

PROSPECTUS

(Long Form)

for

The issue of Infrastructure Bonds in
different Series by Infratil Limited
under its Infrastructure Bond Programme.

This Prospectus is dated 16 November 2006

This is an important document.
It should be dealt with promptly.

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SUMMARY OF THE INFRASTRUCTURE BOND PROGRAMME

THE ISSUER

The issuer of each Series of Infrastructure Bonds and of the Shares to be issued upon any conversion of an Infrastructure Bond is Infratil Limited (Infratil), a company incorporated in New Zealand. Infratil's registered office is at 97 The Terrace, Wellington.

THE INFRASTRUCTURE BOND PROGRAMME

From time to time, Infratil will offer Infrastructure Bonds with different features. Each issue of a different type of Infrastructure Bond will be classed as a separate Series. A Series may be of Dated Infrastructure Bonds (ie have a Maturity Date) or Perpetual Infratil Infrastructure Bonds (ie have no Maturity Date), and each Series will have its own interest rate and, for Dated Infrastructure Bonds, Maturity Date. Perpetual Infratil Infrastructure Bonds (called "**PIIBs**") are different to other Infrastructure Bonds previously issued by Infratil because they have no Maturity Date.

When Infratil wishes to issue Infrastructure Bonds of a new Series it will prepare an Issue Flyer, a Series Supplement to the Trust Deed and, if required in order to comply with the Securities Act 1978, a Supplemental Prospectus, each in respect of such Series. The Issue Flyer and the Supplemental Prospectus will state the key commercial terms that will apply to the new Series, and specify any other relevant information. In particular, the Issue Flyer and the Supplemental Prospectus will state:

- ◆ the Maturity Date (other than for PIIBs, which have no Maturity Date)
- ◆ the Coupon Rate or process for determining the Coupon Rate
- ◆ the Coupon Payment Dates
- ◆ the Calculation and payment details of the first interest payment
- ◆ the Interest Rate or process for determining the Interest Rate
- ◆ the Issue Price or process for determining the Issue Price
- ◆ the Conversion Percentage (see page 10 of this Prospectus)
- ◆ Whether the Series is to be partly or fully underwritten
- ◆ How, and over what period, the Infrastructure Bonds in the relevant Series are to be offered to investors
- ◆ Any special conditions that apply to the Series or any variations to the standard terms of issue.

The relevant Issue Flyer will be inserted into the Investment Statement.

This Prospectus contains the key commercial terms for two Series of Infrastructure Bonds - the Series 2017 Bonds and the PIIBs. The key commercial terms which apply to those Series are set out:

- ◆ for the Series 2017 Bonds, in Appendix 1; and
- ◆ for the PIIBs, in Appendix 2.

to this Prospectus.

Each Series made available for subscription under this Prospectus will be a separate offer. If Infratil offers more than one Series at the same time, investors are not required to subscribe to all of those Series. Infratil may decide to close one of the Series' offers before the others.

As at the date of this Prospectus, only the PIIBs will be available for subscription. If Infratil makes the Series 2017 Bonds available for subscription, it will prepare an Issue Flyer and, if required in order to comply with the Securities Act 1978, a Supplemental Prospectus, for that Series.

Infrastructure Bonds may be offered directly to Infratil shareholders, to the public at large, to brokers, to institutions, or as a part of investment transactions. How a Series is issued will depend on market conditions and investor demand from time to time.

TERMS OF THE INFRASTRUCTURE BONDS AND SHARES

Each Series of Infrastructure Bonds are unsecured, unsubordinated, convertible debt obligations of Infratil. Each Series of the Infrastructure Bonds will bear interest at the Coupon Rate per annum specified in, or determined in accordance with the terms specified in, the relevant Issue Flyer payable in arrears on the dates specified in the relevant Issue Flyer.

The Coupon Rate for Dated Infrastructure Bonds is fixed for the term of those Infrastructure Bonds.

The Coupon Rate for PIIBs is reset on each Rate Set Date at the rate which Infratil determines to be the Margin plus the applicable One Year Swap Rate. The Margin will be 1.5% per annum, unless the Gearing Ratio on the Rate Set Date is 60% or more, in which case the Margin will be increased in accordance with the matrix set out in Appendix 2. As the One Year Swap Rate (and possibly the Margin) may change on each Rate Set Date, the Coupon Rate for PIIBs may similarly change on each Rate Set Date. More information on the Margin, the Gearing

Ratio and the One Year Swap Rate is contained in Appendix 2 and in the Glossary on pages 170 - 172 of this Prospectus.

Each series of Dated Infrastructure Bonds will mature on the Maturity Date for that Series. On maturity, Bondholders will receive cash or Shares based on the then market price of the Shares. Details of how the Infrastructure Bonds may convert into Shares are set out on page 10 of this Prospectus.

PIIBs have no Maturity Date. This means that Infratil is not obliged to repay the PIIBs, and Holders of PIIBs cannot require Infratil to repay their PIIBs, unless an event of default or compulsory acquisition occurs as set out in the Trust Deed which results in early redemption or conversion of the PIIBs. This means that the only way a Holder of PIIBs can cash in his or her investment, other than for the limited circumstances described above, is to sell them.

Infratil does, however, have the option of redeeming PIIBs - see "Early Redemption" on page 16 of this Prospectus, which applies to all Infrastructure Bonds.

Shares issued upon conversion of the Infrastructure Bonds will rank equally (including as to dividends) with all other Shares.

LISTING

Application has been made to NZX for permission to list the Infrastructure Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus.

UNDERWRITING

Infratil may arrange for a particular Series of Infrastructure Bonds issued under the Infrastructure Bond Programme to be partly or fully underwritten. If a Series of Infrastructure Bonds is underwritten, this will be specified in the Issue Flyer for the Series and the relevant Appendix to this Prospectus (or, if required to comply with the Securities Act 1978, the Supplemental Prospectus for the Series).

OVERSEAS INVESTMENT CONSENT

The Overseas Investment Act 2005 requires that an overseas person must obtain the consent of the Overseas Investment Commission before acquiring 25% or more of Infratil's Shares. Any overseas person who, after taking into account any existing holding of Shares following the conversion of any Infrastructure Bonds, will exceed the 25% threshold will accordingly need to obtain consent prior to exercise or conversion.

BORROWING GROUP/ISSUING GROUP

As the Infrastructure Bonds may convert into ordinary shares in Infratil, information in this Prospectus is provided on the basis that the Infrastructure Bonds are both “debt securities” and “equity securities” for the purposes of the Securities Act 1978 and the Securities Regulations 1983. Infratil is the borrowing group as the subsidiaries of Infratil, who together with Infratil form the Infratil Group, are not “guaranteeing subsidiaries” for the purposes of that Act and those Regulations and are not liable to repay the Infrastructure Bonds. Infratil and all its subsidiaries (“Infratil Group”) comprises the “issuing group” for the purposes of that Act and those Regulations.

SUMMARY OF INFRASTRUCTURE BONDS

The following is a summary of the main terms that will apply to each Series of Infrastructure Bonds. Capitalised words and expressions appearing in this section and not otherwise defined in this Prospectus are defined in the Trust Deed.

TRUST DEED

All terms and conditions relating to each Series of Infrastructure Bonds, except for the terms that will be contained in the relevant Series Supplement and Issue Flyer, are set out in full in a trust deed ("Trust Deed") dated 11 November 1999 and entered into between Infratil and Trustees Executors Limited as trustee for the Bondholders ("Trustee") as amended by deeds dated 14 August 2003, 10 December 2004, 18 February 2005, 26 August 2005, 6 October 2005, 20 December 2005 and 15 November 2006. A summary of the principal provisions of the Trust Deed, which are not described elsewhere in this Prospectus, is set out on pages 19 - 26 of this Prospectus.

The Trustee acts as trustee for the Bondholders in respect of each Series of Infrastructure Bonds, and not in respect of the Shares issued on conversion.

INTEREST RATE AND PAYMENTS

Infrastructure Bonds in a Series will pay coupon interest at the Coupon Rate specified in the relevant Issue Flyer and the relevant Appendix to this Prospectus or the relevant Supplemental Prospectus (if any) and will yield the Interest Rate as specified, or determined in accordance with terms specified, in the relevant Issue Flyer and the relevant Appendix to this Prospectus or the relevant Supplemental Prospectus (if any). Interest will accrue from the Issue Date for the particular Infrastructure Bond.

The Coupon Rate on Dated Infrastructure Bonds will be fixed on the Issue Date for the Infrastructure Bond.

The Coupon Rate on PIIBs will reset on each Rate Set Date at the rate which Infratil determines to be the Margin plus the One Year Swap Rate. The Margin will be 1.5% per annum, unless the Gearing Ratio on the Rate Set Date is 60% or more, in which case the Margin will be increased in accordance with the matrix set out in Appendix 2. As the One Year Swap Rate (and possibly the Margin) may change on each Rate Set Date, the Coupon Rate on PIIBs may similarly change on each Rate Set Date. More information on the Margin, the Gearing Ratio and the One Year Swap Rate is contained in Appendix 2 and in the Glossary on pages 170 - 172 of this Prospectus.

On the first Coupon Payment Date for a Bond the payment will be made to the initial Infrastructure Bond subscriber. Payment

on the first Coupon Payment Date for an Infrastructure Bond will reflect the number of days from the Issue Date to the first Coupon Payment Date for that Infrastructure Bond.

The coupon payment on Coupon Payment Dates, other than the first Coupon Payment Date, for an Infrastructure Bond will be paid to the person(s) registered as the Bondholder on the relevant date of record. The payment amount will reflect the Coupon Rate as specified, or determined in accordance with terms specified, in the relevant Issue Flyer, the number of days in the period since the previous Coupon Payment Date, and the Face Value of Infrastructure Bonds held.

REDEMPTION/CONVERSION OF DATED INFRASTRUCTURE BONDS ON MATURITY AT THE OPTION OF INFRATIL

Dated Infrastructure Bonds will mature on their Maturity Date (specified in the relevant Issue Flyer and the relevant Appendix to this Prospectus or the relevant Supplemental Prospectus (if any)). Not later than 25 Business Days prior to the Maturity Date, Infratil may elect to:

- (a) Redeem all Infrastructure Bonds in the relevant Series at their Face Value (less any withholding taxes and other deductions) payable in cash; or
- (b) Convert all the Infrastructure Bonds in the relevant Series by issuing to the Bondholders the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Market Price.

The Market Price will be the average price weighted by volume of all trades of Shares through NZX over the 10 Business Days up to the fifth Business Day before the relevant Maturity Date. Unless the Bondholder pays any withholding tax or other deduction required to be paid by Infratil before conversion, the number of Shares issued will be adjusted in accordance with the formula set out in the Trust Deed.

The Conversion Percentage will be as specified in the relevant Issue Flyer and the relevant Appendix to this Prospectus or the relevant Supplemental Prospectus (if any).

If Infratil fails to make the election above, the Infrastructure Bonds shall be redeemed by conversion into Shares as described above.

If conversion would result in a fraction of a Share being issued, the number of Shares issued is rounded down to the nearest whole number.

As PIIBs have no Maturity Date, these provisions do not apply to them. This means that Infratil is not obliged to repay the PIIBs, and Holders of PIIBs cannot require Infratil to repay their PIIBs, unless an event of default or compulsory acquisition occurs as set out in the Trust Deed which results in

an early redemption or conversion of the PIIBs. This means that the only way a Holder of PIIBs can cash in his or her investment, other than for the limited circumstances described above, is to sell them.

Infratil does, however, have the option of redeeming PIIBs - see "Early Redemption" on page 16 of this Prospectus, which applies to all Infrastructure Bonds.

COMPULSORY ACQUISITION

If any person, or group of Associated Persons (as defined in the Listing Rules), becomes entitled or bound to compulsorily acquire Shares held by any minority Shareholders, Bondholders of each Series will be given the option to redeem their Infrastructure Bonds for cash at their Face Value plus accrued interest (less any withholding taxes and other deductions) or convert their Infrastructure Bonds by the issuance of the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Market Price. Unless the Bondholder pays any withholding tax or other deduction required to be paid by Infratil before such conversion, the number of Shares issued will be adjusted in accordance with the formula set out in the Trust Deed.

If any person, or group of Associated Persons, acquires beneficial ownership of 90% or more of the Infrastructure Bonds of all outstanding Series on issue, such person will become bound to offer to acquire the balance of the outstanding Infrastructure Bonds at the prices which an Independent Expert has determined to be fair.

RANKING OF SHARES ISSUED UPON CONVERSION

Shares issued upon conversion of Infrastructure Bonds will rank *pari passu* in all respects (including as to dividends) with all other Shares then on issue.

NEW ISSUES OF SECURITIES

Subject to compliance by Infratil with its Constitution, the Trust Deed and the Listing Rules, Infratil shall be entitled from time to time to issue further securities, including Shares and convertible securities, ranking equally with, or in priority to, the Infrastructure Bonds.

TRANSFERS

Infrastructure Bonds may be transferred in the same manner and subject to substantially similar restrictions (including Takeovers Code requirements) as Shares.

VOTING RIGHTS

Infrastructure Bonds are not Shares and do not generally carry any voting rights at meetings of Shareholders. In accordance, however, with the Listing Rules, the Constitution and the Trust Deed, Bondholders will have the right to vote on certain matters. To the maximum extent permitted by the Listing Rules, the Constitution and the Trust Deed, Bondholders of all Series will vote together as one class in respect of matters to be determined by Bondholders independent of other classes of securities and with Shareholders and other holders of securities of Infratil in relation to such matters to be considered by holders of all classes of securities.

MODIFICATION OF THE RIGHTS OF BONDHOLDERS

In accordance with the Listing Rules and the Trust Deed, the rights of Bondholders may not be altered without the approval (by a 75% majority of votes, or more, of those entitled to vote and voting) of each “interest group”. In broad terms, an “interest group” is a group of Bondholders whose rights are affected by the proposed alteration in the same way. For these purposes, the issue of further Shares, Infrastructure Bonds or other securities which rank equally with, or in priority to, the Infrastructure Bonds, whether as to voting rights, distributions, dividends or otherwise, is deemed not to be an action affecting the rights of Bondholders.

For most matters Bondholders of different Series of Infrastructure Bonds will be a single “interest group” and vote as a single class on matters affecting Bondholders generally. Bondholders in a particular Series would vote as a separate “interest group” to approve the alteration of rights specific to that Series of Infrastructure Bonds. This might include altering the Maturity Date of that Series.

The Trustee may agree to certain alterations to the Trust Deed without the approval of Bondholders – see “Alterations to the Trust Deed” on page 23 of this Prospectus.

BOND PRIORITY

Unless and until converted, the amounts owing in respect of the Infrastructure Bonds shall, in the liquidation of Infratil, rank *pari passu* with other unsecured and unsubordinated creditors of Infratil, other than creditors preferred solely by operation of law. The aggregate amount, as at 31 March 2006, of securities that are secured by way of mortgage or charge over Infratil’s assets and that rank in point of security ahead of, or equally with, the Infrastructure Bonds offered in this Prospectus is nil. The Trust Deed contains the financial covenant described on page 14 of this Prospectus.

Infratil Finance Limited, a wholly owned subsidiary of Infratil, has a facility with a syndicate of banks under which Infratil is a

guarantor of Infratil Finance Limited and various covenants and subordination agreements have been made with the banks to ensure the indebtedness due to the banks has structural priority to the claims of Bondholders in respect of the assets of the Issuer Group.

The facility also contains financial covenants which impose borrowing restrictions on the Issuer Group. These covenants are outlined below:

- a. Each member of the Issuer Group will not undertake further borrowings or financial commitments or incur any other indebtedness of any kind, without prior written consent of the syndicate banks, except any borrowing by the Borrower from a registered bank or similar financial institution; any borrowing, financial commitment or indebtedness of Infratil, including bonds; or any borrowing, financial commitment or indebtedness only between members of the Issuer Group and any such borrowing, financial commitment or borrowed money indebtedness of up to \$50 million in aggregate.
- b. Shareholders Funds must exceed 40% of Total Tangible Assets.
- c. The ratio of bank debt to Earnings Before Interest, Tax, Depreciation and Amortisations shall not be greater than 4. The ratio of Earnings Before Interest, Tax, Depreciation and Amortisations to interest on bank debt shall not be greater than 3. Both ratios to be tested half-yearly and yearly
- d. Without the prior written consent of the banks the Issuer Group's investment in overseas property and assets in any financial year will not exceed 15% of Total Tangible Assets, nor shall investment in any single utilities entity (other than TrustPower, Energy Developments, Wellington International Airport and Stagecoach NZ) exceed 25% of Total Tangible Assets, nor shall the aggregate value of total investments in overseas property and assets exceed 45% of Total Tangible Assets.
- e. Infratil may only hold shares and loans to other members of the Issuer Group and cash or credit balances of no greater than NZ\$25,000,000.
- f. Except with the prior written consent of the banks Infratil will not redeem any of the Infrastructure Bonds prior to their stated Maturity Dates.

The defined terms used in the financial covenants above (except the term "Issuer Group") have the meanings given to them in the applicable facility agreements.

These restrictions may be amended by agreement between the parties.

NEGATIVE PLEDGE

Infratil has covenanted not to create or permit to subsist security over its assets to any person unless at the same time the benefit of such security is extended equally and rateably to Bondholders in respect of the Infrastructure Bonds.

FINANCIAL COVENANT APPLICABLE TO INFRASTRUCTURE BONDS

Under the Trust Deed Infratil covenants, for the benefit only of Holders of Bonds issued prior to 1 November 2006 and, until such time as all of those Bonds have been either redeemed or converted in accordance with the Trust Deed, the Trustee, that on the last day of each financial year and half-year of Infratil (and, if at any time Infratil has covenanted with any bank to comply with a balance sheet financial covenant on a day other than the last day of each financial year and half-year, then during the currency of that covenant such additional day or days) during the currency of any Series of Infrastructure Bonds issued prior to 1 November 2006, Borrowed Money Indebtedness of the Issuer Group shall not exceed 50% of Tangible Assets as at that date. In this covenant, terms are defined substantially as follows:

“Borrowed Money Indebtedness” of the Issuer Group means the aggregate financial indebtedness of each member of the Issuer Group (excluding any guarantee, indemnity or similar obligation of one member in respect of the financial indebtedness of any other member) and including the Infrastructure Bonds.

“Issuer Group” means Infratil and those of its subsidiaries that, as at the date of the Trust Deed or from time to time, guarantee any financial indebtedness of Infratil or any of its subsidiaries that, in turn, guarantees any financial indebtedness of Infratil.

“Market Value” of an asset on any date means:

- (a) in relation to an investment in securities listed on NZX or any Recognised Stock Exchange (for the purposes of the NZX Listing Rules) the value determined by reference to the closing price of the relevant securities on that date; and
- (b) in relation to any other asset, its cost or, if an assessed value (i.e. the value determined by an Independent Expert) has been obtained, the most recent such assessed value.

“Tangible Assets” means, at any date, the aggregate on a consolidated basis of the Market Value of all tangible assets (determined in accordance with NZ GAAP) of the Issuer and its subsidiaries as at that date.

If Infratil breaches this covenant it shall have a 30 day grace period to remedy the default from the date Infratil receives written notice from the Trustee requiring the default to be remedied. Failure to remedy the default shall entitle the Holders of Bonds issued prior to 1 November 2006 to require, at their election by Extraordinary Resolution, immediate repayment of the Face Value of the Infrastructure Bonds or conversion by the issuance of the number of Shares obtained

by dividing the Face Value by the product of the relevant Conversion Percentage and of the Market Price. All accrued interest (less any withholding taxes and other deductions) will also be payable by Infratil.

For the avoidance of doubt, this covenant will cease to apply once all Bonds issued prior to 1 November 2006 have been converted or redeemed in accordance with the Trust Deed, and neither Holders of Bonds issued after 1 November 2006 nor the Trustee to the extent it represents those Holders have the benefit of this covenant.

SUSPENSION OF INTEREST

The Trust Deed provides for interest payments to be suspended by notice to the Trustee where:

- (a) Infratil's Directors believe on reasonable grounds that the payment would be likely to result in a breach of the solvency test under the Companies Act;
- (b) the payment would be likely to result in any member of the Issuer Group breaching any covenant, warranty or undertaking given to any Senior Creditor under the terms on which any Borrowed Money Indebtedness was advanced or provided to Infratil; or
- (c) the payment would be likely to result in any member of the Issuer Group breaching any other legal obligation.

The terms "Senior Creditor" and "Borrowed Money Indebtedness" have the meanings given to them in the Trust Deed.

While interest payments are suspended, interest will continue to accrue on the Face Value of Infrastructure Bonds at the Coupon Rate specified in the relevant Issue Flyer and such accrued interest will be paid by Infratil when the above circumstances in (a)-(c) no longer exist and such payment will not cause any such circumstance to exist.

While any payment of any interest on the Infrastructure Bonds is suspended under the Trust Deed, it will not pay or make any distribution (as defined in section 2 of the Companies Act) to its Shareholders or provide any financial assistance for the acquisition of its Shares.

