exchange hedge contracts.

Since 2011 dividends have risen from 6.25 to 11.5 cents per share; a compound rate of +16% per annum.

The 2015 column in the graph shows the mid-point guidance for the full year.

- Dividend (rhs)
- Interest, tax, working capital
- Operating Cash Flow



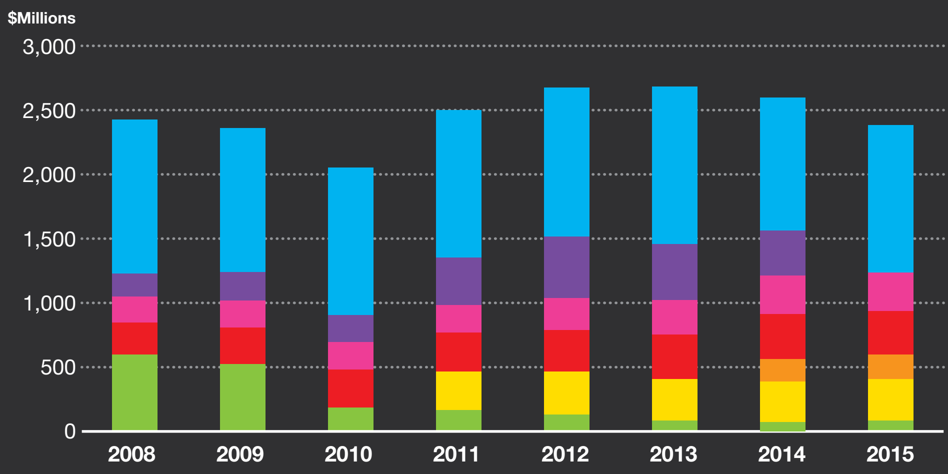
1. Excludes the 15 cent special dividend

Infratil's Assets

The sale of IEA continues Infratil's gradual change in asset mix and profile.

The 2015 column in the graph shows the position as per 30 September 2014.

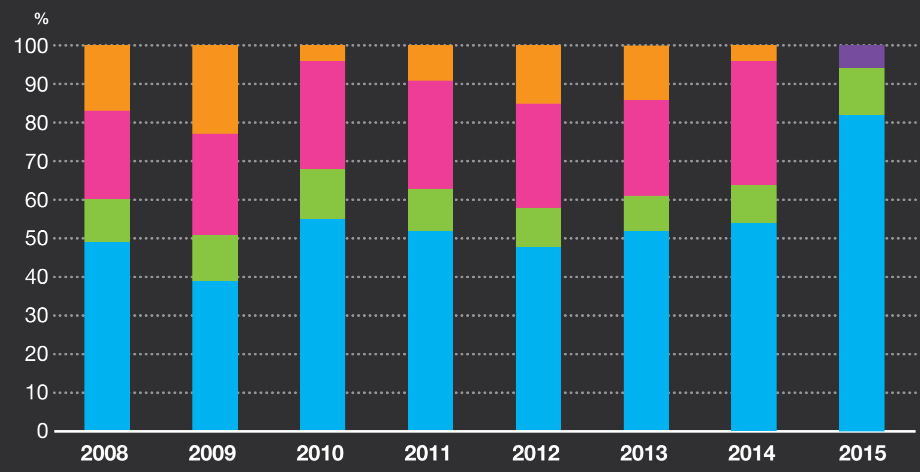
- Trustpower
- Infratil Energy Australia
- NZ Bus
- Wellington Airport
- Metlifecare
- Z Energy
- Other



Infratil's Capital Structure

The 2015 column in the graph shows the position as per 30 September 2014.

- Bank
- Dated Bond
- Perpetual Bond
- Equity (market value)
- For 2015 net bank debt and dated bonds are combined



The following tables summarise Infratil's reported results and reconcile reported earnings and surplus with operational cash flows.