EVENTS OF DEFAULT

The Trust Deed provides for limited events of default. The events of default are:

- (a) if Infratil defaults in payment of interest on the Infrastructure Bonds for 14 days (other than where interest is suspended under the Trust Deed);

- (b) if Infratil defaults in payment of any other moneys payable under the Trust Deed for a period of 14 days after a written demand is made;
- (c) if an order is made, or an effective resolution is passed, for the dissolution of Infratil (other than for the purpose of a reconstruction or amalgamation approved by the Trustee);
- (d) if a receiver is appointed, an encumbrancer takes possession or sells any material part of Infratil's assets, any step is taken to appoint or with a view to appointing a statutory manager of Infratil, or Infratil or any associated person is declared at risk pursuant to the Corporations (Investigation and Management) Act 1989;
- (e) if Infratil enters into an arrangement or compromise with creditors without the prior written consent of the Trustee; or
- (f) any other default by Infratil under the Trust Deed that continues for more than 30 days after Infratil receives written notice from the Trustee specifying and requiring the default to be remedied.

As neither Holders of Infrastructure Bonds issued after 1 November 2006 nor the Trustee to the extent it represents those Holders have the benefit of the Financial Covenant described on page 14 of this Prospectus, a breach of that Financial Covenant will not of itself, for Holders of Bonds issued after 1 November 2006 or the Trustee to the extent it represents those Holders, constitute an event of default under paragraph (f) above.

See "Trustee's powers following an Event of Default" on page 22 of this Prospectus.

BUYBACKS

In accordance with the Listing Rules, the Trust Deed and the Constitution, Infratil may acquire Infrastructure Bonds (which may then be cancelled).

EARLY REDEMPTION

Infratil has the right to redeem for cash all or some of the Infrastructure Bonds. The redemption price will be, in respect of any particular Series, the greater of:

- (a) The Face Value plus accrued interest (less any withholding taxes and other deductions) and;
- (b) The average price, weighted by volume, of all trades of Infrastructure Bonds of that Series through NZX over the 10 Business Days up to the fifth Business Day before the relevant redemption date.

Where the Infrastructure Bonds of that Series have not traded on NZX on at least half of the relevant 10

Business Days, the average price of the Infrastructure Bonds of that Series for that period will be determined by an Independent Adviser selected by the Trustee in accordance with the Trust Deed.

Unless the Bondholder pays any withholding tax or other deduction required to be paid by Infratil before redemption, the redemption price will be adjusted accordingly as set out in the Trust Deed.

Holders of Infrastructure Bonds that are to be redeemed will be given five Business Days' notice. In the case of Dated Infrastructure Bonds, such notice must be given at a date not less than 25 Business Days before the Maturity Date.

FURTHER ISSUES OF INFRASTRUCTURE BONDS

Infratil is permitted by the Trust Deed to issue Infrastructure Bonds in any number of different Series and may at any time issue further Infrastructure Bonds of an existing Series.

MAXIMUM ISSUANCE UNDER THIS PROSPECTUS

The maximum number of Bonds which Infratil is able to offer under this Prospectus is 300,000,000, for an aggregate principal amount of \$300,000,000. However the number of Bonds which Infratil actually issues may be less than this, depending on Infratil's capital requirements during the term of this offer. No oversubscriptions will be accepted.

SUMMARY OF THE INFRATIL SHARES

The following description has been included in this Prospectus to provide investors with a summary of the material rights, privileges, restrictions and conditions attaching to the Shares that would be issued if any Infrastructure Bonds were converted. The rights, privileges, restrictions and conditions attaching to Shares are set out in full in the Constitution.

DIVIDENDS

Holders of Shares are entitled to dividends as and when declared by the Board subject only to rights of holders of other shares from time to time entitled to special or prior rights to dividends. The Directors may declare dividends out of moneys available to be distributed as dividends. As at the date of this Prospectus there are no shares entitled to special or prior rights to dividends.

The policy of Infratil's board is to pay dividends on a semi annual basis to the extent of available imputation credits and consistent with Infratil retaining resources sufficient for financial obligations and investment opportunities

VOTING RIGHTS

A holder of a Share is entitled on a poll to one vote for each Share held at all general meetings of shareholders of Infratil, other than a meeting of holders of a specific class of Shares.

LIQUIDATION

In the event of the liquidation of Infratil, after payment of outstanding debts and subject to the prior rights attaching to any shares from time to time ranking senior in priority to the Shares, the remaining net assets of Infratil would be applied in paying all surpluses to holders of Shares in proportion to the amount paid up on such Shares held by them. All Shares allotted on the conversion of the Infrastructure Bonds will be credited as fully paid. As at the date of this Prospectus there are no shares ranking senior to the Shares.

APPOINTMENT AND RETIREMENT OF DIRECTORS

The Constitution permits there to be not less than three nor more than ten Directors or such other number as is fixed by ordinary resolution of Infratil. As at the date of this Prospectus there are six Directors. The Constitution requires that at the annual meeting of Shareholders in every year at least one third of the Directors for the time being (if one third is not a whole number then the nearest whole number) shall retire from office. The Directors to retire at an annual meeting shall be those Directors who have been longest in office since their last election. The retiring Directors are eligible for re-election.

SUMMARY OF THE TRUST DEED CONSTITUTING THE INFRASTRUCTURE BONDS

The following is a summary of the principal provisions of the Trust Deed dated 11 November 1999, as amended by deeds dated 14 August 2003, 10 December 2004, 18 February 2005, 26 August 2005, 6 October 2005, 20 December 2005 and 15 November 2006 entered into between the Trustee and Infratil, which have not been summarised elsewhere in this Prospectus. Capitalised words and expressions appearing in this section and not otherwise defined in this Prospectus are defined in the Trust Deed. Reference should be made to the Trust Deed for the full terms of any matters summarised in this Prospectus.

THE TRUSTEE'S DUTIES

Under the Trust Deed, the Trustee represents the interests of all Bondholders. As convertible securities, the Infrastructure Bonds differ from other debt securities in their limited rights to payment in cash. The Trustee has the following duties under clause 1 of the Fifth Schedule to the Securities Regulations 1983 ("**Fifth Schedule Duties**"):

- (a) The Trustee shall exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the terms of the offer of Infrastructure Bonds has occurred and, except where it is satisfied that the breach would not materially prejudice the security (if any) of the Infrastructure Bonds or the interests of Bondholders, shall do all things as it is empowered to do to cause any breach of those terms to be remedied; and
- (b) The Trustee shall exercise reasonable diligence to ascertain whether or not the assets of Infratil that are or may be available, by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of Infrastructure Bonds as they become due.

The Trustee entered the Trust Deed on the basis that its Fifth Schedule Duties will be interpreted to take into account that:

- (a) the terms of issue of the Infrastructure Bonds allow suspension of interest, and to this extent, payment by Infratil cannot be compelled;
- (b) the remedy for default under the Trust Deed is redemption in cash or conversion into Shares at the option of the Bondholder;
- (c) the Infrastructure Bonds have characteristics similar to shareholders equity;
- (d) as some provisions of the Trust Deed derive from the Listing Rules, the Trustee is entitled to assume that

Infratil is complying with these provisions and the Listing Rules in the absence of notice, and may act accordingly having regard to the actions of NZX in relation to non compliance;

- (e) the PIIBs have no Maturity Date, and therefore shall be limited to the maximum extent permitted by Section 62(1) of the Securities Act 1978. The Trustee substantially monitors Infratil in accordance with the Trust Deed and Bondholders are deemed to know and accept the interpretation of the Trustee's Fifth Schedule Duties as described above.

In addition to the Fifth Schedule Duties, the Trustee's obligation to monitor the interests of Bondholders may be summarised as being to act on behalf of the Bondholders in the limited circumstances provided for in the Trust Deed. The Trustee's powers and duties are accordingly circumscribed.

INFRATIL'S OBLIGATIONS UNDER THE TRUST DEED

For so long as any of the Infrastructure Bonds are outstanding, Infratil has undertaken a number of obligations to the Trustee on behalf of the Bondholders, including the obligations set out below.

FINANCIAL COVENANT

See "Financial Covenant" on page 14 of this Prospectus for the financial covenant.

OTHER COVENANTS

Infratil will use its reasonable endeavours to ensure that the Shares and Infrastructure Bonds remain listed on NZX while there are any Infrastructure Bonds outstanding or until the Infrastructure Bonds no longer qualify for listing.

Infratil will file a copy of each Series Supplement to the Trust Deed in the Companies Office.

Infratil will provide the Trustee and each Bondholder with audited annual financial statements in respect of itself, and audited consolidated financial statements in respect of itself and its subsidiaries, by the earlier of: (a) 90 days after the end of each financial year; (b) the date upon which they are provided to Shareholders; and (c) the date on which they are provided to NZX. Infratil will provide the Trustee and each Bondholder with unaudited interim financial statements in respect of itself, and unaudited consolidated financial statements in respect of itself and its subsidiaries, by the earlier of: (a) 60 days after the end of the first half of each financial year; (b) the date upon which they are provided to Shareholders; and (c) the date on which they are provided to NZX.

Infratil shall provide the Trustee, at the same time as it provides the annual financial statements above, a separate report from its auditors stating:

- (a) whether or not in the performance of their duties as auditors they have become aware of any matter which, in their opinion, is relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee by the Trust Deed or the Securities Act or by law or regulation, and if so giving particulars thereof;
- (b) whether or not their audit has disclosed any matter calling in their opinion for further investigation by the Trustee in the interests of the Bondholders and, if so, giving particulars thereof;
- (c) that they have perused each Directors' reporting certificate given since the last report by the auditors and that, so far as matters which they have observed in the performance of their duties are concerned, the statements made in each such certificate are correct; and
- (d) that they have performed an audit of the Register.

Infratil shall provide to the Trustee a signed certificate on behalf of the Directors, set out in the form provided in schedule 2 to the Trust Deed, within one month of the end of each of the above financial reporting periods or such other time period permitted by the Trustee.

Infratil shall provide to the Trustee a signed certificate on behalf of the Directors within one month after the end of each of its financial years and half-years, certifying the Gearing Ratio as at the end of the financial year or, as the case may be, half-year.

Infratil will, at all times, comply with the provisions of, and its obligations under, the Companies Act and the Securities Act (and regulations thereunder and exemption notices issued pursuant thereto), and the Listing Rules for so long as any Series of Infrastructure Bonds is listed, except if the relevant Bondholders have specified otherwise by Extraordinary Resolution.

Infratil will send to the Trustee a copy of each notice that it sends to any of NZX, the Bondholders, Shareholders, and the Companies Office.

Infratil will pass all resolutions and take all other action necessary to ensure that the required number of Shares are issued to each Bondholder on conversion of that Bondholder's Infrastructure Bonds in accordance with the terms of issue of the Infrastructure Bonds.

EVENTS OF DEFAULT

See "Events of Default" on page 15 of this Prospectus.

TRUSTEE'S POWERS FOLLOWING AN EVENT OF DEFAULT

At any time after the occurrence of an Event of Default (other than an Event of Default which is a breach of the Financial Covenant described on page 14 of this Prospectus), the Trustee may, and shall if directed to do so by an Extraordinary Resolution of Bondholders, declare the Face Value of all the Infrastructure Bonds, together with accrued interest, to be immediately due and payable. Upon such declaration, each Bondholder may by written notice to Infratil, require the Infrastructure Bonds to be redeemed in cash (less any withholding taxes and other deductions) or by the issuance of the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Market Price, which shall be done by Infratil. Infratil also shall pay any accrued interest (less any withholding taxes and other deductions) to the Bondholder.

At any time after the occurrence of an Event of Default which is a breach of the Financial Covenant described on page 14 of this Prospectus and which occurs prior to the time that all Bonds issued prior to 1 November 2006 (in this section, "**relevant Bonds**") have been either redeemed or converted in accordance with the Trust Deed, the Trustee may, and shall if directed to do so by an Extraordinary Resolution of holders of relevant Bonds, declare the Face Value of all the relevant Bonds, together with accrued interest, to be immediately due and payable. Upon such declaration, each Holder of relevant Bonds may by written notice to Infratil, require the relevant Bonds to be redeemed in cash (less any withholding taxes and other deductions) or by the issuance of the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Market Price, which shall be done by Infratil. Infratil also shall pay any accrued interest (less any withholding taxes and other deductions) to the Bondholder.

As neither Holders of Infrastructure Bonds issued after 1 November nor the Trustee to the extent it represents those Holders have the benefit of the Financial Covenant described on page 14 of this Prospectus, a breach of that Financial Covenant will not of itself, for Holders of Bonds issued after 1

November 2006 or the Trustee to the extent it represents those Holders, constitute an Event of Default.

ALTERATIONS TO TRUST DEED

The terms of the Trust Deed may be altered if the alteration is approved by an Extraordinary Resolution of Bondholders. The Trustee and Infratil may agree to an alteration without the approval of an Extraordinary Resolution of Bondholders if:

- (a) it is necessary or desirable to correct a manifest error, or to comply with the requirements of any statute, statutory regulations, or the Listing Rules;
- (b) it is of a formal or technical nature;
- (c) in the opinion of the Trustee it is not, or is not likely to become, prejudicial to the general interests of the Bondholders; or
- (d) it is in the interests of the Bondholders to amend the Trust Deed to accommodate changes in the law in New Zealand relating to securities.

TRUSTEE PROVISIONS

Infratil pays for the Trustee's services and all expenses incurred by the Trustee in relation to the Trust Deed. The Trustee has the power to invest any moneys held by it, which are subject to the trusts of the Trust Deed. Subject to the Securities Act:

- (a) the Trustee may obtain and act, or not act, on:
 - (i) the opinion or advice of specified professionals and experts (e.g., barrister, solicitor, valuer, chartered accountant);
 - (ii) a certificate signed by two Directors of Infratil on any matter prima facie within the knowledge of Infratil, or that any transaction, step or thing is expedient or commercially desirable and not detrimental to Bondholders' interests; or
 - (iii) any statement in any certificate or report given under the Trust Deed;
- (b) the Trustee shall not be responsible for relying on any resolution purporting to be passed at a meeting of Bondholders where the Trustee believes the resolution to have been properly passed;
- (c) the Trustee shall not be responsible for money subscribed for the Infrastructure Bonds or the application of such money;
- (d) the Trustee shall use reasonable diligence to ascertain whether Infratil has breached the Trust Deed or the terms and conditions of issue of the Infrastructure Bonds;

- (e) the Trustee has absolute discretion in relation to the exercise of its powers, authorities, trusts and discretions under the Trust Deed and may refrain from exercising them unless directed by Extraordinary Resolution of the Bondholders;
- (f) the Trustee can determine all questions arising in relation to the Trust Deed as between itself and the Bondholders, and such determination shall bind the Trustee and Bondholders;
- (g) only the Trustee can exercise the powers, rights and remedies conferred on it under the Trust Deed, except a Bondholder may exercise such powers, rights and remedies with prior written consent of the Trustee or where the Trustee has failed to exercise such power, right or remedy after being directed to do so by Extraordinary Resolution of Bondholders;
- (h) the Trustee can delegate any of the trusts, powers, authorities vested in it by the Trust Deed;
- (i) the Trustee shall consider the interests of Bondholders as a whole and not the consequences to individual Bondholders resulting from their residence or domicile in a place other than New Zealand; and
- (j) unless Infratil consents in writing, the Trustee shall not disclose confidential information made available by Infratil to Bondholders unless required by law, any ruling binding on it or a court order.

In addition, the Trustee is obliged to comply with its Fifth Schedule Duties, as described under the heading "The Trustee's Duties" above.

The Trustee is also indemnified by Infratil in respect of all liabilities and expenses incurred by it in the execution of the powers or trusts under the Trust Deed, and against all actions, costs, claims and demands in relation to the Trust Deed except where the Trustee fails to act with reasonable care and diligence. The Bondholders will not be liable for any liability of the Trustee acting as trustee under the Trust Deed.

PURCHASE OF INFRASTRUCTURE BONDS BY INFRATIL

The Trust Deed authorises Infratil and its subsidiaries to purchase Infrastructure Bonds. All Infrastructure Bonds so purchased may, at the option of Infratil, be cancelled on registration.

MEETINGS/REGISTERS

The Trust Deed contains provisions for meetings of Bondholders. Meetings may be convened by Infratil or the Trustee, and are required to be convened on the request of Bondholder(s) holding not less than 10% of the total Face

Value of all the Infrastructure Bonds. At least 14 clear days' notice of each meeting is required to be given.

The meetings are to be held in the city in which the registered office of Infratil is situated, or at such other place as the Trustee determines or approves. Each Bondholder is entitled to attend in person or by proxy and vote at the meeting. The quorum required for passing an Extraordinary Resolution is the holders of a majority of the Infrastructure Bonds. The quorum for any other business is the holders of at least 10% of the Infrastructure Bonds. An Extraordinary Resolution of Bondholders binds all Bondholders and the Trustee.

The Trust Deed also provides for Infratil to establish a register of Infrastructure Bonds. The register records the details of each Series of Infrastructure Bonds and Bondholders. Except for the payment on the first Coupon Payment Date for an Infrastructure Bond payments will be made to the person named as Bondholder in the register on the relevant record date and if more than one person is named, payments will be made to the first person named.

GENERAL

Neither the Trustee nor any other person, guarantees or will guarantee any principal or interest or other amount in respect of the Infrastructure Bonds or Shares issued on conversion thereof.

LISTING RULES

The Trust Deed contains a number of provisions that reflect the Listing Rules. In particular:

- (a) if NZX has given a ruling authorising any act or omission which, in the absence of that ruling, would be in contravention of the Listing Rules, the Trust Deed or the Constitution, that act or omission shall, unless a contrary intention appears in the Constitution or the Trust Deed, be deemed to be authorised by the Listing Rules, the Trust Deed and the Constitution;
- (b) failure to comply with the Listing Rules does not affect the validity or enforceability of any transaction, contract, action or other matter whatsoever (including the proceedings of, or voting at, any meeting), provided that a party to a transaction or contract who knew of the failure to comply with the Listing Rules or those provisions is not entitled to enforce that transaction or contract;
- (c) for so long as any Series of Infrastructure Bonds is listed on NZX, Infratil shall comply with the Listing Rules subject to the requirements of the Securities Act and other legislation or regulatory requirements under the terms of any Ruling given from time to time; and

- (d) if any provision in the Trust Deed or the Constitution is inconsistent with the Listing Rules, the Listing Rules shall prevail.

If no Series of Infrastructure Bonds is listed on NZX, the Listing Rules shall nevertheless continue to apply, to the greatest extent possible, to all Series of Infrastructure Bonds as if they did remain listed.

The Trust Deed also contains provisions relating to:

- (a) transfers of Infrastructure Bonds that are Restricted Transfers under the Listing Rules;
- (b) Defaults (as defined in Listing Rule 4.1.1) by Bondholders; and
- (c) the Compulsory Acquisition of Infrastructure Bonds under the Listing Rules.

The Trust Deed is governed by New Zealand law.



Trustees Executors

Level 1 50-64 Customhouse Quay PO Box 3222 DX SP20011
Wellington New Zealand
PHONE 04-495-0999 FAX 04-496-2952

16 November 2006

The Directors
Infratil Limited
97 The Terrace
WELLINGTON

Dear Sir or Madam

Clause 13(3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer of bonds ("the Securities") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 11 November 1999 (as amended). These provisions are those which:

- (a) Entitle Infratil Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Prospectus;
- (b) Impose restrictions on the right of Infratil Limited to offer the Securities;

and are described in the summary of the Trust Deed in the Prospectus.

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Securities set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) Set out above; and
- (b) That the Trustee relies on the information supplied to it by Infratil Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

The Trustee draws your attention to the explanation of the Trustee's Duties described under the heading "Summary of the Trust Deed Constituting the Infrastructure Bonds" contained in the Prospectus.

Trustees Executors Limited does not guarantee the repayment of the Securities or the payment of interest thereon.

Yours sincerely
Trustees Executors Limited

Luiza Moran
Business Manager
Corporate Trust

FIVE YEAR SUMMARY FINANCIAL INFORMATION OF INFRATIL AND INFRATIL GROUP TO 2006

As the Infrastructure Bonds may convert into ordinary shares in Infratil, financial information is provided on the basis that the Infrastructure Bonds are both “debt securities” and “equity securities” for the purposes of the Securities Act 1978 and the Securities Regulations 1983.

Accordingly, in both the summary financial statements and annual statutory financial statements below, information is provided in respect of Infratil (which is the borrowing group for the purpose of the Securities Act 1978 and the Second Schedule to the Securities Regulations 1983) and in respect of the Infratil Group on a consolidated basis (which is the issuing group for the purposes of the Securities Act 1978 and the First Schedule to the Securities Regulations 1983).

FINANCIAL STATEMENTS OF INFRATIL (AS THE BORROWING GROUP) PREPARED TO COMPLY WITH CLAUSE 7 SECOND SCHEDULE SECURITIES REGULATIONS 1983

The figures are from Infratil’s unqualified audited accounts for the financial year ending 31 March.

	2006	2005	2004	2003	2002
	\$000	\$000	\$000	\$000	\$000
Operating Results					
Investment income	40,985	35,073	33,671	34,930	30,302
Other income	41,864	27,874	26,564	20,265	18,616
Total revenue	82,849	62,947	60,235	55,195	48,918
Interest expense	24,925	14,757	14,435	13,753	12,328
Net profit before tax	40,842	34,615	33,057	34,325	30,201
Tax	-	-	-	218	-
Net profit after tax	40,842	34,615	33,057	34,107	30,201
Dividend	23,031	26,880	16,671	5,826	17,946
DPS (cents)	10.50	12.00	9.00	3.00	9.25
Transfer to retained earnings	17,811	7,735	16,386	28,281	12,255
Shares on issue (000)	218,939	219,299	226,685	183,414	185,872
Financial Position					
Investments	704,866	431,842	390,045	341,093	302,294
Total assets	745,579	478,138	414,323	355,645	331,947
Total tangible assets	745,579	478,138	414,323	355,645	331,947
Total liabilities	488,423	237,434	157,818	172,842	172,738
Shareholder equity	257,156	240,704	256,505	182,803	159,209
Outside equity in subs	-	-	-	-	-
Total equity	257,156	240,704	256,505	182,803	159,209

FINANCIAL STATEMENTS OF THE INFRATIL GROUP (AS THE ISSUING GROUP) PREPARED TO COMPLY WITH CLAUSE 8 FIRST SCHEDULE SECURITIES REGULATIONS 1983

The figures are from the Infratil Group's unqualified audited accounts for the financial year ending 31 March.

	2006	2005	2004	2003	2002
Operating Results	\$000	\$000	\$000	\$000	\$000
Investment income	5,141	3,988	4,325	29,835	6,631
Operating revenue	266,895	142,276	123,752	123,746	113,866
Equity accounted surplus (deficit) of associate*	28,979	25,736	20,667	13,128	360
Investment realisations and revaluations	239	22,721	2,244	20,010	28,039
Total revenue	301,254	194,721	150,988	162,527	148,896
Interest expense	41,984	24,925	25,008	27,099	26,180
Net profit before tax	14,073	50,670	29,104	39,606	26,044
Taxation expense	670	54	1,628	7,088	1,618
Tax paid net surplus attributable to minority shareholders in subsidiary companies	5,445	5,579	5,011	4,381	1,853
Equity accounted earnings of associate for prior years	-	-	-	-	57,957
Net profit after tax	7,958	45,037	22,465	28,137	82,383
Dividend to shareholders	23,031	26,880	16,671	5,826	17,946
Dividend - Minority shareholder in subsidiary	5,917	-	-	2,380	2,040
DPS (cents)	10.50	12.00	9.00	3.00	9.25
Retained earnings	(15,073)	18,157	5,794	22,311	64,437
Shares on issue (000)	218,939	219,299	226,685	183,414	185,872
Financial Position					
Non current assets	1,589,662	914,631	855,176	740,791	741,268
Total assets	1,704,898	1,002,534	915,077	791,807	796,690
Total tangible assets	1,627,106	1,002,534	915,077	791,807	796,690
Total liabilities	911,515	414,480	323,959	367,090	376,408
Shareholder equity	665,793	530,682	540,775	329,398	319,971
Outside equity in subs	127,590	57,372	50,343	95,319	100,311
Total equity	793,383	588,054	591,118	424,717	420,282
*Equity accounted surplus (deficit) of associate incl. dividends of	24,187	19,934	24,641	12,096	7,752
Equity/share ²	\$3.04	\$2.42	\$2.38	\$1.80	\$1.72
Equity/share ³	\$3.04	\$2.42	\$2.38	\$1.80	\$1.72
Equity/equity instrument ⁴	\$1.93	\$1.90	\$2.05	\$1.59	\$1.55

Notes to the summaries:

1. The following major transactions should be taken into account when considering the five year summaries:

- (a) Acquisition of the remaining 32.73% of Glasgow Prestwick Holdings Limited in December 2003 and March 2004.
- (b) Acquisition of the New Zealand public transport operations of Stagecoach plc in November 2005.

Notes relating to calculations of equity per share:

- 2. Equity/share is the shareholder equity of the Issuer Group with investments valued on the basis of book value. This is not the normal accounting practice adopted by Infratil in its audited financial statements.
- 3. Equity/share has been provided to ensure compliance with clause 8 (5) of the first schedule. The value has been derived by assuming that for 2006, that \$300 million of Infrastructure Bonds have been issued
- 4. Equity/equity instrument has been provided to ensure compliance with clause 8 (5) of the first schedule. The value has been derived by assuming that (a) all equity warrants and options outstanding on the relevant dates are converted at their exercise value with the amount raised added to the numerator and the number of shares created included in the denominator, (b) All Bonds issued under the trust deeds dated 26 March 1999 and 11 November 1999 between Infratil and the Trustee are converted at the holder's conversion option, (c) for 2006 that \$300 million of Infrastructure Bonds have been issued and converted to 218,658,892 shares.

For 31 March 2002 the calculation entails:

Starting position	Warrants	04 Bonds	03 & 05 & 11 Bonds	Total
\$319,971	+ \$65,871	+ \$65,972	+ \$104,648	= \$556,462
185,872	+ 47,051	+ 49,603	+ 76,274	= 358,800

As at 31 March 2002 there were 47,050,844 warrants that could have been converted at \$1.40 each to give \$65,871,182. The \$65,971,989 of 04 Bonds have a 95% Conversion Percentage which at a share price of \$1.40 would give rise to 49,602,999 new shares had they been converted. The \$104,648,029 of 03, 05 and 11 Bonds have a 98% Conversion Percentage which, at a share price of \$1.40 would give rise to 76,274,074 new shares had they been converted.

For 31 March 2003 the calculation entails:

Starting position	Warrants	04 Bonds	03, 05 & 11 Bonds	Total
\$329,398	+ \$65,812	+ \$65,972	+ \$104,648	= \$565,830
183,414	+ 47,009	+ 49,603	+ 76,274	= 356,300

As at 31 March 2003 there were 47,008,844 warrants that could have been converted at \$1.40 each to give \$65,812,382. The \$65,971,989 of 04 Bonds have a 95% Conversion Percentage which at a share price of \$1.40 would give rise to 49,602,999 new shares had they been converted. The \$104,648,029 of 03, 05 and 11 Bonds have a 98% Conversion Percentage which, at a share price of \$1.40 would give rise to 76,274,074 new shares had they been converted.

For 31 March 2004 the calculation entails:

Starting position	Warrants	05, 11 & 13 Bonds	Total
\$540,775	+ \$482	+ \$154,646	= \$695,903
226,685	+ 344	+ 112,716	= 339,745

As at 31 March 2004 there were 343,967 warrants that could have been converted at \$1.40 each to give \$481,554. The \$154,645,745 of 05, 11 and 13 Bonds have a 98% Conversion Percentage which, at a share price of \$1.40 would give rise to 112,715,558 new shares had they been converted.

For 31 March 2005 the calculation entails:

Starting position	Warrants	05, 11, 13, 15, 20 Bonds	New Bonds	Total
\$530,662	+ \$158,848	+ \$233,939	+ \$250,000	= \$1,173,449
219,299	+ 45,385	+ 170,510	+ 182,216	= 617,410

As at 31 March 2005 there were 45,385,259 warrants that could have been converted at \$3.50 each to give \$158,848,497. The \$233,939,445 of 05, 11, 13, 15 and 20 Bonds have a 98% Conversion Percentage which, at a share price of \$1.40 would give rise to 170,509,800 new shares had they been converted. Were \$250,000,000 of new Bonds issued it would raise \$250,000,000 and give rise to 182,215,744 new shares had they been converted.

For 31 March 2006 the calculation entails:

Starting position	Warrants	10, 11, 11b, 12, 13, 15, 20 Bonds	New Bonds	Total
\$665,793	+ \$158,388	+ \$481,607	+ \$300,000	= \$1,605,788
218,939	+ 45,254	+ 351,021	+218,659	= 833,873

As at 31 March 2006 there were 45,253,854 warrants that could have been converted at \$3.50 each to give \$158,388,489. The \$481,607,463 of 10, 11, 11b, 12, 13, 15 and 20 Bonds have a 98% Conversion Percentage which, at a share price of \$1.40 would give rise to 351,025,8481 new shares had they been converted. Were \$300,000,000 of new Bonds issued it would raise \$300,000,000 and give rise to 218,658,892 new shares had they been converted.

The \$1.40 conversion share price has been selected for illustrative purposes in all the above bond conversions. The actual conversion price be would be derived from the share market prices at the time of conversion. The \$1.40 share price is coincidentally the exercise price of the warrants on issue in each of the 2001 to 2004 years. For the 2005 year the warrant exercise price is \$3.50.

FINANCIAL STATEMENTS OF INFRATIL LIMITED AND CONSOLIDATED FINANCIAL STATEMENTS OF THE INFRATIL GROUP FOR THE YEAR ENDED 31 MARCH 2006

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2006

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$000	\$000	\$000	\$000
Operating revenue	2	301,015	172,000	82,849	62,947
Operating expenses	3	287,181	144,051	42,007	28,332
Operating surplus before taxation		13,834	27,949	40,842	34,615
Investment realisations and revaluations	2	239	22,721	-	-
Surplus before taxation		14,073	50,670	40,842	34,615
Taxation expense	4	670	54	-	-
Surplus after taxation for the year		<u>13,403</u>	<u>50,616</u>	<u>40,842</u>	<u>34,615</u>
Net surplus comprises:					
Parent company interest		7,958	45,037	40,842	34,615
Minority interest in subsidiary companies		5,445	5,579	-	-
		<u>13,403</u>	<u>50,616</u>	<u>40,842</u>	<u>34,615</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$000	\$000	\$000	\$000
Net surplus attributable to:					
- Parent entity shareholders	6	7,958	45,037	40,842	34,615
- Minority shareholders in subsidiary companies		5,445	5,579	-	-
Currency translation reserve movements attributable to:					
- Parent entity shareholders	6	20,518	(7,207)	-	-
- Minority shareholder in subsidiary company		174	2	-	-
Increase in revaluation reserves:					
- Parent entity shareholders	6	131,025	2,493	-	-
- Minority shareholders in subsidiary companies		67,499	1,284	-	-
Total recognised revenues net of expenses for the year		<u>232,619</u>	<u>47,188</u>	<u>40,842</u>	<u>34,615</u>
Shares issued	6	460	409	460	409
Total contributions from owners		<u>460</u>	<u>409</u>	<u>460</u>	<u>409</u>
Share buyback	6	(1,819)	(23,945)	(1,819)	(23,945)
Minority interest distribution		(5,917)	-	-	-
Parent company dividends paid in cash	6	(23,031)	(26,880)	(23,031)	(26,880)
Total distributions to owners		<u>(30,767)</u>	<u>(50,825)</u>	<u>(24,850)</u>	<u>(50,825)</u>
Outside equity interest arising on establishment of subsidiary		<u>3,017</u>	<u>164</u>	-	-
		<u>3,017</u>	<u>164</u>	-	-
Movements in equity for the year		<u>205,329</u>	<u>(3,064)</u>	<u>16,452</u>	<u>(15,801)</u>
Equity at the beginning of the year					
Parent company interest		530,682	540,775	240,704	256,505
Minority interest in subsidiary companies		57,372	50,343	-	-
		<u>588,054</u>	<u>591,118</u>	<u>240,704</u>	<u>256,505</u>
Equity at the end of the year					
Parent company interest		665,793	530,682	257,156	240,704
Minority interest in subsidiary companies		127,590	57,372	-	-
		<u>793,383</u>	<u>588,054</u>	<u>257,156</u>	<u>240,704</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2006**

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$000	\$000	\$000	\$000
Current assets					
Cash and short term deposits		60,121	61,986	38,162	45,004
Trade receivables		33,281	18,394	-	15
Prepayments and sundry receivables		13,512	3,467	-	-
Stock		3,324	805	-	-
Taxation refund		<u>4,998</u>	<u>3,251</u>	<u>2,551</u>	<u>1,277</u>
Total current assets		<u>115,236</u>	<u>87,903</u>	<u>40,713</u>	<u>46,296</u>
Non current assets					
Fixed assets	14	992,350	461,828	-	-
Investment properties	15	43,967	22,620	-	-
Intangible assets	10	77,792	-	-	-
Investments	12 & 13	475,553	430,183	-	-
Investment in subsidiaries	16	-	-	99,665	99,665
Advances to subsidiaries		-	-	<u>605,201</u>	<u>332,177</u>
Total non current assets		<u>1,589,662</u>	<u>914,631</u>	<u>704,866</u>	<u>431,842</u>
Total assets		<u>1,704,898</u>	<u>1,002,534</u>	<u>745,579</u>	<u>478,138</u>
Current liabilities					
Current portion bank debt	7	258,047	39,725	-	-
Bank overdraft	7	471	-	-	-
Accounts payable		23,511	13,208	-	-
Accruals and other liabilities		<u>50,702</u>	<u>10,190</u>	<u>6,816</u>	<u>3,495</u>
Current liabilities excluding infrastructure bonds		<u>332,731</u>	<u>63,123</u>	<u>6,816</u>	<u>3,495</u>
Infrastructure bonds	8	-	<u>49,369</u>	-	<u>49,369</u>
Total current liabilities		<u>332,731</u>	<u>112,492</u>	<u>6,816</u>	<u>52,864</u>
Non current liabilities					
Bank debt	7	55,000	100,000	-	-
Deferred tax	4	12,962	3,668	-	-
Accruals and other liabilities		15,465	-	-	-
Minority interest subordinated debt	7	<u>13,750</u>	<u>13,750</u>	-	-
Non current liabilities excluding infrastructure bonds		<u>97,177</u>	<u>117,418</u>	-	-
Infrastructure bonds	8	<u>481,607</u>	<u>184,570</u>	<u>481,607</u>	<u>184,570</u>
Total non current liabilities		<u>578,784</u>	<u>301,988</u>	<u>481,607</u>	<u>184,570</u>
Equity					
Attributable to shareholders of the Company	5, 6 & 9	665,793	530,682	257,156	240,704
Minority interest in subsidiaries		<u>127,590</u>	<u>57,372</u>	-	-
Total equity		<u>793,383</u>	<u>588,054</u>	<u>257,156</u>	<u>240,704</u>
Total equity and liabilities		<u>1,704,898</u>	<u>1,002,534</u>	<u>745,579</u>	<u>478,138</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$000	\$000	\$000	\$000
Cash flows from operating activities					
Cash was provided from:					
Dividends		26,959	27,574	40,000	33,809
Interest		2,192	1,871	1,000	1,262
Taxation received		2,148	-	-	-
Receipts from customers		<u>257,988</u>	<u>137,580</u>	<u>-</u>	<u>-</u>
		<u>289,287</u>	<u>167,025</u>	<u>41,000</u>	<u>35,071</u>
Cash was disbursed to:					
Payments to suppliers		210,419	100,428	12,003	12,250
Interest		37,321	25,001	22,412	14,275
Taxation paid		-	907	<u>1,274</u>	<u>1,277</u>
		<u>247,740</u>	<u>126,336</u>	<u>35,689</u>	<u>27,802</u>
Net cash flow from operating activities	18	<u>41,547</u>	<u>40,689</u>	<u>5,311</u>	<u>7,269</u>
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of investments		239	27,431	-	-
Proceeds from sale of fixed assets		186	-	-	-
Proceeds from sale of non current assets		<u>-</u>	<u>74</u>	<u>-</u>	<u>-</u>
		<u>425</u>	<u>27,505</u>	<u>-</u>	<u>-</u>
Cash was applied to:					
Cash outflow for investments		56,908	53,565	231,161	13,252
Acquisition of shares in subsidiaries		298,269	-	-	-
Purchase of fixed assets		<u>106,201</u>	<u>21,440</u>	<u>-</u>	<u>-</u>
		<u>461,378</u>	<u>75,005</u>	<u>231,161</u>	<u>13,252</u>
Net cash (outflow) from investing activities		<u>(460,953)</u>	<u>(47,500)</u>	<u>(231,161)</u>	<u>(13,252)</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$000	\$000	\$000	\$000
Cash flows from financing activities					
Cash was provided from:					
Proceeds from issue of shares		460	409	460	409
Bank borrowings		204,000	49,725	-	-
Grants received		885	739	-	-
Issue of Infrastructure bonds		<u>273,221</u>	<u>79,310</u>	<u>273,221</u>	<u>79,310</u>
		<u>478,566</u>	<u>130,183</u>	<u>273,681</u>	<u>79,719</u>
Cash was applied to:					
Repay bank debt		1,650	41,562	-	-
Repay infrastructure bonds		25,553	-	25,553	-
Infrastructure bonds issue expenses		4,334	1,483	4,270	1,483
Share buyback		1,819	23,945	1,819	23,945
Dividends paid		<u>28,948</u>	<u>26,880</u>	<u>23,031</u>	<u>26,880</u>
		<u>62,304</u>	<u>93,870</u>	<u>54,673</u>	<u>52,308</u>
Net cash inflow from financing activities		<u>416,262</u>	<u>36,313</u>	<u>219,008</u>	<u>27,411</u>
Net (decrease) / increase in cash held		(3,144)	29,502	(6,842)	21,428
Effect of exchange rate fluctuations on cash held		808	(89)	-	-
Opening cash balances brought forward		61,986	32,573	45,004	23,576
Cash balances in statement of financial position		<u>59,650</u>	<u>61,986</u>	<u>38,162</u>	<u>45,004</u>
Cash balances at the end of the year					
Cash and short term deposits		60,121	61,986	38,162	45,004
Bank overdraft		(471)	-	-	-
Net cash balance		<u>59,650</u>	<u>61,986</u>	<u>38,162</u>	<u>45,004</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(1) Statement of accounting policies

(A) Basis of preparation

- Infratil Limited ("the Company") is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Exchange.
- Financial statements for Infratil Limited and consolidated financial statements are presented. The consolidated financial statements comprise the Company, its subsidiaries and associates ("the Group").
- The Company is an issuer for the purposes of the Financial Reporting Act 1993. The Company's and Group financial statements have been prepared in accordance with the Financial Reporting Act 1993 and generally accepted accounting principles in New Zealand.
- The reporting currency used in the preparation of these financial statements is New Zealand dollars.
- The financial statements comprise statements of the following: financial performance; movements in equity; financial position; cash flows; significant accounting policies; as well as the notes to those statements contained on pages 37 to 69 of this Prospectus.
- The financial statements are prepared on the basis of historical cost, except that fixed assets are periodically re-valued in accordance with accounting policy (C), investment properties in accordance with accounting policy (D) and investments are valued in accordance with accounting policy (F).

(B) Basis of preparing consolidated financial statements

Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

Associates

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The consolidated financial statements include the Group's share of the net surplus of associates on an equity accounted basis.

Acquisition during the year

Where an entity becomes part of the Group during the year, the results of the entity are included in the consolidated results from the date that control commenced.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Goodwill arising on acquisition

Goodwill arising on the acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived – a period of up to 20 years.

Other Intangible assets

Leasehold intangible assets acquired by the company are stated at the lower of cost or fair value, less accumulated amortisation. Fair value is calculated with reference to the future estimated present values of cash flows arising from those leases.

Amortisation is charged to the income statement over the period relating to the remaining lease tenures in proportion to the expiry profile of the leases, of between 1 and 20 years.

(C) Fixed assets

Fixed assets are recorded at cost, or valuation with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. Fixed assets are revalued to their fair value, determined by an independent valuation, in accordance with Financial Reporting Standard No. 3: Accounting for Property, Plant and Equipment.

Additions not yet subject to independent valuation, including capital work in progress, are recorded at cost plus capitalised interest where appropriate.

Depreciation is provided on a straight line basis and the major depreciation periods (in years) are:

Land, buildings and civil works	5 – 80
Vehicles, plant and equipment	3 – 20

Individual assets' remaining useful lives and residual values are assessed during the revaluation process and depreciation is calculated on a basis consistent with those parameters.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(D) Investment Property

Certain commercial properties owned by the Group have been identified as being held for the purpose of deriving rental income. Primarily these relate to airport properties not directly connected with aeronautical operations. Accordingly these properties have been treated as investment properties.

Investment property is stated at valuation, as determined each year by an independent registered valuer. The basis of valuation is the market value less the estimated costs of disposal, based on each property's highest and best use. Any increase on revaluation is recognised directly in equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the statement of financial performance. A decrease in the revaluation value is recognised in the statement of financial performance where it exceeds an increase previously recognised in equity. Where an investment property is disposed of, the gain or loss recognised in the statement of financial performance is the difference between the sale price and the carrying amount of the property. In addition, any amount in equity that relates to the property is transferred to the statement of financial performance in calculating the gain or loss.

Investment properties under construction are recorded at cost.

Investment properties are not depreciated in the financial statements.

(E) Receivables

Receivables are stated at their estimated realisable value.

(F) Investments

Investments are stated at cost except where in the opinion of the Directors, there is a permanent diminution in value, in which case they are written down to market value.

(G) Stocks

Stocks are stated at the lower of cost or net realisable value.

(H) Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in accounts payable. Operating lease rentals are charged to the statement of financial performance on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(I) Income tax

The income tax expense charged to the statement of financial performance is calculated on the basis that tax losses, and the tax benefit of timing differences, are only recognised where there is virtual certainty of realisation in the foreseeable future.

Deferred taxation, calculated using the liability method on a partial basis, is accounted for in respect of those timing differences that are expected to reverse in the foreseeable future.

(J) Derivative financial instruments

The Group is a party to derivative financial instruments as part of its day to day operating activities. When appropriate, it enters into agreements to manage its interest rate risk, foreign exchange risk and revenue risk.

Derivative financial instruments that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items. Derivative financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statement of financial performance.