Infratil's Consolidated Results

The following table reconciles EBITDAF to net surplus

$ Millions	6 months to 30 September 2014	6 months to 30 September 2013	12 months to 31 March 2014
EBITDAF (continuing)	**$243**	**$231**	**$437**
Depreciation & amortisation	($72)	($60)	($126)
Net interest	($92)	($91)	($180)
Tax expense	($22)	($32)	($59)
Net gain on Z IPO	-	$183	$183
Revaluations[1]	$25	$69	$110
Discontinued operations	$367	($21)	($91)
Net profit after tax	$448	$277	$275
Minorities	($50)	($47)	($76)
Net surplus	**$399**	**$230**	**$199**

1. Revaluation of energy, interest rate and FX derivatives, and net investment realisations/(impairments).

As at 30 September 2014 Infratil had 561.6 million shares on issue which was unchanged from 31 March 2014. As at 30 September 2013 586.2 million shares were on issue (all figures exclude shares held by Infratil as treasury stock).

EBITDAF

Indicating the sources of Infratil's consolidated EBITDAF by business unit

$ Millions	6 months to 30 September 2014	6 months to 30 September 2013	12 months to 31 March 2014
Trustpower	$173	$153	$277
Wellington Airport	$40	$42	$86
NZ Bus	$20	$22	$40
Perth Energy	$5	$4	$17
Z Energy	$4	$22	$33
Metlifecare	$8	-	$5
Parent/Other	($9)	($11)	($21)
EBITDAF (continuing)	**$243**	**$231**	**$437**
Discontinued operations	$42	$48	$54
Total EBITDAF	$285	$279	$491

EBITDAF from continuing operations for the full year is expected to be between $475-$500 million (assuming no further asset sales and Z equity earnings reported on a replacement cost basis).

The two main changes over the period were Trustpower's $20 million increase which reflected increased contributions from Australian operations, and the lower contribution from Z Energy. The Z decline was due in part to Infratil's sale of 60% of its holding in August 2013 and lower reported EBITDAF on an historic cost basis.

Consolidated Operating Cash Flow

Reconciling EBITDAF to reported net operating cash flows

$ Millions	6 months to 30 September 2014	6 months to 30 September 2013	12 months to 31 March 2014
EBITDAF (continuing)	**$243**	**$231**	**$437**
Net interest	($87)	($84)	($168)
Tax paid	($40)	($30)	($43)
Working capital /other	($7)	$132	$112
Discontinued operations	$14	$25	$68
Operating cash flow	**$122**	**$275**	**$407**

Full year operating cash flow is expected to be between $250-$280 million.

Last year's $132 million working capital movement included $101 million of distributions received from Z Energy and $38 million gained from closing foreign exchange hedge contracts.

Breakdown of Consolidated Results Before Revaluations: Six Months Ended 30 September 2014

Detailing the consolidated results by key line items

$ Millions	EBITDAF	D&A	Interest	Tax	Total	Ownership
Trustpower	$173	($46)	($38)	($21)	$69	51%
Wellington Airport	$40	($8)	($8)	($3)	$20	66%
NZ Bus	$20	($13)	-	-	$6	100%
Perth Energy	$5	($3)	($2)	-	-	80%
Z Energy	$4	-	-	-	$4	20%
Metlifecare	$8	-	-	-	$8	20%
Parent/Other	($9)	($2)	($43)	$2	($51)	-
Total	**$243**	**($72)**	**($92)**	**($22)**	**$57**	
IEA	$41	($9)	-	($10)	$21	100%
Pay Global	$1	-	-	-	$1	54%
	$285	($81)	($92)	($32)	$79	

Breakdown of Consolidated Results Before Revaluations: Six Months Ended 30 September 2013