Counterparties to treasury derivative financial instruments are major financial institutions with high credit ratings. The Group does not request security to support derivative financial instruments entered into.

Surpluses and deficits in energy price hedge contracts for differences are recognised in the period in which an invoice relates. Energy price contracts are not entered into for speculative purposes.

(K) Foreign currency

Transactions

Foreign currency transactions are converted to New Zealand currency at the exchange rate ruling at the transaction date.

Non-monetary assets

Where a designated hedge of a non-monetary asset exists, both the asset and hedge liability are translated at the closing rate. Exchange differences are taken to the foreign currency translation reserve except where the exchange difference on the liability exceeds that of the asset, in which case they are taken to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Translation of financial statements of independent foreign operations

The assets and liabilities of overseas subsidiaries are translated to New Zealand currency at the exchange rate ruling at balance date. The revenue and expenses are translated at the average exchange rate for the period as an approximation of exchange rates ruling at the date of the transactions.

The exchange difference on forward exchange contracts used to hedge the translation of the foreign currency investments are recorded in trade receivables/accounts payable as appropriate and taken to the foreign currency translation reserve to the extent that it is offset by the exchange differences on the net investment. When the exchange difference on the hedge exceeds the exchange difference on the overseas net investment, the difference is recognised in the statement of financial performance.

(L) Goods & services tax ("GST")

The Company and wholly owned New Zealand subsidiaries other than the Stagecoach New Zealand Group of Companies are not registered for GST as the nature of business is an exempt supply. Their financial statements have been prepared on a GST inclusive basis. Other subsidiaries are registered for GST or VAT and their financial statements have been prepared on a GST or VAT exclusive basis.

(M) Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

(N) Comparatives

Comparative figures have been restated where appropriate to ensure consistency with the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(2) Operating revenue				
Interest	2,311	1,879	985	1,264
Dividends	2,830	2,109	40,000	33,809
Equity accounted earnings of associate				
- dividends	24,187	19,934	-	-
- surplus after dividends	4,792	5,802	-	-
Inter-company charges	-	-	41,864	27,874
Revenues	<u>266,895</u>	<u>142,276</u>	<u>-</u>	<u>-</u>
	301,015	172,000	82,849	62,947
Investment realisations	<u>239</u>	<u>22,721</u>	<u>-</u>	<u>-</u>
	<u>301,254</u>	<u>194,721</u>	<u>82,849</u>	<u>62,947</u>
(3) Operating expenses				
Fees Paid to Group Auditors				
Audit fees	442	254	84	65
Other assurance services	74	61	7	18
Taxation services	653	349	408	198
Audit fees paid to other auditors	145	-	-	-
Other assurance services paid to other auditors	26	-	-	-
Bad debts written off	518	450	-	-
Increase/(decrease) in provision for doubtful debts	89	(316)	-	-
Amortisation of intangibles	579	-	-	-
Depreciation	21,792	12,828	-	-
Amortisation of goodwill	1,720	-	-	-
Directors' fees	1,079	1,727	399	703
Infrastructure bonds issue expenses	4,203	1,548	4,191	1,548
Interest	41,984	24,925	24,643	14,757
Management fee	12,300	8,706	9,571	6,956
Trading operations	163,011	89,163	-	-
Administration and other	<u>38,566</u>	<u>4,356</u>	<u>2,704</u>	<u>4,087</u>
Total operating expenses	<u>287,181</u>	<u>144,051</u>	<u>42,007</u>	<u>28,332</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(4) Taxation				
Surplus before taxation	<u>14,073</u>	<u>50,670</u>	<u>40,842</u>	<u>34,615</u>
Taxation on the surplus for the year at 33%	4,644	16,721	13,478	11,423
Plus/(less) taxation effect of permanent differences				
Net benefit of imputation credits	(8,435)	(8,897)	-	-
Exempt dividends	-	-	(13,200)	(11,157)
Tax losses not recognised/(utilised)	10,150	1,659	(445)	(938)
Equity accounted earnings of associate net of dividends received	(1,702)	(1,915)	-	-
Timing differences not recognised	102	1,794	-	-
Under/(over) provision in prior years	129	(19)	-	-
Other permanent differences	<u>(4,218)</u>	<u>(9,289)</u>	<u>167</u>	<u>672</u>
Taxation expense	<u>670</u>	<u>54</u>	<u>-</u>	<u>-</u>
Current taxation	411	(18)	-	-
Deferred taxation	<u>259</u>	<u>72</u>	<u>-</u>	<u>-</u>
	<u>670</u>	<u>54</u>	<u>-</u>	<u>-</u>

The Group has New Zealand income tax losses of \$10.4 million (2005 \$10.5 million) available to be set-off against future assessable income and foreign income tax losses of \$13.4 million (2005 \$Nil). The tax losses could reduce a future New Zealand tax liability by \$3.4 million (2005 \$3.5 million) and foreign tax liability by \$4.0 million (2005 \$Nil) subject to the requirements of the income tax legislation being met.

Deferred Tax

Balance at the beginning of the year	3,668	3,778	-	-
Acquired on acquisition of subsidiary	8,741	-	-	-
Charge for the year	259	72	-	-
Currency variance during the year	<u>294</u>	<u>(182)</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>12,962</u>	<u>3,668</u>	<u>-</u>	<u>-</u>

A deferred tax liability of \$7.2 million (2005 \$8.8 million), relating to fixed asset timing differences, has not been recognised on the basis that it is not expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	Parent	
	2006	2005
	\$000	\$000
Imputation credit account		
Balance at the beginning of the year	6,187	5,904
Imputation credits attached to dividends received during the year	11,071	13,523
Less imputation credits attached to dividends paid during the year	(10,069)	(13,240)
Balance at the end of the year	<u>7,189</u>	<u>6,187</u>
At balance date the imputation credits available to the shareholders of the parent company were:		
Through direct shareholding in the parent company	7,189	6,187
Through indirect interests in subsidiaries	3,430	1,067
	<u>10,619</u>	<u>7,254</u>

(5) Shares on issue

	Consolidated		Parent	
	2006	2005	2006	2005
	000	000	000	000
Ordinary shares				
Movements in issued and fully paid ordinary shares				
Balance at the beginning of the year				
219,298,763 ordinary shares (2005; 226,684,964)	219,299	226,685	219,299	226,685
Warrants exercised (2009) 131,405 (2005; 6,774)	131	7	131	7
Warrants exercised (2004) - (2005; 275,210)	-	275	-	275
Less share buy back				
491,611 ordinary shares (2005; 7,668,185)	(491)	(7,668)	(491)	(7,668)
Total issued capital at the end of the year	<u>218,939</u>	<u>219,299</u>	<u>218,939</u>	<u>219,299</u>
218,938,557 ordinary shares				

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(6) Capital and reserves				
Attributable to shareholders of the Company	<u>665,793</u>	<u>530,682</u>	<u>257,156</u>	<u>240,704</u>
<i>Comprises:</i>				
Capital				
Balance at the beginning of the year	151,409	174,945	151,409	174,945
Warrants exercised	460	409	460	409
Less share buyback	<u>(1,819)</u>	<u>(23,945)</u>	<u>(1,819)</u>	<u>(23,945)</u>
Balance at the end of the year	<u>150,050</u>	<u>151,409</u>	<u>150,050</u>	<u>151,409</u>
Revaluation reserves				
Fixed assets				
Balance at the beginning of the year	245,105	243,977	-	-
Revaluation during the year	123,530	-	-	-
Transfer to investment properties	(3,132)	-	-	-
Share of associate's transfer from retained earnings	<u>327</u>	<u>1,128</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>365,830</u>	<u>245,105</u>	<u>-</u>	<u>-</u>
Investment properties				
Balance at the beginning of the year	2,493	-	-	-
Revaluation during the year	7,495	2,493	-	-
Transfer from fixed assets	<u>3,132</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>13,120</u>	<u>2,493</u>	<u>-</u>	<u>-</u>
Total revaluation reserves	<u>378,950</u>	<u>247,598</u>	<u>-</u>	<u>-</u>
Retained earnings reserve				
Balance at the beginning of the year	147,104	130,075	89,295	81,560
Net surplus after taxation	7,958	45,037	40,842	34,615
Share of associate's transfer to revaluation reserve	<u>(327)</u>	<u>(1,128)</u>	<u>-</u>	<u>-</u>
	154,735	173,984	130,137	116,175
Less dividends paid	<u>(23,031)</u>	<u>(26,880)</u>	<u>(23,031)</u>	<u>(26,880)</u>
Balance at the end of the year	<u>131,704</u>	<u>147,104</u>	<u>107,106</u>	<u>89,295</u>
Foreign currency translation reserve				
Balance at the beginning of the year	(15,429)	(8,222)	-	-
Difference arising on translation of independent foreign operations	20,518	(8,023)	-	-
Hedging of net investment in independent foreign operations	<u>-</u>	<u>816</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>5,089</u>	<u>(15,429)</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(7) Debt

(a) Bank debt

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Current portion of debt	258,518	39,725	-	-
Non current portion of debt	<u>55,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
	<u>313,518</u>	<u>139,725</u>	<u>-</u>	<u>-</u>

At year end the group had unsecured bank debt facilities of \$450 million (2005 \$260 million) which are able to be drawn-down as required. Subsequent to year end these facilities have been reduced to \$300 million with \$55 million maturing after one year. Interest rates were 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 6.78% to 8.02% (2005 5.35% to 6.81%).

In 2005 there were short term borrowings of \$39.7 million which were supported by a deposit of a similar amount included in cash and short term deposits.

(b) Subordinated debt

The shareholders of Wellington International Airport Limited have provided subordinated debt funding of \$55 million. Infratil's share of the subordinated debt has been eliminated on consolidation.

If the debt obligations of WIAL to all other lenders have been met the subordinated debt is repayable on demand. The Company also has the right to repay part of the debt if the repayment does not result in a breach of the debt covenants and requirements of the negative pledge deed or other finance documents.

Interest is payable on the last day of each quarter of WIAL's financial year. The interest rate is set in advance for the next quarter on each interest payment date. The interest rate payable is set at 4% above base rate where the base rate is the bid settlement rate on the Reuters Monitor Screen page BKBM on the last day of each quarter.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(8) Infrastructure bonds				
Balance at the beginning of the year	233,939	154,646	233,939	154,646
Issued during the year	297,037	79,293	297,037	79,293
Repaid or reinvested during the year	(49,369)	-	(49,369)	-
Balance at the end of the year	<u>481,607</u>	<u>233,939</u>	<u>481,607</u>	<u>233,939</u>
Current	-	49,369	-	49,369
Non current	481,607	184,570	481,607	184,570
	<u>481,607</u>	<u>233,939</u>	<u>481,607</u>	<u>233,939</u>

Series 05

The Company had nil (2005 49,369,350) infrastructure bonds series 05 on issue as at 31 March 2006.

Series 10

The Company has 680,500 (2005 nil) infrastructure bonds (series 10) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 7.25% per annum. Each of these infrastructure bonds will mature on 15 November 2010. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this 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 obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

Series 11

The Company has 20,000,000 (2005 20,000,000) infrastructure bonds (series 11) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 8.5% per annum. Each of these infrastructure bonds will mature on 15 November 2011. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this 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 obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Series 11B

The Company has 112,072,768 (2005 nil) infrastructure bonds (series 11B) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 8.25% per annum. Each of these infrastructure bonds will mature on 15 November 2011. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this 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 obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

Series 12

The Company has 57,396,500 (2005 nil) infrastructure bonds (series 12) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 7.75% per annum. Each of these infrastructure bonds will mature on 15 November 2012. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this 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 obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

Series 13

The Company has 85,276,395 (2005 85,276,395) infrastructure bonds (series 13) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 8.5% per annum. Each of these infrastructure bonds will mature on 15 September 2013. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this 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 obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

Series 15

The Company has 129,600,700 (2005 70,700,200) infrastructure bonds (series 15) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 8.5% per annum. Each of these infrastructure bonds will mature on 15 November 2015. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this series at their \$1.00 face value payable in cash or convert all the infrastructure bonds in the relevant series by issuing the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

number of shares obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

Series 20

The Company has 76,580,600 (2005 8,593,500) infrastructure bonds (series 20) on issue at a face value of \$1.00 per bond. Interest is payable quarterly on the bonds at 8.5% per annum. Each of these infrastructure bonds will mature on 15 February 2020. 25 days prior to the maturity date, the Company shall elect to redeem all infrastructure bonds in this 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 obtained by dividing the \$1.00 face value by the product of the relevant conversion percentage of 98% and the market price. The market price is the average price weighted by volume of all trades of ordinary shares of the Company over the 10 business days up to the fifth business day before the maturity date.

(9) Infratil warrants

Infratil had 45,253,854 (2005 45,385,259) warrants on issue at the year ended 31 March 2006. Each Infratil warrant held entitles the holder to acquire a further share in the Company at an initial issue price of \$3.50 on or before 10 July 2009.

(10) Intangible assets

	Consolidated	
	2006	2005
	\$000	\$000
Goodwill		
Balance at beginning of the year	-	-
Arising on acquisition of subsidiaries	35,536	-
Acquired with subsidiary	31,378	-
Arising on acquisition of minority interest in subsidiary	1,007	-
Amortisation	(1,720)	-
Balance at the end of the year	<u>66,201</u>	-
Other intangible assets - lease agreements		
Balance at beginning of the year	-	-
Arising on acquisition of subsidiary company	12,170	-
Amortisation	(579)	-
Balance at the end of the year	<u>11,591</u>	-
Total intangible assets	<u>77,792</u>	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(11) Acquisition of subsidiaries

On 1 November 2005 Wellington International Airport Limited acquired all the shares of ISite Limited, a company specialising in outdoor advertising. The contribution of ISite Limited to the consolidated net surplus for the period 1 November to 31 March 2006 was a loss of \$1.1 million (after elimination of intra-group transactions). On the 28 November 2005 the Group acquired a 100% interest in New Zealand Bus Limited and New Zealand Bus Finance Limited. The contribution of New Zealand Bus Limited and New Zealand Bus Finance Limited to the consolidated net surplus for the period 28 November 2005 to 31 March 2006 was \$12.4 million (after elimination of intra-group transactions).

On 5 December 2005 the Group acquired a 90% interest in Flughafen Lübeck GmbH ('Lübeck Airport'). The contribution of Lübeck Airport to the consolidated net surplus for the period 5 December 2005 to 31 March 2006 was a loss of \$2.8 million (after the elimination of intra-group transactions).

The acquisitions were accounted for using the purchase method with the resulting goodwill amortised in accordance with the Group's policy.

The acquisitions have the following effect on the consolidated financial position:

	Consolidated	
	2006	2005
	\$000	\$000
Net assets acquired		
Tangible fixed assets	238,176	-
Goodwill	31,378	-
Other intangible	12,170	-
Investments	9,251	-
Current assets	33,840	-
Current liabilities	(38,653)	-
Deferred taxation	<u>(8,741)</u>	-
	277,421	-
Minority Interest	<u>(2,705)</u>	-
Share of net assets acquired	274,716	-
Cash consideration paid	298,269	-
Deferred consideration	<u>11,983</u>	-
Goodwill on acquisition	<u>35,536</u>	-

The fair values of assets and liabilities acquired are considered provisional and will be reviewed during the next financial reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(12) Investments

	Consolidated			
	Cost or valuation		Market value	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Investment in TrustPower (Note 13)	314,400	309,562	751,958	575,874
Investment in other associates (Note 13)	9,206	-	9,206	-
Investments in other companies	<u>151,947</u>	<u>120,621</u>	<u>206,971</u>	<u>158,732</u>
	<u>475,553</u>	<u>430,183</u>	<u>968,135</u>	<u>734,606</u>

Market value is based on the share price at 31 March 2006 for listed investments and carrying value for unlisted investments.

Investments are held indirectly through other group companies.

(13) Investment in associates

TrustPower

As at 31 March 2006, the Group held a 35.18% (2005 35.18%) interest in TrustPower Limited, a limited liability company, incorporated in New Zealand. TrustPower Limited is listed on the New Zealand Exchange and operates within the electricity generation and retail trading industry.

The investment in the associate comprises:

	Consolidated	
	2006	2005
	\$000	\$000
Share of associate's surplus before income tax	45,203	39,401
Share of associate's income tax expense	(16,555)	(13,665)
Share of associate's operating surplus	28,648	25,736
Dividends from associate	(23,810)	(19,934)
	4,838	5,802
Share of associate's surplus and revaluation reserve at the beginning of the year	214,908	209,106
Total share of increase in associate's equity since acquisition	219,746	214,908
Cost of investment	94,654	94,654
Equity accounted value of investment	314,400	309,562

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Mana Coach Services Limited

As at 31 March 2006, the Group held a 26.0% (2005 Nil) interest in Mana Coach Services Limited, a limited liability company, incorporated in New Zealand. Mana Coach Services is a family owned and managed business that operates within the passenger transport industry.

The investment in the associate comprises:

	Consolidated	
	2006	2005
	\$000	\$000
Share of associate's surplus before income tax	366	-
Share of associate's income tax expense	=	-
Share of associate's operating surplus	366	-
Dividends from associate	<u>(377)</u>	-
	(11)	
Cost of investment	<u>8,888</u>	-
Equity accounted value of investment	<u>8,877</u>	-

The cost of investment includes a non-refundable \$3 million deposit for the 74% of the shares of Mana Coach Services Limited not owned by the Group.

Just Cruising Charters Limited

As at 31 March 2006, the Group held a 50.0% (2005 Nil) interest in Just Cruising Charters Limited, a company incorporated in New Zealand. Just Cruising Charters Limited is a ferry operator.

The investment in the associate comprises:

	Consolidated	
	2006	2005
	\$000	\$000
Share of associate's deficit before income tax	(35)	-
Share of associate's income tax expense	=	-
Share of associate's operating deficit	(35)	-
Dividends from associate	<u>=</u>	-
	(35)	
Cost of investment	<u>364</u>	-
Equity accounted value of investment	<u>329</u>	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(14) Fixed assets

Consolidated 2006				
	Valuation	Cost	Accumulated depreciation	Net carrying value
	\$000	\$000	\$000	\$000
Land and civil works	362,085	73,418	11,871	423,632
Buildings	343,420	67,176	23,536	387,060
Vehicles, plant and equipment	-	188,566	18,244	170,322
Capital work in progress	-	<u>17,477</u>	<u>6,141</u>	<u>11,336</u>
Total	<u>705,505</u>	<u>346,637</u>	<u>59,792</u>	<u>992,350</u>

Consolidated 2005				
	Valuation	Cost	Accumulated depreciation	Net carrying value
	\$000	\$000	\$000	\$000
Land and civil works	200,557	2,856	4,845	198,568
Buildings	258,873	12,586	26,205	245,254
Vehicles, plant and equipment	15,327	8,301	8,019	15,609
Capital work in progress	-	<u>2,397</u>	<u>-</u>	<u>2,397</u>
Total	<u>474,757</u>	<u>26,140</u>	<u>39,069</u>	<u>461,828</u>

The Group holds certain property assets that are leased out.

As required under the Financial Reporting Standard No. 3 assets are valued at fair value. Where the airport assets are of a specialised nature and do not have observable market values in their existing use, depreciated replacement cost is used as the basis of the valuation, as required by the Standard. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use.

Wellington International Airport Limited

All land, buildings and civil works were revalued at 31 March 2006 in accordance with the New Zealand Institute of Valuers asset valuation standards. The valuation was undertaken by independent registered valuers, Telfer Young Limited for land and buildings, Opus International Consultants Limited for civil works. Valuations for vehicle, plant and equipment were discounted and were left at carrying value.

Infratil Airports Europe Limited

Land, buildings and civil works at Glasgow Prestwick Airport were valued at fair value at 31 March 2002 based on an external valuation performed by Bell Ingram of Ayr, Scotland. This valuation was performed by a fellow of the Royal Institution of Chartered Surveyors ("RICS") in accordance with the recommendations of the RICS as defined within the RICS appraisal and valuation manual.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

(15) Investment properties

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Investment properties at valuation	43,967	16,827	-	-
Investment properties under construction at cost	-	5,793	-	-
Total investment properties	<u>43,967</u>	<u>22,620</u>	<u>-</u>	<u>-</u>

Investment properties were valued at year end by Telfer Young Limited for land and buildings and Opus International Consultants Limited for civil works. Movements in the valuation of investment properties are disclosed in the investment properties revaluation reserve. Property, plant and equipment assets and capital work in progress totalling \$9.9 million (2005 \$7.83 million) were transferred to investment properties at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(16) Investment in subsidiaries

Shares are held in the following unlisted companies.