Detailing the consolidated results by key line items

$ Millions	EBITDAF	D&A	Interest	Tax	Total	Ownership
Trustpower	$153	($34)	($30)	($22)	$67	51%
Wellington Airport	$42	($8)	($10)	($4)	$21	66%
NZ Bus	$20	($13)	-	($1)	$8	100%
Perth Energy	$4	($3)	($3)	$1	($2)	80%
Z Energy	$22	-	-	-	$22	50%
Metlifecare	-	-	-	-	-	-
Parent/Other	($11)	($2)	($48)	-	($61)	-
Total	**$231**	**($60)**	**($91)**	**($26)**	**$54**	
IEA	$54	($13)	-	($10)	$30	100%
Pay Global	-	-	-	-	-	54%
European Airports	($6)	($2)	-	-	($8)	100%
	$279	($75)	($91)	($36)	$76	

Infratil's Assets

$Millions	30 September 2014	31 March 2014
Trustpower	$1,168	$1,037
Wellington Airport	$330	$352
NZ Bus	$301	$303
Perth Energy	$77	$77
Z Energy	$317	$312
Metlifecare	$193	$171
Infratil Energy Australia	-	$272
Other	$73	$79
Total	$2,459	$2,601

Values exclude 100% subsidiaries' cash balances and deferred tax where CGT does not apply.

Over the period, IEA was sold for a net $670 million and assets previously held under "Other" with a 31 March value of $19 million were sold for $28 million; $26 million after tax. These assets included a property in New Lynn which had been developed in partnership with the Auckland Council and a shareholding in PayGlobal.

Changes to the values of Trustpower and Z Energy are due to changes in listed share prices, Metlifecare changes also includes reinvestment of dividends. Changes in the value of Wellington Airport and NZ Bus reflect the difference between the companies' net surplus over the period and payments to shareholders.

"Other" now includes iSite, Snapper, Infratil Infrastructure Property and ASIP.

For 30 September a NZ$/A$ exchange rate of 0.8910 was used (March 0.9364).

Liabilities and Risk Management

$ Millions	30 September 2014	31 March 2014
Net bank debt/(cash) 100% subsidiaries	($640)	$73
Dated bonds	$754	$754
Perpetual bonds	$235	$235
Market value equity	$1,589	$1,269
Total capital	**$1,938**	**$2,331**
Dated debt / capital	6%	36%
Debt / capital	18%	46%

Over the period, a net $694 million was raised by Infratil from the sale of subsidiaries and assets. Net debt of the Infratil wholly owned group was reduced by $713 million.

As at 30 September 2014 Infratil and 100% subsidiaries had $503 million of committed bank funding of which $392 million was undrawn. Over the half year committed bank facilities were reduced from $784 million to save costs.

Infratil Energy Australia Divestment

		$ Millions	Per Infratil Share
31 March 2014	Book value	$272	$0.48
30 September 2014	Net sale proceeds	$670	$1.19
	Net gain	$398	$0.71
May 2014	Average broker value	$474	
	Proceeds vs. valuation	$196	$0.35

The $670 million net sale proceeds can be compared against either the book value or the $474 million average broker valuation of Infratil's IEA shareholding in May 2014 (after the FY2014 results announcement).

Investment Plans

Internal capital expenditure accompanied by periodic acquisitions is a feature of the Infratil model. Current levels of investment should be seen as a precursor of higher future earnings.

$ Millions	6 months to 30 September 2014	Full year outlook to 31 March 2015	12 months to 31 March 2014
Trustpower	$144	$155-175	$350
Wellington Airport	$7	$40-45	$20
NZ Bus	$10	$15-25	$68
Perth Energy	-	$1-2	-
Metlifecare	$1	$1-2	$148
IEA	$16	$16	$22
ASIP	$16	$25-35	-
Other	$2	$2-3	$6
Total	**$196**	**$255-303**	**$616**

Infratil's investment is either through subsidiaries, such as Trustpower building the Snowtown wind farm, or by direct acquisition, such as the 2013 purchase of the Metlifecare shareholding.

Business Reports

Z Energy

Z Energy performed well during an extremely difficult period with low refining margins and volatile currencies and oil prices.

Strength in fuel marketing margins continues to support the business and market share performance has been satisfactory across key product lines.

Reported results were impacted by significant unrealised foreign exchange losses, although Z's guidance for full year replacement cost EBITDAF has been maintained, indicating that a strong improvement in the second half of FY2015 is anticipated.

Metlifecare

Metlifecare earnings, occupancy and unit demand all progressed satisfactorily.

The Company has announced a major increase in construction development. Over the last five years it has developed on average 60 units a year, and from next year that is expected to rise threefold to 200 units per year. Adding 200 units would result in Metlifecare's total units increasing by approximately 5% per annum.

Perth Energy

Perth Energy is Infratil's sole investment on the west coast of Australia where it operates an energy retailing and generation business.

The Western Australian electricity industry operates to its own state rules, which are less market orientated than those of the eastern states. In the most recent period, generation and retail were relatively stable, but Perth Energy benefited from a reduction in the State specified obligation to buy renewable energy certificates which lifted EBITDAF earnings about $1 million to $5 million.

Snapper

Snapper continued to develop and enhance its small-value payment technology.

Snapper received a boost when it was chosen to provide technology to the public transport agency of Dublin in Ireland.

This particular application had been developed by Snapper and Wellington City Council's cable car company and is an excellent illustration of the benefit to New Zealand of such partnerships.

Infratil Infrastructure Property

Working with Auckland Council IIP completed stage one of the New Lynn Merchant Quarter development and undertook its partial sell down.

Work is now underway on a number of other property opportunities for the Infratil group.

Trustpower

Trustpower is progressing three distinct avenues to grow earnings. The multi-product retail strategy is beginning to differentiate Trustpower's offering in the market and is developing good momentum. In Australia Trustpower continues to grow its generation capacity, while in Canterbury work is continuing on irrigation options.

Total electricity volume sold in New Zealand was 2,051GWh, compared with 1,831GWh in the prior period, an increase of 12%. Total energy accounts increased to 255,000, including 21,000 gas accounts. Good progress was made in acquiring new customers in North Island metro markets and in having customers take more than one service. While the retail energy market remained highly competitive throughout the period, Trustpower continued to experience lower levels of customer churn than the market overall.

Reflecting the winter weather, Trustpower's New Zealand generation production of 1,225GWh was 8% below the expected long-term average.

Australian expansion continued with completion of the Snowtown Stage II Wind Farm at a cost of A$424 million. Trustpower has now invested A$644 million in its two wind farms near Adelaide.

Trustpower also acquired hydro and wind assets from the NSW Government for A$72 million. These smaller scale generation assets are expected to produce 270 GWh in a year of average wind/rain. The investment gave rise to a revaluation gain of $25 million which represented the difference between the purchase price and fair value, as assessed by an independent valuation at period end. In part this gain reflects the relatively low level of competition for small scale wind and hydro generation assets in developed markets.

About a third of Trustpower's total generation will now be produced in Australia.

Trustpower is actively progressing other wind development options in Australia with the aim of developing further projects over the next five years. Development approval applications for close to 1,300MW of wind projects are being progressed on the basis that the Australian regulatory environment will continue to support further renewable investment. While the outcome of the Australian Government review of the Renewal Energy Target remains uncertain, there appears to be growing support for a bipartisan agreement which would allow further investment in renewable energy.

Year ended 31 March **Six months ended 30 September**	**30 September 2014**	**30 September 2013**	**31 March 2014**
NZ output sold	2,051GWh	1,831GWh	3,512GWh
NZ generation	1,225GWh	1,218GWh	2,209GWh
Australian generation	619GWh	193GWh	536GWh
Electricity accounts	234,000	218,000	224,000
Telco & gas accounts	56,000	39,000	45,000
Av. NZ generation spot price	6.3c/kwh	6.8c/kwh	6.7c/kwh
EBITDAF	**$173m**	**$153m**	**$277m**
Investment spend	$144m	$193m	$350m
Infratil cash income	$32m	$32m	$64m
Infratil's holding value[1]	$1,168m	$1,121m	$1,037m

1. NZX market value at period end

Dr Bruce Harker Chairman of Trustpower atop a Wind Turbine at Snowtown South Australia.