	Balance Date	2006 Holding	2005 Holding
Investment activities			
<i>New Zealand</i>			
Infratil Investments Limited	31 March	100%	100%
Infratil Securities Limited	31 March	100%	100%
Infratil Gas Limited	31 March	100%	-
Infratil 1998 Limited	31 March	100%	100%
NZ Airports Limited	31 March	100%	100%
Infratil Australia Limited	31 March	100%	100%
Infratil Finance Limited	31 March	100%	100%
Infratil UK Limited	31 March	100%	100%
Infratil Ventures Limited	31 March	100%	100%
Infratil Europe Limited	31 March	100%	100%
Te Maunga Power Limited	31 March	50%	50%
Swift Transport Limited	31 March	100%	-
Transportation activities			
<i>New Zealand</i>			
New Zealand Bus Finance Limited	31 March	100%	-
New Zealand Bus Limited	31 March	100%	-
Fullers Group Limited	31 March	96%	-
Transportation Auckland Corporation Limited	31 March	100%	-
Auckland Integrated Ticket Limited	31 March	83%	-
Wellington City Transport Limited	31 March	100%	-
North City Bus Limited	31 March	100%	-
Cityline (NZ) Limited	31 March	100%	-
Wellington Integrated Ticketing Ltd	31 March	63%	-
Airport activities			
<i>New Zealand</i>			
Wellington International Airport Limited	31 March	66%	66%
ISite Limited	31 March	66%	-
<i>United Kingdom/ Europe</i>			
Infratil Airports Europe Limited ¹	31 March	100%	100%
Prestwick Aviation Holdings Limited ²	31 March	100%	100%
Glasgow Prestwick Airport Limited ³	31 March	100%	100%
Prestwick Airport Limited ⁴	31 March	100%	100%
Great Holidays Limited	31 March	100%	100%
Infratil Kent Facilities Limited ⁵	31 March	100%	100%
Infratil Kent Airport Limited ⁶	31 March	100%	100%
Runway Realisations Limited ²	31 March	100%	100%
PIK MRO Limited	31 March	100%	100%
Flughafen Lübeck GmbH ('Lübeck Airport')	31 March	90%	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Energy activities

Australia

Infratil Energy Australia Pty Limited	31 March	100%	100%
Victoria Electricity Pty Limited	31 March	98.53%	88.46%
Direct Connect Pty Limited	31 March	98.53%	88.46%

¹formerly Infratil Airport Holdings Limited

²non-trading

³formerly Glasgow Prestwick International Airport Limited

⁴formerly PIK Facilities Limited

⁵formerly Glasgow Prestwick Bond Limited

⁶formerly PIK Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(17) Financial instruments

(a) Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances and receivables.

The Group actively manages and monitors its accounts receivables on an ongoing basis.

Maximum exposures to credit risk as at balance date are:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Cash and short term deposits	60,121	61,986	38,162	45,004
Trade receivables	33,281	18,394	-	15
Sundry receivables	13,512	3,467	-	-
Income tax refund	4,998	3,251	2,551	1,277
Investments/ Advances to subsidiaries	<u>-</u>	<u>-</u>	<u>704,866</u>	<u>431,842</u>
	<u>111,912</u>	<u>87,098</u>	<u>745,579</u>	<u>478,138</u>

No security is held on the above amounts.

The Group is not exposed to any other concentrations of credit risk.

(b) Currency risk

Exposure to currency arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates. While these financial instruments are subject to the risk of market rates changing, such changes would be offset by opposite effects on the items to the extent that they are hedged.

The face value of derivative instruments outstanding at balance date were:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Forward exchange contracts	18,036	50,488	-	-

The Group incurs foreign currency risk as a result of offshore investments denominated in a currency other than the Group's functional currency. The currencies giving rise to the currency risk are Great British pounds, Euros and Australian dollars (refer to Note 23).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

At balance date the Group has the following unhedged currency exposures arising on foreign currency monetary assets and monetary liabilities that fall due within the next twelve months:

	Consolidated		Parent	
	2006	2005	2006	2005
	000	000	000	000
Cash, short term deposits and trade receivables				
Great British Pounds (GBP)	7,194	5,479	-	-
Australian Dollars (AUD)	18,913	9,494	-	-
Euros (EUR)	518	-	-	-
Bank overdraft, bank debt and accounts payable				
Great British Pounds (GBP)	(5,175)	(18,296)	-	-
Australian Dollars (AUD)	(8,758)	(3,662)	-	-
Euros (EUR)	(1,973)	-	-	-

The maximum exposure to credit risk arising from derivative financial instruments is as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Amount payable under forward exchange contracts	179	301	-	-
Amount receivable under forward exchange contracts (carrying value)	20	816	-	-

The maximum exposure is the contractual amount of derivative financial instruments outstanding at balance date; it does not represent amounts at risk.

It is considered a remote possibility that a counterparty to a derivative financial instrument with the Group would be unable or unwilling to meet a commitment.

(c) Interest rate risk

The Group is exposed to interest rate fluctuations on its bank debt. The Group uses interest rate swaps to manage interest rate risk.

At balance date the face value of interest rate contracts outstanding were:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Interest rate swaps in place at year end	40,000	80,000	-	-
Fair value of interest rate swaps	264	657	-	-
Carrying value of interest rate swaps	58	34	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Basis of valuation

The carrying value of hedges in place at balance date is the net interest accrued at balance date. Fair value of all hedges is calculated based on quoted prices at balance date.

The termination dates for the interest rate swaps are as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Between 0 to 1 year	10,000	40,000	-	-
Between 1 to 2 years	20,000	10,000	-	-
Between 2 to 5 years	10,000	30,000	-	-

(d) Revenue Risk

Revenue risk is the risk that results will be impacted by fluctuations in spot energy prices. The exposure to spot energy prices is limited by an approved Wholesale Energy Trading risk policy.

The Group in the ordinary course of business, enters into energy price hedges where it sells and buys energy at a forward price. In a typical contract, irrespective of the supply of energy, any difference between the fixed price and the spot price is settled between the parties for the invoice period. The energy price hedges are entered into directly by energy companies, energy buying groups and end users and vary in terms and duration. These contracts give the Group certainty about energy revenue and its contract customers more certainty about energy costs.

As at 31 March 2006, the Group had energy contracts outstanding with various maturities up to 31 December 2008. The face value of the outstanding electricity hedge contracts at 31 March 2006 hedge prices is \$89.5 million (31 March 2005 \$nil). Which mature within 1 to 5 years.

Hedge Contracts Outstanding at 31 March 2006 are (\$836,927) with maturities up to 31 December 2008.

Termination dates for hedge contracts are as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Between 0 to 1 year	70	-	-	-
Between 1 to 2 years	(736)	-	-	-
Between 2 to 5 years	<u>(171)</u>	-	-	-
	(837)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(e) Fair values

Financial instruments consist of cash and short term deposits, receivables, investments, advances to subsidiaries, accounts payable and derivatives. The fair value of interest rate swaps are detailed in note 17(c). The fair value of investments is estimated to be market value as detailed in note 12. The fair value of all other financial instruments is represented by their carrying value.

(f) Loan facilities

The Group has total loan facilities of \$450 million (2005 \$260 million). Of this amount \$188 million of bank debt and \$125 million of a Commercial Paper programme (2005 \$140 million in debt and Commercial Paper) have been drawn down by the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

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

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Net surplus	13,403	50,616	40,842	34,615
Less items classified as investing activity				
Profit on investment realisations	(239)	(22,721)	-	-
Add item classified as financing activity				
Infrastructure bonds issue expenses	4,203	1,548	4,191	1,548
Add items not involving cash flows				
Depreciation	21,792	12,828	-	-
Provision for bad debts	607	134	-	-
Amortisation of goodwill	1,720	-	-	-
Amortisation of intangibles	579	-	-	-
Other	(390)	(1,324)	-	-
Equity accounted earnings of associate	(4,792)	(5,802)	-	-
Non cash movements in advances to subsidiaries	-	-	(41,863)	(28,546)
Movements in working capital				
(Increase)/decrease in trade receivables	(4,987)	(500)	15	(2)
(Increase) / decrease in sundry receivables	(5,453)	1,008	-	-
Decrease in stock	222	209	-	-
(Decrease)/Increase in trade payables	(190)	4,298	3,400	259
Increase in accruals and other liabilities	15,941	1,244	-	-
(Increase) in taxation refundable	(869)	(849)	(1,274)	(605)
Net cash inflow from operating activities	<u>41,547</u>	<u>40,689</u>	<u>5,311</u>	<u>7,269</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(19) Management fee to Morrison & Co Infrastructure Management Limited

The management fee comprises a number of different components:

- A New Zealand base management fee is paid on the "New Zealand Company Value" at the rates of 1.125% per annum on the New Zealand Company Value up to \$50 million, 1.0% per annum on the New Zealand Company Value between \$50 million and \$150 million and 0.80% per annum on the New Zealand Company Value above \$150 million. The New Zealand Company Value is:
 - the Company's market capitalisation as defined in the management agreement (i.e. the aggregate market value of the Company's listed securities, being ordinary shares, infrastructure bonds and warrants);
 - plus the Company and its wholly owned subsidiaries' net debt (excluding listed debt securities and the book value of the debt in any non-Australasian investments);
 - minus the cost price of any non-Australasian investments; and
 - plus/minus an adjustment for foreign exchange gains or losses related to non-New Zealand investments.
- An international fund management fee is paid at the rate of 1.50% per annum on:
 - the cost price of any non-Australasian investments; plus
 - the book value of the debt in any wholly owned non-Australasian investments.
- An international fund incentive fee is payable at the rate of 20% of gains on the international (including Australian) assets in excess of 12% per annum post tax. For the period up to 31 March 2006, no international fund incentive fee was paid.
- A venture capital fund management fee and incentive fee is also payable. At the present time, given the small scale of the Company's venture capital investments, the amount of this management fee is immaterial to the total fee. For the period up to 31 March 2006, no venture capital fund incentive fee was paid.
- A separate venture capital fund management fee and incentive fee is payable in respect of the Company's IO Fund investment. For the period up to 31 March 2006, no management fees or incentive fees were paid in respect of the IO Fund.

The investment in the Glasgow Prestwick Airport group of companies is treated as an investment in a New Zealand asset for management fee purposes but, investments in other European airports (for example Lübeck and Kent) are non-New Zealand investments. The investment in Victoria Electricity Pty Limited is included in the non-IO Fund venture capital fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(20) Related parties

Morrison & Co Infrastructure Management Limited ("MCIM") is the management company for the Company. MCIM received a management fee in accordance with the management agreement of \$12,300,000 (including GST) (2005 \$8,706,000). Included in trade creditors is an amount of \$1,328,159 (including GST) (2005 \$805,781) for management fees for the month of March 2006.

MCIM is owned by H.R.L. Morrison & Co Group Limited. Messrs H R L Morrison and D P Saville are Directors of the Company and H.R.L. Morrison & Co Group Limited. Companies associated with them own H.R.L. Morrison & Co Group Limited.

H.R.L. Morrison & Co Limited ("MCO"), nzxsports.com Limited, and Morse Media Limited which are associated with the management company, received fees (directly and indirectly) during the year as set out below for services not required to be provided by MCIM in terms of its management agreement with the Company.

	2006 \$000	2005 \$000
Investment banking services relate to		
- Whenuapai Airport	56.4	313.8
- Airports in Europe	609.8	711.2
- Electricity assets (Australia)	354.0	-
- Issue of Infrastructure Bonds	228.7	134.6
Financial management, accounting, treasury, compliance and administrative services	373.5	181.8
Risk management reporting for Victoria Electricity Pty Limited	65.3	33.7
Wholesale risk management policy development	50.9	-

During the year ended 31 March 2006 employees of MCO received directors fees in their role as directors of Wellington International Airport Limited \$115,100 (2005 \$117,500), Infratil Europe Airports Limited GBP 34,166 (2005 GBP 92,500), Victoria Electricity Pty Limited A\$40,000 (2005 A\$41,440) and Stagecoach New Zealand Limited \$35,000 (2005 \$Nil).

Advances to wholly owned subsidiaries by the parent company are repayable on demand and interest has been charged on certain loans at a commercial rate of interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

(21) Financial commitments

(a) Fixed assets

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Committed but not contracted for	427	1,189	-	-
Contracted but not provided for	<u>17,477</u>	<u>6,506</u>	<u>-</u>	<u>-</u>
	<u>17,904</u>	<u>7,695</u>	<u>-</u>	<u>-</u>

TrustPower Limited (Infratil owns 35.18%) has announced that it is expanding the Tararua Wind Farm. Contractual agreements for the supply of the significant components of this expansion have been entered into and the expected total cost of the project is \$180,410,000. At balance date \$14,517,000 has been spent on the development.

(b) Leases

The Group has commitments under operating leases relating to the lease of premises and hire of plant and equipment. These commitments expire as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Between 0 to 1 year	3,800	434	-	-
Between 1 to 2 years	3,089	354	-	-
Between 2 to 5 years	5,849	293	-	-
More than 5 years	<u>13,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,863</u>	<u>1,081</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(22) Industry segments

	Airports		Transportation		Energy		Investments		Elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating revenue	166,131	129,022	65,233	-	54,559	13,254	-	-	-	-	285,923	142,276
Other revenue	983	493	596	-	386	122	35,287	67,245	(21,921)	(15,415)	15,331	52,445
Total revenue	167,114	129,515	65,829	-	54,945	13,376	35,287	67,245	(21,921)	(15,415)	301,254	194,721
Segment result	15,591	25,501	9,984	-	(2,455)	(2,710)	(9,047)	27,879	-	-	14,073	50,670
Taxation expense											670	54
Group surplus											13,403	50,616
Segment assets	864,503	513,300	253,921	-	47,029	11,300	539,445	477,934	-	-	1,704,898	1,002,534

The Group operates predominantly in four industries – investment in infrastructure and utility companies, airport, transportation and energy operations. The airport operations comprise the revenue and expenses associated with the Group's investments in Wellington International Airport Limited and Infratil Airports Europe Limited, transportation comprises the businesses of New Zealand Bus Limited and New Zealand Bus Finance Limited and subsidiaries, and the energy operations relate to Victoria Electricity Pty Limited and Infratil Energy Australia Pty Limited. Investments include the equity accounted results of TrustPower, and other investments less the financing, management and other corporate costs.

(23) Geographical segments

	New Zealand		Australia		United Kingdom/ Europe		Elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating revenue	150,709	58,410	54,559	13,254	80,655	70,612	-	-	285,923	142,276
Other revenue	36,256	63,225	386	122	610	253	(21,921)	(11,155)	15,331	52,445
Total revenue	186,965	121,635	54,945	13,376	81,265	70,865	(21,921)	(11,155)	301,254	194,721
Segment result	25,986	53,224	(2,455)	(2,710)	(9,458)	156	-	-	14,073	50,670
Taxation expense									670	54
Group surplus									13,403	50,616
Segment assets	1,355,156	805,992	47,028	11,300	302,714	185,242	-	-	1,704,898	1,002,534

Included within the New Zealand geographical segment are investments of \$182 million in entities based in Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(24) Earnings per share

	<u>2006</u>	<u>2005</u>
Earnings per share	6.15cps	22.70 cps
Diluted earnings per share recognising the warrants on issue	5.93cps	22.70 cps

(25) Contingent liabilities

Cash is held on deposit with banks of \$5.6 million (2005 \$3.2 million) as guarantees in the event that Victoria Electricity Pty Limited is unable to meet its liabilities to certain suppliers.

Stagecoach New Zealand Limited has outstanding letters of credit to suppliers at 31 March 2006 \$1,612,624 (2005 \$Nil) and performance bonds \$750,000 (2005 \$Nil).

On 21 March 2006 Infratil entered into an agreement to purchase the remaining 74% of the shares of Mana Coach Services Limited. This agreement is the subject of a High Court Case with the Commerce Commission seeking to prevent the acquisition. Infratil has paid a deposit of \$3 million in respect to the agreement which will be forfeited if the Commerce Commission is successful and the transaction is not otherwise restructured or completed. The Company will fund this transaction from its existing bank facilities.

The Company is a guarantor of the bank debt facilities of Infratil Finance Limited under a Deed of Negative Pledge, Guarantee and Subordination.

The Company has a contingent liability under the management agreement with MCIM in the event that the Company sells its international fund assets in the future or exceeds the 12% per annum post tax measure, and this results in a fee payable under the international fund incentive fee as referred to in note 19.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(26) New Zealand international financial reporting standards

In December 2002 the New Zealand Accounting Standards Review Board announced that the New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") will apply to all New Zealand entities for the periods commencing on or after 1 January 2007 with the opportunity to early adopt by up to two years. Infratil intends to adopt NZIFRS for the year ended 31 March 2008.

Infratil has commenced a project to identify the differences between existing NZ GAAP and NZIFRS. The key areas in which the Group is expected to be impacted by the transition to NZIFRS are summarized below. This summary should not be taken as an exhaustive list of all differences between existing NZGAAP and NZIFRS that will impact on the company. The Group is not at a stage in its transition project to enable it to quantify the financial impacts on the financial results. It is possible that the actual impact of adopting NZ IFRS may vary from the information presented below.

On transition to NZIFRS most of the adjustments required will be made against opening retained earnings.

Foreign currency translation reserve

In accordance with the election available under NZIFRS, the consolidated foreign currency translation reserve balance at the date of transition will be transferred to retained earnings.

Taxation

Under NZIFRS the deferred tax liability will be calculated using a "balance sheet" approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items. The current approach recognises differences between the accounting surplus and taxable income.

The most significant impact identified to date will be the recognition of a deferred tax liability in respect of the revaluation of the Group's property, plant and equipment and investment property.

Property plant and equipment

The Group currently revalues land and buildings, runway, taxiways, and aprons and infrastructure assets at a minimum of once every five years. Revaluation increases and decreases are currently recognised on a class by class basis. Under NZIFRS the off-setting of revaluation increases and decreases on individual assets within a class of property, plant and equipment is not permitted and it is a requirement to consider impairment in respect to assets held at valuation.

Investment properties

Investment properties are currently valued annually at market value less the estimated costs of disposal. Under NZIFRS investment properties will be measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

The difference between fair value and market value is that disposal costs are not deducted to arrive at fair value. The result could be an increase in the value recorded for investment properties.

The Group currently records changes in the valuation of investment properties in equity as an investment property revaluation reserve. Under NZIFRS both upward and downward revaluations of investment properties will be recognised directly in the statement of financial performance.

Investments

Investments are currently valued at cost. Under NZIFRS investments will be held either as “available for sale” or “for resale”. The Group holds all investments under the category “available for sale” which will be measured at fair value.

Under NZIFRS an increase in value will be recorded through the investment revaluation reserve and any decreases below historical cost for individual investments will be recognised in the statement of financial performance.

Capital Grants

NZGAAP requires that capital grants be taken as income on the expiry of any clawback period. Under NZIFRS the grants will be capitalised and released to income over the period the associated asset is depreciated.

Hedge accounting

The Group uses derivatives to manage its interest rate risks. The net differential, paid or received, on those derivatives is recognised as a component of interest expense or interest revenue over the period of the contract. Under NZIFRS all derivative financial instruments will be recognised at fair value in the statement of financial position. Changes in the fair value of the derivatives will be recognised in the statement of financial performance unless strict hedge criteria are met. If the criteria are met for cash flow hedge accounting, the unrealised gain or loss on the hedging derivative is deferred within equity and released to the statement of financial performance at the same time as the transaction it is hedging.

Goodwill

Goodwill is currently amortised under NZ GAAP. Under NZIFRS goodwill is not amortised but tested for impairment at least on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

(27) Events after balance date

Dividend

On 15 May 2006 the directors approved a final dividend for the year ended 31 March 2006 of 7.5 cents per share. As the dividend was approved after balance date the financial effect of the dividend payable of \$16.4 million, has not been recognised in the financial statements.



The Directors
Infratil Limited
97 The Terrace
Wellington

16 November 2006

Dear Directors

Auditor's Report

We have prepared this report for inclusion in the prospectus dated 16 November 2006.

As auditor of Infratil Limited, and in accordance with the requirements of the Securities Act 1978 and Clauses 36 of the Second Schedule and 42 of the First Schedule of the Securities Regulations 1983, we report as follows:

Audited financial statements of Infratil Limited

We audited the financial statements of Infratil Limited ("the borrowing group") and the consolidated financial statements of the Infratil Limited Group ("the issuing group") set out on pages 28 to 69. These financial statements are required by Clauses 16 to 31 of the Second Schedule and Clauses 23 to 38 of the First Schedule of the Securities Regulations 1983. The financial statements provide information about the past financial performance of the borrowing group and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 37 to 41.

Directors' responsibilities

The Directors were responsible for the preparation of financial statements which gave a true and fair view of the financial position of the borrowing group and of the issuing group as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

It was our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to the Shareholders.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the borrowing group's and issuing group's circumstances, consistently applied and adequately disclosed.



We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation and general accounting advice. Partners and employees of our firm may also deal with certain subsidiaries on normal terms within the ordinary course of trading activities. These matters have not impaired our independence as auditors of the borrowing group and issuing group. The firm has no other relationship with or interest in the borrowing group and issuing group or any of its subsidiaries.

Unqualified opinion

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the borrowing group and issuing group as far as appeared from our examination of those records;
- the financial statements on pages 32 to 69 that are required by Clauses 16 to 31 of the Second Schedule and Clauses 23 to 38 of the First Schedule of the Securities Regulations 1983 and that are required to be audited:
 - comply with these regulations;
 - subject to these regulations, comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the borrowing group and issuing group as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 May 2006 and our unqualified opinion was expressed as at that date.