Wellington Airport

Operationally Wellington Airport experienced a remarkably event free half year, but several initiatives with long-term consequences were progressed.

After several years of work Jetstar has announced a new service with Coolangatta. This is Wellington's first new international carrier in a decade and is important because it has been consistently shown that it is new entrant airlines which spark long-term growth. The link also sees the Capital connected into Jetstar's Australian-Asian low-cost network. A price conscious traveller in Singapore or Japan can now board a Jetstar service and get to Wellington with only one transfer.

The Airport's other major project is the introduction of direct northern hemisphere services, with the first step being the construction of a 300 metre extension to the runway. This project is explained at length in the September Infratil Update, but in summary, the Airport and Wellington City Council are working together to evaluate the viability of the extension and to then have it consented.

The evaluation has now been concluded and indicates positive benefits with construction likely to cost about $300 million. While a significant sum, it is plausible if local and central government work with the Airport to unlock the regional and national benefits. A decision to progress consenting will be made before Christmas and it is expected that consents could be granted within a year.

Wellington Airport also had to stay abreast of a swathe of regulatory developments involving the Commerce Commission, Ministry of Innovation, Business and Employment and the Ministry of Transport. The only immediate effect over the period was that aeronautical charges were reset with an average reduction of about 40 cents per passenger. It is possible that regulatory decisions could have consequences for the Airport's investment plans, but the main effect now is uncertainty.

Year ended 31 March **Six months ended 30 September**	**30 September 2014**	**30 September 2013**	**31 March 2014**
Passengers Domestic	2,311,527	2,366,838	4,683,931
Passengers International	357,200	349,891	753,355
Aeronautical income	$31m	$32m	$68m
Passenger services income	$17m	$17m	$34m
Property/other	$6m	$6m	$9m
Operating costs	($13m)	($13m)	($25m)
EBITDAF	**$40m**	**$42m**	**$86m**
Investment spending	$7m	$12m	$20m
Infratil cash income	$38m	$35m	$35m
Infratil's holding value[1]	$330m	$337m	$352m

1. Infratil's share of net assets excluding deferred tax at period end


Cyberzone

NZ Bus

NZ Bus experienced strong patronage growth in Auckland and a more modest increase in Wellington/Hutt Valley.

Unfortunately patronage growth wasn't translated into improved earnings. Average fares in Auckland were unexpectedly reduced by the increasing use of HOP cards and the fare structure and discount allocation required by Auckland Transport. Costs were also higher as NZ Bus is part way through a productivity improvement initiative to enhance operations and workshop efficiency.

With the new Public Transport Operating Model (PTOM) contracting regime about to be introduced for urban bus public transport, NZ Bus has to ensure its operational efficiency positions it to successfully participate in future contract tenders and negotiations.

PTOM is based on the principle of operators and local contracting authorities working together in partnership to grow patronage, improve commerciality and to demonstrate value for money. Auckland Transport has begun consultation on its new contracts which are expected to be completed over the next few months.

In Wellington change is a couple of years behind Auckland, but the Regional Council has announced that one change it will be making in 2017 is the termination of Wellington City's iconic electric trolley buses. This is a disappointing decision given the lack of economic alternatives (outside of diesel) and the inevitable increase of emissions that will come from ending the use of electric public transport which dates back to 1904. At this stage it is unclear what timing the Regional Council is working to in respect to fleet transition, nor is there clarity on the economic model for new investment.

Year ended 31 March **Six months ended 30 September**	**30 September 2014**	**30 September 2013**	**31 March 2014**
Patronage north	20,299,964	19,387,236	37,591,015
Patronage south	10,715,152	10,571,606	20,373,202
Bus distance (million kilometres)	23.7	23.9	47.9
Bus numbers	1,097	1,094	1,177
Passenger income	$67m	$66m	$128m
Contract income	$47m	$45m	$89m
EBITDAF	**$20m**	**$22m**	**$40m**
Capital spending	$10m	$39m	$68m
Infratil's holding value [1]	$301m	$284m	$303m

1. Infratil's share of net assets excluding cash and deferred tax at period end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The Creation and Sale of Infratil Energy Australia

On 30 September Infratil sold subsidiary Infratil Energy Australia for a net $670 million. This was $398 million over the 31 March 2014 book value and the culmination of a 14 year journey. While Infratil's approach to investment is often articulated in reports, results announcements and presentations, the evolution and sale of IEA showed it in action.

A Brief History

In 1999 New Zealand's electricity companies were legally required to separate ownership of distribution (lines) from generation and retailing. Amongst other things this was intended to open the door for new ways to sell electricity and the emergence of new retailers.

The exciting idea of the time was "virtual" retailers who would communicate with customers via the internet and undertake back-office functions electronically. Infratil management spent two years looking at such plans, but the star "emerging retailer" which was identified was more old-school having quickly grown to over 10,000 customers in Auckland via telemarketing. The two managers of this business had savvy, energy and were very practical; "nothing matters more than getting an accurate bill out and getting paid". However, by then it had become apparent that structural characteristics of New Zealand's SOE dominated market made the viability of independent energy retailers problematic, whether customer communication was via internet or telephone.

In the meantime the state of Victoria was also privatising and deregulating its electricity industry. This was a market where Infratil's management had considerable experience at the generation and wholesale levels so a proposal was developed for the formation of "RyanEnergy". In exchange for a shareholding, the two Aucklanders would manage retailing with energy to be purchased from Loy Yang on a fixed-price/variable-volume basis. (As with many plans, this one had to change when it became apparent that Loy Yang's prices were too high. Open market procurement was then adopted with Infratil's management overseeing risks.)

In March 2002 Infratil committed $500,000 to meet the initial set up costs of Victoria Electricity, as the company had become, and on 1 September 2002 the company signed on its first employee. The first customer took a further two years and almost $10 million as a back office was built and regulatory approvals secured. A year after that a small generation unit was acquired for $20 million as it had become apparent that at least in South Australia market weaknesses made owning some generation desirable.

Over the following decade retailing expanded and sister brands joined Victoria Electricity (South Australia Electricity, Queensland Electricity and NSW Electricity) before they were combined in 2010 to become Lumo Energy. More peaking generation was built in South Australia and NSW. Customers were offered gas as well as electricity. The two Aucklanders who set up the retailing operation were bought out in 2007 for $40 million to give Infratil 100% ownership. Many ways to attract and sign-on customers were trialled, including Direct Connect which became a runaway success backed by almost half of Australia's real estate agents.

And then it was all sold to Snowy Hydro, a state/commonwealth owned generator and retailer which saw IEA as a route to making "the Big 3" eastern state generator-retailers into "the Big 4".

Market Characteristics & Their Evolution

Infratil has principles which guide its approach to investment, including investing where management has expertise and in businesses which operate in markets offering a reasonable prospect of good risk-adjusted returns.

In 2002 the circumstances confronting the start-up Victoria Electricity were encouraging. The company had "battle hardened" Kiwi management who had the jump on the locals because New Zealand had deregulated first. Australian incumbent energy retailers had been protected from risk and competition, consumers were disgruntled and back office costs and margins were high. There was also the potential of almost unlimited scale as other states were expected to follow Victoria into deregulating and selling assets.

Infratil's strategy and goals were:

- Set up and grow an energy retailing business in Victoria and then the other states
- Target 1,000,000 customers
- Buy and build a substantial generation portfolio as opportunities arose

Measured against these aspirations, IEA was a partial success. Unfortunately the features of the market which had been so attractive in 2002 were diluted or subverted by a raft of government interventions. These resulted in uneconomically low wholesale energy prices while also increasing retail prices. Whether as a result, or because of other factors, household energy consumption fell as people used more efficient appliances and generated their own electricity with subsidised solar panels. Regulation also encouraged retailer competition, but at the same time made it harder to compete with strict rules, enforcement and penalties.