Historical summary of financial statements

In respect of the amounts stated pursuant to Clauses 7(2) and 7(3) of the Second Schedule and Clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983, included in the historical summary of financial statements set out on pages 28 to 31, in our opinion:

- the amounts relating to the borrowing group for the five years ended 31 March 2006 have been correctly taken from the audited financial statements of Infratil Limited;



- the amounts relating to the issuing group for the five years ended 31 March 2006 have been correctly taken from the audited consolidated financial statements of Infratil Group; and

In respect of the amounts stated pursuant to clauses 7(2) and 7(3) of the Second Schedule and 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983, included in the historical summary of financial statements set out on pages 73 to 76, in our opinion:

- the amounts for the four years to 30 April 2005 have been correctly taken from the audited consolidated financial statements of New Zealand Bus Limited Group and New Zealand Bus Finance Company Limited Subsidiary (as adjusted for clause 7(6)).
- Also, in our opinion the amounts for the 11 month period ended 31 March 2006 have been correctly taken from the unaudited consolidated financial statements of New Zealand Bus Limited and Group and New Zealand Bus Finance Company Limited and Subsidiary (as adjusted for clause 7(6)).

Ranking of securities

In our opinion the amounts stated pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of Infratil Limited.

Directors' responsibilities

The Directors are responsible for the preparation of this prospectus, including the financial statements, five year summary financial information and ranking of securities contained therein. It is our responsibility to report on the matters contained in this report. KPMG takes no responsibility for, nor do we report on, any part of the prospectus not mentioned in this report.

Yours faithfully

A handwritten signature of the KPMG firm, written in a stylized, cursive script.

Wellington

FIVE YEAR SUMMARY FINANCIAL INFORMATION OF NEW ZEALAND BUS LIMITED GROUP TO 2006

Years ended 30 April except for 2006 which is eleven months: Financial Statements of the New Zealand Bus Limited Group prepared to comply with Clause 8 First Schedule Securities Regulations 1983

Numbers are taken from the New Zealand Bus Limited Group's unqualified audited accounts except for the 2006 figures which are not audited. The 2006 figures are for an eleven month period because of a change in balance date.

	2006	2005	2004	2003	2002
	31 March	30 April	30 April	30 April	30 April
Operating Results	\$000	\$000	\$000	\$000	\$000
Total operating revenue	140,526	141,244	140,838	135,021	122,680
Interest expense	-	5	5,611	13,181	6,720
Net profit before tax	20,763	11,431	18,334	11,951	16,075
Taxation expense (credit)	7,966	3,033	6,129	5,560	5,875
Tax paid net surplus attributable to minority shareholders in subsidiary companies	-	2	-	-	-
Equity accounted earnings of associate	780	636	540	476	364
Net profit after tax	12,797	8,396	12,205	6,391	10,200
Dividend to shareholders	-	-	-	-	-
Dividend - Minority shareholder in subsidiary	-	-	-	-	-
DPS (cents)	-	-	-	-	-
Retained earnings	12,797	8,396	12,205	6,391	10,200
Shares on issue (000)	-	-	-	-	-
Financial Position					
Non current assets	210,804	171,528	155,254	149,540	139,018
Total assets	223,298	196,356	178,362	161,904	152,364
Total tangible assets	197,304	167,587	146,566	127,081	114,514
Total liabilities	16,638	43,961	34,376	97,365	94,216
Shareholder equity	206,647	152,382	143,986	64,539	58,148
Outside equity in subs	13	13	-	-	-
Total equity	206,660	152,395	143,986	64,539	58,148

Notes to the five year summaries:

There have been no extraordinary items in the period.

There have been no items of such size or incidence or of such nature, that its disclosure is necessary to explain performance of the group.

There have been no major changes in the activities of the group and or any material changes in accounting policies used.

Certain comparatives have been restated where appropriate to ensure consistency with the current year.

These statements do not include any amounts derived by using the equity method of accounting.

Years ended 30 April except for 2006 which is eleven months: Financial Statements of the New Zealand Bus Limited Group prepared to comply with Clause 7 Second Schedule Securities Regulations 1983

Numbers are taken from the New Zealand Bus Limited Group's unqualified audited accounts except for the 2006 figures which are not audited. The 2006 figures are for an eleven month period because of a change in balance date.

	2006 31 March	2005 30 April	2004 30 April	2003 30 April	2002 30 April
Operating Results	\$000	\$000	\$000	\$000	\$000
Total operating revenue	140,279	140,976	140,506	134,629	122,420
Interest expense	0	5	5,611	13,181	6,720
Net profit before tax	20,516	11,163	18,002	11,559	15,815
Taxation expense (credit)	7,966	3,033	6,129	5,560	5,875
Tax paid net surplus attributable to minority shareholders in subsidiary companies	-	2	-	-	-
Operating profit after tax	12,550	8,128	11,873	5,999	9,940
Shares on issue (000)	-	-	-	-	-
Financial Position					
Non current assets	209,546	170,517	154,511	149,129	138,999
Total assets	222,040	195,345	177,619	162,007	152,345
Total tangible assets	196,046	166,576	145,823	127,184	114,495
Total liabilities	16,638	43,961	34,376	97,365	94,216
Shareholder equity	205,389	151,371	143,243	64,128	58,129
Outside equity in subs	13	13	-	-	-
Total equity	205,402	151,384	143,243	64,128	58,129

Notes to the five year summaries:

There have been no extraordinary items in the period.

There have been no items of such size or incidence or of such nature, that its disclosure is necessary to explain performance of the group.

There have been no major changes in the activities of the group and or any material changes in accounting policies used.

Certain comparatives have been restated where appropriate to ensure consistency with the current year.

FIVE YEAR SUMMARY FINANCIAL INFORMATION OF NEW ZEALAND BUS FINANCE LIMITED GROUP TO 2006

Years ended 30 April except for 2006 which is eleven months: Financial Statements of New Zealand Bus Finance Limited Group prepared to comply with Clause 8 First Schedule Securities Regulations 1983

Numbers are taken from the New Zealand Bus Finance Limited Group's unqualified audited accounts except for the 2006 figures which are not audited. The 2006 figures are for an eleven month period because of a change in balance date.

	2006 31 March	2005 30 April	2004 30 April	2003 30 April	2002 30 April
Operating Results	\$000	\$000	\$000	\$000	\$000
Total operating revenue	24,216	30,800	27,084	28,917	25,071
Interest expense	7,128	6,756	1,500	1,566	1,647
Net (loss)/profit before tax	(5,081)	281	2,489	4,424	2,701
Taxation expense (credit)	(3,315)	181	1,381	1,902	1,395
Tax paid net (loss)/surplus attributable to minority shareholders in subsidiary companies	(64)	16	-193	300	191
Equity accounted earnings of associate	(50)	34	7	87	25
Net (loss)/profit after tax	(1,766)	84	1,301	2,222	1,115
Dividend to shareholders	-	-	-	-	-
Dividend - Minority shareholder in subsidiary	12	46	65	56	100
DPS (cents)	-	-	-	-	-
Retained earnings	3,478	38	1,236	2,166	1,015
Shares on issue (000)	-	-	-	-	-
Financial Position					
Non current assets	93,126	95,046	97,615	34,083	95,265
Total assets	101,057	110,995	107,700	104,519	97,264
Total tangible assets	96,780	106,449	102,862	99,389	91,842
Total liabilities	96,606	105,645	102,404	100,266	95,477
Shareholder equity	3,478	4,430	4,346	3,045	823
Outside equity in subs	973	920	950	1,208	964
Total equity	4,451	5,350	5,296	4,253	1,787

Notes to the five year summaries:

There have been no extraordinary items in the period. There have been no items of such size or incidence or of such nature, that its disclosure is necessary to explain performance of the group.

There have been no major changes in the activities of the group and or any material changes in accounting policies used.

Certain comparatives have been restated where appropriate to ensure consistency with the current year.

Years ended 30 April except for 2006 which is eleven months: Financial Statements of New Zealand Bus Finance Limited Group prepared to comply with Clause 7 Second Schedule Securities Regulations 1983

Numbers are taken from the New Zealand Bus Finance Limited Group's unqualified audited accounts except for the 2006 figures which are not audited. The 2006 figures are for an eleven month period because of a change in balance date.

	2006 31 March	2005 30 April	2004 30 April	2003 30 April	2002 30 April
Operating Results	\$000	\$000	\$000	\$000	\$000
Total operating revenue	24,266	30,791	27,162	28,845	25,046
Interest expense	7,128	6,756	1,500	1,566	1,647
Net (loss)/profit before tax	(5,031)	272	2,567	4,352	2,676
Taxation expense (credit)	(3,315)	181	1,381	1,902	1,395
Tax paid net (loss)/surplus attributable to minority shareholders in subsidiary companies	(64)	16	-193	300	191
Operating (loss)/profit after tax	(1,716)	75	1,379	2,150	1,090
Shares on issue (000)	-	-	-	-	-
Financial Position					
Non current assets	92,946	94,816	97,394	33,944	95,213
Total assets	100,877	110,765	107,479	104,220	97,037
Total tangible assets	96,600	106,219	102,641	99,090	91,615
Total liabilities	96,606	105,645	102,404	100,266	95,477
Shareholder equity	3,298	4,200	4,125	2,746	596
Outside equity in subs	973	920	950	1,208	964
Total equity	4,271	5,120	5,075	3,954	1,560

Notes to the five year summaries:

There have been no extraordinary items in the period.

There have been no items of such size or incidence or of such nature, that its disclosure is necessary to explain performance of the group.

There have been no major changes in the activities of the group and or any material changes in accounting policies used.

Certain comparatives have been restated where appropriate to ensure consistency with the current year.

These statements do not include any amounts derived by using the equity method of accounting

FIVE YEAR SUMMARY FINANCIAL INFORMATION OF TRUSTPOWER LIMITED GROUP TO 2006

Years Ended 31 March: Financial Statements of TrustPower Limited Group Prepared to Comply with Clause 8 of the First Schedule and Clause 7 of the Second Schedule of the Securities Regulations 1983. Numbers are taken from TrustPower Limited Unqualified Audited Financial Statements adjusted to meet the requirements of the First and Second Schedules of the Securities Regulations 1983.					
	2006	2005	2004	2003	2002
Operating Results	\$000's	\$000's	\$000's	\$000's	\$000's
Total operating revenue	677,036	612,345	631,504	662,936	603,933
Interest expense	29,864	33,455	29,421	15,850	16,966
Net surplus before taxation	128,491	111,998	89,009	73,782	926
Taxation expense / (credit)	47,061	38,844	27,159	26,777	(362)
Net surplus after taxation	81,430	73,154	61,850	47,005	1,288
Dividend to shareholders	67,754	56,610	69,965	41,121	25,662
Net surplus / (deficit) retained	13,676	16,544	(8,115)	5,884	(24,374)
Dividend cents per share (adjusted for 2:1 share split on 2 April 2004)	21.50 c	18.00 c	22.25 c	11.25 c	7.00 c
Shares on issue 000's (adjusted for 2:1 share split on 2 April 2004)	314,752	314,752	314,752	396,550	366,602
Financial Position					
Total assets	1,435,464	1,377,421	1,381,061	994,783	855,814
Total tangible assets	1,396,442	1,335,336	1,335,912	942,417	800,165
Total liabilities	538,996	494,629	514,813	390,558	292,962
Total equity	896,468	882,792	866,248	604,225	562,852
The 31 March 2002 and 31 March 2003 financial results include the share of losses of an associate (POS Power Limited) under the equity method of accounting. The Second Schedule of the Securities Regulations 1983 require that financial information should not include any amounts derived using the equity method, however the removal of the share of losses would not have an impact on the financial results as the investment in the associate would have been written down to record it in accordance with the proportional share of the net assets of the associate, an identical amount.					
There have been no extraordinary items in these periods. There have been no items of such size or incidence of such nature, that its disclosure is necessary to explain the performance of the Group. There have been no major changes in the activities of the Group and or any material changes in accounting policies used.					

FINANCIAL STATEMENTS OF TRUSTPOWER LIMITED AND SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2006

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2006
(PREPARED TO COMPLY WITH THE FIRST AND SECOND SCHEDULES OF THE
SECURITIES REGULATIONS 1983)

	Note	GROUP		HOLDING COMPANY	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Electricity sales		667,249	602,443	667,249	602,443
Interest received		992	516	1,378	751
Meter rental revenue		3,105	2,586	3,105	2,586
Other customer fees and charges		3,824	4,176	3,824	4,176
Other operating revenue		538	316	538	316
Sundry product sales		1,328	2,308	1,328	2,308
OPERATING REVENUE		677,036	612,345	677,422	612,580
Energy costs		225,314	195,736	225,314	195,736
Fixed, intangible and investment asset charges	2	28,615	29,203	30,947	24,827
Generation production costs		17,415	18,350	17,415	18,350
Interest paid	3	29,864	33,455	29,864	33,455
Line costs		181,202	172,926	181,202	172,926
Market fees and costs		15,144	9,151	15,144	9,151
Meter rental costs		2,421	2,366	2,421	2,366
Other customer connection costs		1,036	1,516	1,036	1,516
Other operating expenses	4	27,074	18,533	25,352	22,983
Salary and wage costs		19,209	16,960	19,209	16,960
Sundry product costs		1,251	2,151	1,251	2,151
OPERATING EXPENSES		548,545	500,347	549,155	500,421
Net surplus before income tax		128,491	111,998	128,267	112,159
Income tax expense	5	47,061	38,844	47,245	39,573
NET SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		81,430	73,154	81,022	72,586

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006
(PREPARED TO COMPLY WITH THE FIRST AND SECOND SCHEDULES OF THE
SECURITIES REGULATIONS 1983)

	Note	GROUP		HOLDING COMPANY	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Net surplus attributable to the shareholders		81,430	73,154	81,022	72,586
TOTAL RECOGNISED REVENUES AND EXPENSES		81,430	73,154	81,022	72,586
Dividends on ordinary shares	6	(67,754)	(56,610)	(67,754)	(56,610)
MOVEMENTS IN EQUITY FOR THE YEAR		13,676	16,544	13,268	15,976
EQUITY AT BEGINNING OF YEAR		882,792	866,248	817,047	801,071
EQUITY AT END OF YEAR		896,468	882,792	830,315	817,047

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2006
(PREPARED TO COMPLY WITH THE FIRST AND SECOND SCHEDULES OF THE
SECURITIES REGULATIONS 1983)

	Note	GROUP		HOLDING COMPANY	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Shareholders' equity					
Share capital	7	173,504	173,504	173,504	173,504
Revaluation reserve	8	475,541	474,615	412,626	411,700
Retained earnings	9	247,423	234,673	244,185	231,843
TOTAL SHAREHOLDERS' EQUITY		896,468	882,792	830,315	817,047
Represented by:					
Current assets					
Cash and short term deposits		3,805	388	3,754	249
Bond deposits on trust		3,000	3,031	3,000	3,031
Electricity market security deposits		16,000	-	16,000	-
Accounts receivable and prepayments	10	110,697	74,449	110,697	74,419
Taxation receivable	5	-	-	-	918
TOTAL CURRENT ASSETS		133,502	77,868	133,451	78,617
Non current assets					
Investments in subsidiaries	11	-	-	170,797	166,211
Investments in other companies		30	30	30	30
Fixed assets	12	1,262,910	1,257,438	1,006,494	1,009,613
Intangible customer base assets		39,022	42,085	39,022	42,085
TOTAL NON CURRENT ASSETS		1,301,962	1,299,553	1,216,343	1,217,939
TOTAL ASSETS		1,435,464	1,377,421	1,349,794	1,296,556
Current liabilities					
Accounts payable and accruals	13	127,271	88,211	120,748	88,033
Taxation payable	5	3,469	403	3,469	-
TOTAL CURRENT LIABILITIES		130,740	88,614	124,217	88,033
Non current liabilities					
Unsecured bank loans	14	63,233	64,000	63,233	64,000
Unsecured subordinated bonds	15	296,743	295,928	296,743	295,928
Deferred tax liability	5	48,280	46,087	35,286	31,548
TOTAL NON CURRENT LIABILITIES		408,256	406,015	395,262	391,476
TOTAL LIABILITIES		538,996	494,629	519,479	479,509
NET ASSETS		896,468	882,792	830,315	817,047

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006
(PREPARED TO COMPLY WITH THE FIRST AND SECOND SCHEDULES OF THE
SECURITIES REGULATIONS 1983)

	Note	GROUP		HOLDING COMPANY	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash flows from operating activities					
<i>Cash was provided from:</i>					
Receipts from customers		631,538	582,371	631,538	582,371
Interest received		992	516	992	516
		632,530	582,887	632,530	582,887
<i>Cash was applied to:</i>					
Payments to suppliers and employees		442,031	409,458	437,301	411,637
Interest paid		29,766	33,332	29,766	33,332
Taxation paid		41,802	30,092	41,802	30,092
		513,599	472,882	508,869	475,061
NET CASH FLOW FROM OPERATING ACTIVITIES	20	118,931	110,005	123,661	107,826
Cash flows from investing activities					
<i>Cash was provided from:</i>					
Repayment of advances to subsidiaries		-	-	-	792
Sale of fixed assets		104	113	104	113
Sale of investments		-	917	-	917
		104	1,030	104	1,822
<i>Cash was applied to:</i>					
Advances to subsidiaries		-	-	19,631	-
Interest capitalised in construction of fixed assets		491	85	491	85
Net movement in bond deposits on trust		(31)	1,022	(31)	1,022
Net movement in electricity market security deposits		16,000	-	16,000	-
Purchase of fixed assets		30,637	19,800	15,648	18,534
		47,097	20,907	51,739	19,641
NET CASH FLOW FROM INVESTING ACTIVITIES		(46,993)	(19,877)	(51,635)	(17,819)
Cash flows from financing activities					
<i>Cash was provided from:</i>					
Bank loan proceeds		100,800	26,600	100,800	26,600
		100,800	26,600	100,800	26,600
<i>Cash was applied to:</i>					
Bank loan repayments		97,983	47,600	97,983	47,600
Bank loan facility establishment costs		3,584	-	3,584	-
Dividends paid		67,754	72,348	67,754	72,348

	169,321	119,948	169,321	119,948
NET CASH FLOW FROM FINANCING ACTIVITIES	(68,521)	(93,348)	(68,521)	(93,348)
NET INCREASE/(DECREASE) IN CASH HELD	3,417	(3,220)	3,505	(3,341)
CASH AT BEGINNING OF YEAR	388	3,608	249	3,590
CASH AT END OF YEAR	3,805	388	3,754	249

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006
(PREPARED TO COMPLY WITH THE FIRST AND SECOND SCHEDULES OF THE
SECURITIES REGULATIONS 1983)

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity TrustPower Limited (the Holding Company or Company) and the consolidated financial statements of the Group comprising TrustPower Limited and its subsidiaries.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The reporting entity is an issuer under the Financial Reporting Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

Principles of Consolidation

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method. All intercompany transactions, balances and unrealised profits and losses on transactions between Group members have been eliminated.

Receivables

Receivables are stated at their estimated realisable value after adequate provision for doubtful debts. Bad debts are written off in the year in which they are identified.

Investments

All investments are recorded at the lower of cost or estimated net realisable value.

Fixed Assets

All fixed assets are initially recorded at cost less accumulated depreciation where applicable. Generation assets were revalued to their estimated market value as at 31 March 2004 as assessed by independent qualified valuers. Assets in this class will be revalued on a systematic basis every three years.

Depreciation

Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to allocate each asset's cost over its estimated useful life. Depreciation is charged on a straight line basis as follows:

Freehold buildings	2%	Generation assets	1-10%
Metering equipment	5%	Plant and equipment	10-33%

Gains and losses on disposal of fixed assets are taken into account in determining the net surplus for the year.

Carbon Emission Units

The Group receives tradeable emission units from Governments that are conditional on specific energy production levels of certain renewable generation facilities. The revenue arising from the sale of these emission units is a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the statements of financial position. Proceeds received on the sale of emission units are recorded as deferred income in the statements of financial position until the committed energy production levels pertaining to the emission unit sold has been generated.

Intangible Customer Base Assets

Costs incurred in acquiring customers from other electricity supply companies are recorded as a customer base intangible asset. The customer bases are amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 years. The carrying value of the customer bases is reviewed annually by the Directors and adjusted where it is considered necessary.

Revenue Recognition

Customer consumption of electricity is measured by calendar month for half hourly metered customers and in line with the meter reading schedules for non half hourly metered customers. Accordingly revenues from electricity sales include an estimated accrual for units sold but not billed at balance date for non half hourly metered customers.

Employee Entitlements

Employee entitlements to salaries and wages, non monetary benefits, annual leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date.

Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rate on the date of the transaction, except where forward currency contracts are taken out to cover the commitment in which case the transaction is translated at the rate contained in the contract. Monetary assets and liabilities arising from foreign currency transactions are translated at closing rates. Gains or losses from currency translation on these items are included in the statements of financial performance.

Generation Development

The Group incurs costs in the exploration, evaluation, consenting and construction of generation assets. Costs incurred are expensed in the statements of financial performance unless such costs are highly likely to be recouped through successful development and generation of electricity on the particular project. Where costs meet this criteria and are capitalised they will ultimately be amortised over the estimated economic life of a project once complete. The Directors review the status of capitalised development expenditure on a regular basis and in the event that a project is abandoned, or if the Directors consider the expenditure to be impaired, a write off or provision is made in the year in which that assessment is made.

Goods and Services Tax (GST)

The statements of financial performance and statements of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated exclusive of GST, with the exception of billed receivables and payables which include GST invoiced.