The interventions made retail growth challenging and increased compliance costs, while offering generators very low prices and hence returns, except those with carbon or renewable credits.

Creating Value For Infratil

The evolution of IEA is a lesson in how changing market circumstances require changes to goals and strategies if maximum value is to be derived.

In 2014 IEA had become a smoothly functioning business. It delivered bills on time, it was growing customers, bad debts were amongst the lowest in the industry, risks and wholesale costs were well contained, it had consumer agency approval of its quality of service and its customer turnover was relatively low.

But set against this was regulatory interventions, industry uncertainty and the potential for competition regulation to limit merger/sale choices. Even though Infratil had overseen the creation of an efficient and successful business it was the right time to look at alternatives, which include selling to extract the capital for other uses.

The Complete Package Of Capabilities

The brief history of IEA doesn't do justice to the many and hard challenges which were overcome.

Managing electricity price risk required particular skills which were available to Infratil's management, but once IEA started to offer gas to its customers the unique risks associated with gas procurement also had to be managed. It took several years and an estimated $30 million to contract reliable wholesale gas supplies that were not susceptible to outages or price volatility.

With both electricity and gas procurement, IEA had to be able to purchase in the wholesale market at the same price as the much larger integrated generators-retailers.

At the other end of the business, the back-office had to ensure every customer's consumption of electricity and gas was measured and billed and late payments chased. That is across 500,000 accounts, while also managing a weekly gain and loss of about 5,000 accounts.

In addition to energy procurement and systems expertise, success also required marketing and sales capability.

IEA was the only new entrant energy retailer to reach anything like its scale and value. Infratil invested $272 million and created a 500,000 customer company worth a net $670 million.

Tenacity, Talent, Flexibility

IEA's success came from its flexibility in the face of changing market circumstances and its ability to attract the people necessary to undertake a wide range of difficult operational tasks. Capable people were willing to take up the challenge because of Infratil's track record and because the calibre of Infratil's management gave confidence to others that they were part of a winning team.

There is a tendency to see history as a series of semi-inevitable milestones. IEA's history had nothing inevitable about it, its evolution was due to it having good people who put in exceptional effort, and a willingness to shift strategy and goals as circumstances changed.

Infratil's Management

Infratil is managed by H.R.L. Morrison & Co. In 1994, when Infratil was established, the management fee was set as a percentage of the market value of Infratil's shares and 100% group net debt. Last year the management fee was $19.0 million or about 0.8% of Infratil's average $2,350 million capitalisation (debt + equity) over the year.

In 2002 the fee was amended to provide the potential for additional payment in situations where management would be more difficult and/or expensive. For investments in Australia an incentive element was added to the base fee so that management could earn 20% of returns over a 12% per annum threshold. In the case of Lumo/IEA it was revalued as at 31 March 2014 at $463 million and Infratil beat the 12% per annum return threshold by $216 million so 20% of this will, in due course, be paid to the Manager. (Although IEA had a 31 March 2014 book value of $272 million its independently assessed economic value was $463 million).

Was Lumo/IEA a Good Investment For Infratil?

Infratil invested approximately $272 million over a twelve year period and got back $670 million. The return on total capital invested for the full period was over 16% per annum and the return on Infratil's equity was over 20% per annum.

It was a good investment, but Infratil shareholders may wonder how good an investment it was for them along the way. Someone who acquired Infratil shares in 2002 and sold then in 2013 probably didn't greatly benefit from IEA's value uplift because it is unclear whether IEA's value was fully reflected in Infratil's share price prior to that value being crystallised.

In May 2014, when the potential sale of IEA was announced, the six broker analysts who cover Infratil had an average value for IEA of $474 million, which was consistent with Infratil's own $463 million independent valuation. That the sale value was well above this in part reflected conservatism in the "retention values" and in part that there was a strategic premium in the sale price.

If there is a lesson it is perhaps that Infratil is a long term investment and the benefit of potential capital recycling is not recognised in the market's value of Infratil's share price.

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