Income Tax

The income tax expense charged to the statements of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method. Tax effect accounting has been applied on a comprehensive basis to all timing differences with the exception of certain potential differences on revalued fixed assets.

Earnings Per Share

Earnings per share is calculated by dividing the net surplus attributable to the shareholders by the weighted average number of ordinary shares on issue during the year.

Financial Instruments*Electricity Price Risk*

The Group has entered into a number of electricity hedge contracts to reduce the risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased. Any resulting differential to be paid or received is recognised as a component of operating expenses upon maturity of the contract. Where the underlying transaction for which the financial instrument is taken out no longer exists and is not expected to recur in the foreseeable future, then the derivative contracts are marked to market and any gain or loss arising is reflected in the statements of financial performance.

Interest Rate Risk

The Group has various financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received is accrued as interest rates change and is recognised as a component of operating revenue or expenses. Where the underlying transaction for which the financial instrument is taken out no longer exists and is not expected to recur in the foreseeable future, then the derivative contracts are marked to market and any gain or loss arising is reflected in the statements of financial performance.

Exchange Rate Risk

The Group has entered into a number of forward exchange contracts to reduce the risk from price fluctuations of foreign currency costs associated with the construction of generation assets. Any resulting differential to be paid or received is recognised as a component of the cost of the project. Where the underlying transaction for which the financial instrument is taken out no longer exists and is not expected to recur in the foreseeable future, then the derivative contracts are marked to market and any gain or loss arising is reflected in the statements of financial performance.

Comparative Information

Where necessary comparative information has been reclassified in order to provide a more appropriate basis for comparison.

Changes in Accounting Policies

There have been no significant changes to the accounting policies.

NOTE 2: FIXED, INTANGIBLE AND INVESTMENT ASSET CHARGES

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Depreciation on freehold buildings	182	170	182	170
Depreciation on generation assets	19,909	19,843	13,360	13,261
Depreciation on metering equipment	2,243	2,316	2,243	2,316
Depreciation on plant and equipment	2,800	2,986	2,800	2,986
Total depreciation	25,134	25,315	18,585	18,733
Amortisation of intangible customer base assets	3,063	3,063	3,063	3,063
Capitalised generation development written off	-	1,005	-	-
Loss/(gain) on sale of fixed assets	418	(85)	418	(85)
Gain on sale of investments in other companies	-	(95)	-	(95)
Provision against advances to subsidiaries	-	-	8,881	3,211
	28,615	29,203	30,947	24,827

NOTE 3: INTEREST PAID

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Amortisation of bond issue costs	815	815	815	815
Interest paid on unsecured subordinated bonds	25,226	25,311	25,226	25,311
Interest paid on unsecured loans	4,314	7,414	4,314	7,414
Interest capitalised in construction of fixed assets	(491)	(85)	(491)	(85)
	29,864	33,455	29,864	33,455

NOTE 4: OTHER OPERATING EXPENSES

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Audit fees and expenses	125	104	125	104
Fees paid for other services provided by the auditors	125	184	125	184
Bad debts written off	850	1,173	850	1,173
Directors' fees	414	414	414	414
Directors' retirement provision	-	15	-	15
Donations	602	556	602	556
Generation development expenditure	14,977	5,097	6,483	3,224
(Gain)/loss on foreign exchange	(432)	33	(432)	33
Other administration costs	10,270	10,755	10,494	10,595
Rental and operating lease costs	143	202	6,691	6,685
	27,074	18,533	25,352	22,983

NOTE 5: INCOME TAX

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Income tax expense				
Net surplus before income tax	128,491	111,998	128,267	112,159
Tax on net surplus @ 33%	42,402	36,959	42,328	37,012
Tax effect of permanent differences	4,910	2,655	5,007	2,547
Adjustments from previous year	(251)	(770)	(90)	14
Total income tax expense	47,061	38,844	47,245	39,573
<i>Represented by:</i>				
Current tax	44,868	32,900	43,507	36,251
Deferred tax	2,193	5,944	3,738	3,322
	47,061	38,844	47,245	39,573
Taxation payable/(receivable)				
Balance at beginning of year	403	(2,405)	(918)	(3,145)
Net transfer from subsidiaries	-	-	2,682	(3,932)
Current tax	44,868	32,900	43,507	36,251
Foreign investor tax credits paid	(4,862)	(3,096)	(4,862)	(3,096)
Tax paid - New Zealand	(36,900)	(26,957)	(36,900)	(26,957)
Tax paid - Overseas	(40)	(39)	(40)	(39)
Balance at end of year	3,469	403	3,469	(918)
Deferred tax liability				
Balance at beginning of year	46,087	40,143	31,548	28,226
Current year timing differences	2,193	5,944	3,738	3,322
Balance at end of year	48,280	46,087	35,286	31,548
The tax effect of timing differences relating to revalued fixed assets has not been recognised in the financial statements where it is not expected to reverse in the foreseeable future. The unprovided liability that would crystallise only in the event where all revalued fixed assets were disposed of for consideration equivalent to or exceeding their revalued amounts is:	43,520	38,666	33,092	30,266
The deferred tax asset relating to timing differences and tax losses in Australia not recognised in the financial statements due to lack of certainty over the recoverability of the asset is:	(4,827)	(2,070)	-	-
Imputation credit account				
Balance at beginning of year	816	6,397	816	6,397
Tax paid	36,900	26,957	36,900	26,957
Allocated to dividends	(28,468)	(32,560)	(28,468)	(32,560)
Other movements	(41)	22	(41)	22
Balance at end of year	9,207	816	9,207	816

**NOTE 6: DIVIDENDS ON
ORDINARY SHARES**

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Final dividend prior year	33,049	28,328	33,049	28,328
Dividends reinstated / (forfeited)	82	(46)	82	(46)
Interim dividend paid	34,623	28,328	34,623	28,328
	67,754	56,610	67,754	56,610

Supplementary dividends of \$4,862,000 (2005: \$3,096,000) were paid to shareholders not tax-resident in New Zealand for which the Company received a foreign investor tax credit entitlement. Subsequent to balance date the Directors have approved a final fully imputed dividend of 12 cents a share representing \$37,770,000 payable 9 June 2006 to all shareholders on the register at 26 May 2006.

NOTE 7: SHARE CAPITAL

There are 314,751,872 (2005: 314,751,872) fully paid ordinary shares on issue at balance date. All shares rank equally.

**NOTE 8: REVALUATION
RESERVE**

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Balance at beginning of year	474,615	471,409	411,700	408,495
Transfer from retained earnings	926	3,206	926	3,205
Balance at end of year	475,541	474,615	412,626	411,700

NOTE 9: RETAINED EARNINGS

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Balance at beginning of year	234,673	221,335	231,843	219,072
Net surplus attributable to the shareholders	81,430	73,154	81,022	72,586
Transfer to revaluation reserve	(926)	(3,206)	(926)	(3,205)
Dividends on ordinary shares	(67,754)	(56,610)	(67,754)	(56,610)
Balance at end of year	247,423	234,673	244,185	231,843

**NOTE 10: ACCOUNTS
RECEIVABLE AND
PREPAYMENTS**

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Billed debtors and unbilled sales	65,432	57,095	65,432	57,095
Provision for doubtful debts	(1,800)	(1,800)	(1,800)	(1,800)
Electricity market receivables	43,551	15,020	43,551	15,020
Other receivables	811	344	811	314
Prepayments	2,703	3,790	2,703	3,790
	110,697	74,449	110,697	74,419

NOTE 11: INVESTMENTS IN SUBSIDIARIES

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Shares at cost	-	-	63,719	63,719
Net advances to subsidiaries	-	-	123,205	109,737
Provision against advances to subsidiaries	-	-	(16,127)	(7,245)
	-	-	170,797	166,211

<i>Significant subsidiaries (31 March balance dates)</i>	<i>Country of incorporation</i>	<i>% owned</i>	<i>Principle activity</i>
Cobb Power Limited	New Zealand	100	Asset holding
Tararua Wind Power Limited	New Zealand	100	Asset holding
TrustPower Australia Holdings Pty Ltd and subsidiaries	Australia	100	Generation development
TrustPower Metering Limited	New Zealand	100	Asset holding

NOTE 12: FIXED ASSETS

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Freehold land (at cost)	1,070	1,122	1,070	1,122
	1,070	1,122	1,070	1,122
Freehold buildings (at cost)	9,711	8,584	9,711	8,584
Accumulated depreciation	(2,317)	(1,898)	(2,317)	(1,898)
	7,394	6,686	7,394	6,686
Generation assets (at cost)	85,338	61,365	14,091	5,108
Generation assets (at valuation)	1,174,100	1,174,100	975,900	975,900
Accumulated depreciation	(39,646)	(19,744)	(26,614)	(13,260)
	1,219,792	1,215,721	963,377	967,748
Metering equipment (at cost)	53,850	51,150	53,850	51,150
Accumulated depreciation	(25,999)	(23,756)	(25,999)	(23,756)
	27,851	27,394	27,851	27,394
Plant and equipment (at cost)	26,633	25,490	23,087	22,282
Accumulated depreciation/impairment	(19,830)	(18,975)	(16,285)	(15,619)
	6,803	6,515	6,802	6,663
	1,262,910	1,257,438	1,006,494	1,009,613

Generation assets include freehold land and buildings which are not separately identifiable from other generation assets. Generation assets were revalued as at 31 March 2004 to their estimated market value as determined by Beca Valuations Limited. The most recent Government Valuation of non generation assets freehold land and buildings is \$7,075,000.

The Group has received 340,000 (2005: 340,000) carbon emission units from the New Zealand Government in relation to completed capital projects and 1,248,000 (2005: 1,248,000) units for generation facilities not yet constructed. All units are contingent upon specified levels of generation output from the new facilities for the period 1 January 2008 to 31 December 2012 and the ongoing support of the Kyoto protocol within the international community. This potential revenue source is taken into consideration in the evaluation of generation development projects.

NOTE 13: ACCOUNTS PAYABLE AND ACCRUALS

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Customer bond deposits	3,091	3,033	3,091	3,033
Electricity market payables	75,011	40,305	75,011	40,305
Employee entitlements	3,694	3,225	3,694	3,225
Interest accruals	2,451	3,168	2,451	3,168
Net GST payable	715	2,496	715	2,496
Other accounts payable and accruals	9,706	5,716	3,183	5,538
Trade accounts payable	32,603	30,268	32,603	30,268
	127,271	88,211	120,748	88,033

NOTE 14: UNSECURED BANK LOANS

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
<i>Repayment terms:</i>				
One to two years	63,900	64,000	63,900	64,000
Two to five years	-	-	-	-
Over five years	2,917	-	2,917	-
Facility establishment costs	-	-	(3,584)	-
	(3,584)			
	63,233	64,000	63,233	64,000
<i>Weighted average interest:</i>				
One to two years	7.6%	7.1%	7.6%	7.1%
Two to five years	-	-	-	-
Over five years	7.7%	-	7.7%	-
	7.6%	7.1%	7.6%	7.1%

The Company has the following loan facilities with interest priced at between call and 180 day rates:

- (i) \$100,000,000 revolving loan expiring in one to two years
- (ii) \$100,000,000 revolving loan expiring in three to five years
- (iii) \$100,000,000 revolving loan expiring in over five years
- (iv) \$110,909,000 table loan maturing in fifteen years

NOTE 15: UNSECURED SUBORDINATED BONDS

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
<i>Repayment terms and interest:</i>				
Maturing in September 2007, 8.3% p.a. fixed coupon rate	86,182	86,182	86,182	86,182
Maturing in December 2008, 8.3% p.a. fixed coupon rate	50,511	50,511	50,511	50,511
Maturing in September 2012, 8.5% p.a. fixed coupon rate	108,592	108,592	108,592	108,592
Maturing in March 2014, 8.5% p.a. fixed coupon rate	54,713	54,713	54,713	54,713
Bond issue costs	(3,255)	(4,070)	(3,255)	(4,070)
	296,743	295,928	296,743	295,928

At maturity the bonds can be converted at the option of the Company to ordinary shares based on the market price of ordinary shares at the time.

NOTE 16: FINANCIAL INSTRUMENTS

An explanation of the Group's policies regarding the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities is detailed in note 1. The Directors estimate that the carrying amounts of all financial instruments are equal to their fair values except where disclosed below.

Credit Risk

The Group minimises its credit risk by limiting transactions to counterparties with high credit ratings and limiting the amount of funds placed with any party at one time. The Group does not require collateral or other security to support financial instruments with credit risk with the exception of bond deposits on trust held for customers not meeting credit policy requirements. While the Group may be subject to credit losses up to the notional principal or contract amounts in the event of non-performance by its counterparties, it does not expect such losses to occur. At balance date the Company had a concentration of credit risk to four groups of companies which represented 38% (2005: 30%) of billed debtors and unbilled sales. Management monitors this exposure on a monthly basis within established guidelines.

Electricity Price Risk

The Company has entered into a number of electricity hedge contracts in order to reduce the risk from price fluctuations on the electricity spot market. The total contracted at balance date was 2,143 GWh of electricity (2005: 1,079 GWh) at a contract value of \$128,226,000 (2005: \$54,177,000). In 2005 a further 623 GWh was contracted with a variable price mechanism. The contract expiry dates range from one to four years. The fair value of the contracts can vary day to day as the spot market for electricity varies. The secondary market for the contracts is not sufficiently active in order to obtain a reliable market based measure of their fair value.

Interest Rate Risk

The Company has entered into a number of interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate unsecured bank loans. The total underlying value of debt subject to these agreements at balance date amounted to \$70,000,000 (2005: \$60,000,000). The agreement expiry dates range from one to four

years with a weighted average interest rate of 6.6% (2005: 7.5%). The unrecognised fair value of these agreements is a loss of \$243,000 (2005: loss of \$716,000).

The Company has issued unsecured subordinated bonds with fixed coupon and maturity dates. The bonds are recorded at face value. Applying the market value of the bonds at balance date would result in an increase in the total bond liability of \$7,713,000 (2005: \$9,502,000). In 2005 the Company had entered into a number of interest rate swap agreements effectively converting fixed interest bond rates into floating rates. The total underlying value of bonds subject to these agreements in 2005 amounted to \$50,000,000 with a weighted average interest rate of 6.6% and an unrecognised fair value loss of \$789,000.

Exchange Rate Risk

The Company has entered into a number of forward exchange contracts to reduce the impact of changes in exchange rates on its capital commitments for the construction of generation assets. The total contracted face value at balance date was \$114,811,000 (2005: nil). The contracts all expire within one year. The unrecognised fair value of these agreements is a gain of \$16,804,000 (2005: nil).

NOTE 17: CONTINGENT LIABILITIES, OPERATING LEASES, SUBSEQUENT EVENTS AND CAPITAL COMMITMENTS

The Group is not aware of any material contingent liabilities at balance date (2005: nil).

The Group is not party to any material operating leases at balance date (2005: nil).

The Group is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

The Group has announced that it is expanding the Tararua wind farm. Contractual agreements for the supply of the significant components of this expansion have been entered into and the expected total cost of the project is \$180,410,000. At balance date \$14,517,000 has been spent on the development. The Group is not aware of any other material capital commitments.

NOTE 18: RELATED PARTY TRANSACTIONS

No material transactions took place with related parties during the year except for transactions with H.R.L. Morrison & Co Limited and related entities and Finlaysons. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and Mr HRL Morrison, a Director of TrustPower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited and a Director of Infratil Limited. Infratil Limited is a significant shareholder in TrustPower Limited and \$80,000 (2005: \$176,000) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services.

Mr JG Schultz is a Director of the TrustPower Australian subsidiary companies and is a Partner in the Adelaide based law firm of Finlaysons. \$198,000 (2005: \$381,000) was paid to Finlaysons during the year for legal services.

NOTE 19: SEGMENTAL REPORTING

The Group operates within the electricity generation and retail trading industry. All significant operations take place within New Zealand.

NOTE 20: RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH NET SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
Net surplus attributable to the shareholders	81,430	73,154	81,022	72,586
<i>Non cash items:</i>				
Amortisation of bond issue costs	815	815	815	815
Fixed, intangible and investment asset charges	28,615	29,203	30,947	24,827
Intercompany charges	-	-	6,315	6,334
Increase in deferred tax liability	2,193	5,944	3,738	3,322
	31,623	35,962	41,815	35,298
<i>(Increase)/decrease in working capital:</i>				
Accounts receivable and prepayments	(36,248)	(20,387)	(36,278)	(20,382)
Taxation payable/receivable	3,066	2,808	4,387	2,227
Accounts payable and accruals	39,060	18,468	32,715	18,097
	5,878	889	824	(58)
Net cash flow from operating activities	118,931	110,005	123,661	107,826

NOTE 21: EARNINGS PER SHARE

	GROUP		HOLDING COMPANY	
	2006	2005	2006	2005
Earnings per share (cents per share)	25.9	23.2	25.7	23.1

NOTE 22: EMPLOYEE SHARE OPTION SCHEME

	NUMBER		EXERCISE PRICE	
	2006	2005	2006	2005
			\$	\$
Options issued November 2003, expiring February 2009	520,000	580,000	3.03	3.11
Options issued May 2004, expiring August 2010	60,000	60,000	4.47	4.43
Options issued November 2004, expiring February 2010	480,000	520,000	5.40	5.24
	1,060,000	1,160,000	4.18	4.13

The Company has issued share options to certain employees. Each option issued under the Scheme converts to one ordinary share on exercise when employees are required to pay a non-refundable amount for the issue of the option (the exercise price). The options may be exercised any time after three years from issue date up until expiry, are non-transferable and conditional on the individual employees continued employment through this period. The exercise price will be adjusted by an equity rate of return, dividends paid and capital structure changes from balance date up until the point at which the employee exercises the option.

The Company is required to fair value options at the point of issue and to expense this value over the issue date to first exercise date period. The fair value of the tranche of options issued in the 2005 financial year was determined to be 40 cents. \$121,000 (2005: \$81,000) has been recognised as an expense in the statements of financial performance resulting from the allocation of the determined cost of all tranches of options for the year.

NOTE 23: ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZIFRS)

The Group is required to adopt NZIFRS by 31 March 2008 and financial reporting under NZIFRS will therefore commence 1 April 2007. To comply with NZIFRS for the first time, TrustPower will restate the comparative financial statements previously issued under New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice (NZGAAP) to NZIFRS. A full reconciliation of the differences between the two different Reporting Standards will be provided.

TrustPower is well advanced in its program of reviewing the impact of NZIFRS on its financial statements. The final impact will not be determined however until the reporting period commencing 1 April 2007 occurs as NZIFRS are still subject to change and some of the more technical differences continue to be worked through by the Group. In order to assist with interpretation the table below provides a summary of the more significant items affecting what will be the opening comparative position, however the actual impact of adopting NZIFRS may materially vary from the information presented below:

Group Reconciliation of NZIFRS to NZGAAP as at 31 March 2006 (excluding electricity hedge contracts*)	Assets	Liabilities	Equity
	\$000	\$000	\$000
Total reported under NZGAAP	1,435,464	538,996	896,468
NZIFRS adjustments:			
- Deferred tax (A)	-	150,884	(150,884)
- Foreign exchange contracts (B)	16,804	-	16,804
- Interest rate swap agreements (B)	-	243	(243)
Total NZIFRS adjustments excluding electricity hedge contracts (B)	16,804	151,127	(134,323)
Total restated under NZIFRS	1,452,268	690,123	762,145

* The fair value of electricity hedge contracts has not been finalised.

(A) Deferred Tax

Under NZIFRS TrustPower is required to recognise a deferred tax liability in respect of all differences between the Group book values and the taxation authority book values with the exception of differences in relation to non depreciating assets. This "balance sheet" approach effectively creates an additional deferred tax liability on the revaluation amounts and other historic base differences of the generation assets. NZGAAP uses a "profit and loss account" approach to deferred tax recognition where a partial recognition of these differences is made through assessing historic timing differences that have occurred.

Upon NZIFRS implementation, any individual assets where their revaluation reduced the revaluation reserve will have their associated reduction on revaluation transferred to retained earnings. Full adoption of NZIFRS will coincide with the three yearly revaluation cycle for generation assets and will determine the actual classification of the movement between revaluation reserve and retained earnings for these individual assets.

(B) Financial Instruments

As disclosed in the notes above, TrustPower is party to a number of financial instrument contracts. Under NZIFRS these contracts will need to be valued and recognised "on balance sheet" as cash flow hedges. Resulting movements in the fair value of the financial instruments will be reported in the statements of financial performance each reporting period unless the Group can prove that a financial instrument qualifies for hedge accounting where it will be recorded as a movement in equity. NZGAAP allows for note disclosure of quantities and values of financial instruments rather than recognition on the face of the primary financial statements.

As the financial instrument contracts of the Group are entered in to protect the Group's risk position and not for speculative purposes, the majority of instruments will qualify for hedge accounting. NZIFRS details specific requirements for hedge accounting and the Group intends meeting these requirements for material transactions. Valuation methodology development for the electricity hedge contracts is not expected to be completed until the first interim financial statements are issued following adoption of NZIFRS on 1 April 2007.

Financial Reporting Act 1993

Audited financial statements for TrustPower and the Group for the year ended 31 March 2006, including the statutory audit report, have been registered at the Companies Office under the Financial Reporting Act 1993, and can be viewed on the Companies Office website - www.companies.govt.nz.

The Directors
Infratil Limited
97 The Terrace
WELLINGTON

16 November 2006

Report by the auditors of TrustPower Limited for inclusion in the prospectus

Dear Directors

As auditors of TrustPower Limited and Subsidiaries (together "TrustPower") we have prepared this report pursuant to clause 42(1)(g) of the First Schedule and clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983 for inclusion in a Prospectus to be dated 16 November 2006.

Directors' responsibilities

Infratil Limited's Directors are responsible for the preparation and presentation of:

- (a) the summary of financial statements of TrustPower Limited and Subsidiaries for the years ended 31 March 2006, 31 March 2005, 31 March 2004, 31 March 2003 and 31 March 2002 as required by clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule of the Securities Regulations 1983; and
- (b) the extraction of the financial statements which give a true and fair view of the state of affairs of TrustPower Limited and Subsidiaries as at 31 March 2006 and their financial performance and cash flows for the year ended on that date, as required by clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule of the Securities Regulations 1983.

Auditors' responsibilities

We are responsible for reporting, in accordance with clause 42(1)(g) of the First Schedule and clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983 on the amounts included in the summary of financial statements of TrustPower Limited and Subsidiaries for the years ended 31 March 2006, 31 March 2005, 31 March 2004, 31 March 2003 and 31 March 2002 as required by clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule of the Securities Regulations 1983 which have been prepared and presented by the Directors.

We have no relationship with or interests in Infratil Limited.

We have no relationship with or interests in TrustPower other than in our capacity as auditors, tax advisors and providers of financial advisory services.

Infratil Limited
16 November 2006

Basis of opinion on the summary of financial statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements of TrustPower Limited and Subsidiaries on page 77, pursuant to clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of TrustPower Limited and Subsidiaries for the years ended 31 March 2006, 31 March 2005, 31 March 2004, 31 March 2003 and 31 March 2002.

Basis of opinion on the financial statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the financial statements of TrustPower Limited and Subsidiaries on pages 78 to 95 and pages, pursuant to clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule of the Securities Regulations 1983, and in compliance with clauses 23 to 38 of the First Schedule and clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of TrustPower Limited and Subsidiaries for the year ended 31 March 2006.

Unqualified opinion on the financial statements and the summary of financial statements

We have obtained all the information and explanations we have required.

In our opinion the amounts or details set out on page 77, and pages 78 to 95 of this Prospectus, as required by clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of TrustPower Limited and Subsidiaries for the years ended 31 March 2006, 31 March 2005, 31 March 2004, 31 March 2003 and 31 March 2002, as described on page 77.

Yours faithfully


Chartered Accountants
Auckland

Summary of Financial Statements of Alliant Energy New Zealand Limited

Prepared to comply with Clause 11(3) of the First Schedule of the Securities Regulations 1983. Years ended 31 December except for 2006 which is six months

Numbers are taken from the Alliant Energy New Zealand Limited's unqualified audited financial statements except for the 2006 interim figures which are not audited.

Operating Results

	2006 30-Jun \$000s	2005 31-Dec \$000s	2004 31-Dec \$000s	2003 31-Dec \$000s	2002 31-Dec \$000s	2001 31-Dec \$000s
Total operating revenue	4,806	5,391	2,052	2,173	1,489	22,849
Interest expense (including redeemable preference share dividend)	8,741	11,159	3,060	0	676	883
Net profit before tax	24,462	19,963	21,072	16,454	6,225	6,909
Taxation expense (credit)	1,812	3,476	3,415	(28)	2,925	(45)
Equity accounted earnings of associate	7,951	19,753	16,495	11,776	8,278	(380)
Net profit after tax	22,650	16,487	17,658	16,482	3,300	(600)
Dividend to shareholders	0	0	0	25,438	518	1,695
Dividend per share (cents)	0	0	0	102	2	7
Surplus (deficit) retained	22,650	16,487	17,658	(8,956)	2,782	(2,295)

Financial Position

Non current assets	405,024	381,980	228,698	143,237	161,588	164,093
Total assets	436,900	412,175	255,058	152,478	164,949	174,428
Total tangible assets	431,057	405,651	249,137	147,530	149,283	157,841
Total liabilities	247,817	245,742	105,113	104,647	107,711	119,992
Total equity	189,083	166,433	149,945	47,831	57,238	54,436

**Financial Statements of Alliant Energy New Zealand Limited Group
prepared to comply with Clause 8(3) of Second Schedule of the
Securities Regulations 1983**

Years ended 31 December except for 2006 which is six months.

Numbers are taken from Alliant Energy New Zealand Limited's
unqualified audited financial statements except for the 2006 interim
figures which are not audited.

Operating Results

	2006 30-Jun \$000s	2005 31-Dec \$000s	2004 31-Dec \$000s	2003 31-Dec \$000s	2002 31-Dec \$000s	2001 31-Dec \$000s
Total operating revenue	13,784	21,477	19,261	15,080	9,906	28,086
Interest expense (including redeemable preference share dividend)	8,741	11,159	3,060	0	676	883
Net profit before tax	25,698	16,715	22,244	18,171	7,285	13,417
Taxation expense (credit)	2,096	3,489	3,415	(28)	2,925	(45)
Net profit after tax	23,602	13,226	18,830	18,199	4,360	5,908
Dividend to shareholders	0	0	0	25,438	518	1,695
Dividend per share (cents)	0	0	0	102	2	7
Surplus (deficit) retained	23,602	13,226	18,830	(7,239)	3,842	4,213

Financial Position

Non current assets	324,874	300,593	150,559	148,383	163,962	165,481
Total assets	356,749	330,787	176,920	157,624	166,914	175,352
Total tangible assets	354,853	328,336	175,489	157,624	166,914	175,352
Total liabilities	248,114	245,754	105,113	104,647	107,711	119,992
Total equity	108,635	85,033	71,807	52,977	59,203	55,360

Alliant Energy New Zealand Limited

Financial Statements of Alliant Energy New Zealand Limited for the Year Ended 31st December 2005 (prepared to comply with the First Schedule of Securities Regulations 1983).

Statement of Financial Performance

For The Year Ended 31st December 2005

	Note	2005	2004
		\$	\$
Operating revenue	2	<u>5,391,557</u>	<u>2,052,340</u>
Surplus before taxation	3	19,963,390	21,072,408
Income tax expense/ (credit)	4	<u>3,475,898</u>	<u>3,414,691</u>
Surplus after taxation		16,487,492	17,657,717
Net surplus for the year		<u>16,487,492</u>	<u>17,657,717</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Movements in Equity

For The Year Ended 31st December 2005

	Note	2005	2004
		\$	\$
Equity at beginning of year		149,945,479	47,831,367
Net surplus for the year		16,487,492	17,657,717
Total recognised revenue and expenses		16,487,492	17,657,717
Reversal of revaluation for assets disposed	14	0	(1,362,568)
Increase in associates revaluation reserve	14	0	85,818,964
Net increase (decrease) in equity		16,487,492	102,114,113
Equity at end of year		166,432,971	149,945,479

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Financial Position

As at 31st December 2005

	Note	2005	2004
		\$	\$
Equity			
Share Capital	5	24,858,503	24,858,503
Share of revaluation reserve of associate		91,074,835	91,074,835
Accumulated surplus		50,499,633	34,012,141
Total equity		<u>166,432,971</u>	<u>149,945,479</u>
Current liabilities			
Trade Creditors		68,903	361,176
Non resident withholding tax payable		0	3,287,621
Income tax payable		243,837	0
Other current liabilities		5,428,791	1,464,204
		<u>5,741,531</u>	<u>5,113,001</u>
Non-current liabilities			
Redeemable Preference Shares	6	240,000,000	100,000,000
Total liabilities and equity		<u>412,174,502</u>	<u>255,058,480</u>
Current assets			
Bank balances, deposits and cash		29,913,682	26,285,785
Sundry Receivables	10	16,372	10,470
Interest receivable		264,308	64,674
		<u>30,194,362</u>	<u>26,360,929</u>
Non-Current Assets			
Property, plant and equipment	7	109,064	145,994
Capitalised costs for Redeemable Preference Shares		2,451,821	1,431,804
Promissory Note	10	148,988,833	0
Loan receivable	10	762,172	711,186
Investments	8	229,668,250	226,408,567
		<u>381,980,140</u>	<u>228,697,551</u>
Total assets		<u>412,174,502</u>	<u>255,058,480</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Cash Flows

For the Year Ended 31st December 2005

	Note	2005 \$	2004 \$
Cash flows from operating activities			
Cash was provided from:			
Dividends		17,241,780	18,630,596
Supplementary dividends received		3,042,601	3,287,621
Interest		1,413,518	460,131
Foreign exchange gains		0	1,619
Receipts from customers		54,098	50,820
		<u>21,751,997</u>	<u>22,430,787</u>
Cash was disbursed to:			
Payments to suppliers, employees		(1,248,928)	(983,582)
Interest		(157,821)	(166,412)
RPS Dividends paid		(6,401,052)	0
Non resident withholding taxes received (paid)		(3,287,646)	(4,475,906)
Taxes received (paid)		(3,042,626)	1,822,709
		<u>(14,138,073)</u>	<u>(3,803,191)</u>
Net inflow from operating activities	16	<u><u>7,613,924</u></u>	<u><u>18,627,596</u></u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from the sale of investments		3,495	6,124,222
Proceeds from the sale of non current assets		0	3,000
		<u>3,495</u>	<u>6,127,222</u>
Cash was applied to:			
Cash outflow for investments		(3,191)	(2,676,968)
Purchase of Fixed assets		(9,052)	(49,292)
		<u>(12,243)</u>	<u>(2,726,260)</u>
Net cash (outflow) inflow from investing activities		<u><u>(8,748)</u></u>	<u><u>3,400,962</u></u>
Cash flows from financing activities			
Cash was provided from:			
Issue of RPS		140,000,000	100,000,000
		<u>140,000,000</u>	<u>100,000,000</u>
Cash was applied to:			
Repayment of loan		0	(101,299,555)
Loan to Alliant Energy South LLC		(142,207,053)	0
Costs of arranging RPS		(1,770,226)	(1,561,968)
		<u>(143,977,279)</u>	<u>(102,861,523)</u>
Net cash (outflow) from financing activities		<u><u>(3,977,279)</u></u>	<u><u>(2,861,523)</u></u>
Net increase (decrease) in cash held		3,627,897	19,167,035
Opening cash brought forward		26,285,785	7,118,750
Cash balances in the statement of financial position		<u><u>29,913,682</u></u>	<u><u>26,285,785</u></u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

1. Statement of Accounting Policies

The reporting entity is Alliant Energy New Zealand Limited. These financial statements have been prepared under the requirements of the New Zealand Companies Act 1993 and the Financial Reporting Act 1993 and the First Schedule of the Securities Regulations 1983. The measurement base adopted is that of historical cost.

a) Principals of Accounting for Investment in Associates

The accounts of an associate company have been reflected in the financial statements on an equity accounting basis that shows the Companies' share of surpluses in the statement of financial performance and its share of post acquisition increases in net assets, in the statement of financial position.

b) Goodwill

Goodwill on acquisition of associates is included within the carrying amount of the investment in the associate. Goodwill is amortised on a straight line basis over the period of expected benefits not exceeding 20 years.

c) Investments

Long-term investments are stated at the lower of cost and net realisable value. Fees paid in purchasing such investments are included in their cost.

d) Property, Plant and Equipment

All property, plant and equipment are recorded at cost.

e) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Furniture and fittings	8-10 %
Equipment	15.5-40 %

f) Income Tax

The income tax expense charged to the statement of financial performance includes both the current year liability and the income tax effects of timing differences after allowing for non-assessable income and non-deductible expenses.

Deferred taxation is calculated using the liability method on a comprehensive basis. Debit balances in the deferred tax account arising from net accumulated timing differences and future income tax benefits arising from income tax losses carried forward are only recognised if there is virtual certainty of realisation.

g) Accounts Receivable

Accounts receivable have been valued at estimated realisable value after making provision for doubtful debts.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

h) Leases

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

Finance leases

Finance leases are capitalised and depreciated over the life of the asset.

i) Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items.

j) Differential Reporting

The Company qualifies for differential reporting exemptions, as described in the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand, as the Company is not publicly accountable and the owners of the Company and the governing body are not separated. The Company has elected to apply the following differential reporting exemptions;
FRS 31 Disclosure of Information about Financial Instruments
FRS 41 Disclosing the Impact of Adopting New Zealand equivalents to International Financial Reporting Standards, and SSAP 23 Financial Reporting for Segments.

k) Changes In Accounting Policies

There have been no material changes in accounting policies during the year. All policies have been applied on consistent bases with previous years.

l) Capitalised costs for Redeemable Preference Shares

Costs incurred in arranging the Redeemable Preference Shares have been capitalised at cost and amortised in the statement of financial performance on a straight line basis over three years to October 2007, being the date of redemption of the Redeemable Preference Shares.

2. Operating Revenue

	2005	2004
	\$	\$
Dividends received	1,155,384	1,421,894
Interest received	4,176,173	570,413
Other income	60,000	60,033
Total revenue	5,391,557	2,052,340

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

3. Surplus before Taxation	2005	2004
	\$	\$
Has been determined after charging/(crediting):		
Fees paid to auditors	20,262	17,000
Depreciation	45,982	41,920
Operating lease expenses	75,757	58,183
Net profit on disposal of investments	(1,599)	(4,124,671)
Interest expense	10,408,842	2,930,171
Amortisation of goodwill	418,440	458,272
Equity income from associate	(19,753,224)	(16,494,620)
Foreign exchange gain	(4,583,117)	(1,619)
Amortisation of RPS cost	750,209	130,164

4. Income Tax Expense	2005	2004
	\$	\$
Operating surplus before tax expense	16,920,789	17,784,787
Supplementary dividends received	3,042,601	3,287,621
Surplus before tax expense	19,963,390	21,072,408
Income tax expense	948,487	127,070
Taxation paid in respect of supplementary dividends	3,042,601	3,287,621
Prior years taxation losses used	(515,190)	0
Income tax expense	3,475,898	3,414,691

The tax paid of \$3,042,601 above relates to a payment required due to supplementary dividends received from TrustPower and Infratil which has also been included in Surplus before taxation.

In 2004 the supplementary dividends received and the taxation paid in respect of the supplementary dividends was netted off in the income tax line in the Statement of Financial Performance.

The comparative information in these financial statements has been restated to show consistent disclosure for both periods.

At 31 December 2005 the Company had \$633,505 (2004:\$2,194,687) of unused tax losses to be used in subsequent periods.

5. Share Capital	2005	2004
	\$	\$
Issued 24,858,503 ordinary shares fully paid	24,858,503	24,858,503
	<u>24,858,503</u>	<u>24,858,503</u>

All shares have equal voting rights and participate equally in any dividend distribution or any surplus on the winding up of the company.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

6. Borrowings

2005 2004
\$ \$

Non-current liabilities

Issued 1500 redeemable preference shares (2004:100) 240,000,000 100,000,000

The redeemable preference shares do not carry any conversion or voting rights.

Redeemable preference shares have been issued by the company in two tranches:

	Tranche B (2005)	Tranche A (2004)
Number of shares	1400	100
Total value NZ\$	\$140,000,000	\$100,000,000
Redemption date for RPS at par	August 2008	October 2007
Dividend rate	6.844%	6.764%

The Redeemable preference shares are secured over the investments in TrustPower Limited and Infratil Limited.

7. Property, plant and equipment

2005

	\$ Cost	\$ Depreciation charge	\$ Accumulated depreciation	\$ Net Book Value
Furniture and fittings	33,928	3,131	(18,564)	15,364
Equipment	290,138	42,851	(196,438)	93,700
	<u>324,066</u>	<u>45,982</u>	<u>(215,002)</u>	<u>109,064</u>

2004

	\$ Cost	\$ Depreciation charge	\$ Accumulated depreciation	\$ Net Book Value
Furniture and fittings	33,928	3,131	(15,433)	18,495
Equipment	281,086	38,789	(153,587)	127,499
	<u>315,014</u>	<u>41,920</u>	<u>(169,020)</u>	<u>145,994</u>

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

8. Investments

The Company records its investments at the lower of cost and net realisable value. TrustPower Limited is equity accounted. Refer Note 14.

	2005		2004	
	\$	\$	\$	\$
	Cost	Market Value	Cost	Market Value
Non - Current:				
TrustPower Limited	214,482,181	460,145,743	211,233,792	426,476,542
Infratil Limited	15,181,066	41,255,464	15,171,066	36,846,158
Others	5,003	8,790	3,709	8,466
	<u>229,668,250</u>	<u>501,409,997</u>	<u>226,408,567</u>	<u>463,331,165</u>

9. Operating Lease Commitments

Commitments in respect of non-cancellable operating leases:

	2005	2004
	\$	\$
Not later than one year	71,023	71,023
Later than one year and not later than two years	71,023	71,023
Later than two years and not later than five years	213,068	213,068
Later than five years	112,453	183,476

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

10. Related Parties

During the year the Company transacted with the following related parties:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Type of transactions</i>
Alliant Energy International Inc.	Parent Company	Cash advances, borrowings, subscription for shares, sundry receivable \$16,372 (2004:nil)
Jimmi Limited	Common Director	Interest bearing loan receivable (10% interest rate) \$762,172 (Dec 2004: \$711,186) Interest to 31 st December 2005 \$252,307 (Interest to 31 st December 2004 \$201,320)
Te Maunga Power Ltd	Subsidiary	Voting shares in Trustpower Limited
Alliant Energy South LLC	Common Ultimate Ownership	Promissory Note of US\$100,000,000.00 (NZ\$142,207,054) (2004: nil) at a rate fixed to the profit before tax, repayable on demand, plus accrued interest \$2,512, 034 and unrealised translation gain of \$4,269,745 (2004:nil)

11. Contingent Liabilities

The interest rate payable on the Redeemable Preference Shares is subject to a binding ruling application currently with the Inland Revenue Department. In the event of a favourable binding ruling not being obtained, an additional cash dividend of \$5,846,000 would need to be paid. (\$5,135,000 relating to the year ended 31 December 2005; \$711,000 relating to the year ended 31 December 2004). There are no other contingent liabilities at balance date, (December 2004: nil).

12. Subsequent Events

On October 31st 2006 (NZT) the Board of Alliant Energy Corporation resolved to sell Alliant Energy New Zealand Limited to Infracore Limited.
On 19th July 2006 the IRD issued a Final Binding Ruling in relation to Tranche A of the RPS.

13. Foreign Currency Denominated Monetary Balances

At balance date the Company had the following unhedged foreign currency denominated assets.

	2005	2004
	\$	\$
Assets		
Cash account United States dollars	210	403

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

14. Associate

The company owns 23.771% of TrustPower Limited, which is a large electricity generator and retailer incorporated in New Zealand (December 2004: 23.771%).

TrustPower Limited's reporting date is different from the company being 31 March.

Movements in carrying value	2005	2004
	\$	\$
Beginning balance	211,233,792	127,949,750
Share of revenues	19,753,224	16,494,620
Dividends	(16,086,395)	(17,208,702)
Other movements	0	84,456,396
Goodwill amortised	(418,440)	(458,272)
Closing balance of Associate	214,482,181	211,233,792

Movements in Goodwill	2005	2004
	\$	\$
Gross Goodwill	18,416,721	18,416,721
Accumulated amortisation	(4,212,737)	(3,794,297)
Change in share holding	(10,132,264)	(10,132,264)
Net Goodwill	4,071,720	4,490,160

Closing balance by component	2005	2004
	\$	\$
Cost at beginning of year	133,095,105	133,095,105
Equity Income from Associate (cum)	65,114,549	45,361,325
Dividend Income from Associate (cum)	(69,277,672)	(53,191,277)
Accumulated goodwill amort	(4,212,737)	(3,794,297)
Revaluation	91,074,837	91,074,837
Other retained earnings	(1,311,901)	(1,311,901)
Total equity investment	214,482,181	211,233,792

In March 2004 Trustpower disposed of equipment from their Highbank and Coleridge stations which had previously been written to zero. The effect was to increase revaluation reserve and decrease retained earnings. The total value was \$5,732m, The Companies portion was \$1.362m.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

15. Comparative Information

Where necessary, comparative information has been reclassified in order to provide a more appropriate basis for comparison.

16. Cash flow reconciliation	2005	2004
Cash flow reconciliation of net surplus with cash inflow from operating activities	\$	\$
Net surplus after tax	16,487,492	17,657,717
Add (deduct) non-cash items		
Depreciation	45,982	41,920
Amortisation of Goodwill	418,440	458,272
Amortisation of RPS costs	750,209	130,164
Unrealised foreign exchange gains	(4,269,745)	0
Items classified as investing activities		
Profit on sale on disposal of investments	(1,599)	(4,124,671)
Directors fees capitalised	(10,000)	(10,000)
Trustpower equity earnings	(19,753,224)	(16,494,620)
Add (deduct) classified as financing activities		
Intercompany interest	0	1,299,555
Accrued interest on promissary note	(2,512,034)	0
Movements in working capital		
Sundry receivables	(5,902)	(9,213)
Interest receivable	(250,621)	(110,282)
Trade creditors	(292,274)	189,720
Non resident withholding tax payable	(3,287,621)	(1,188,285)
Other current liabilities	3,964,587	1,464,204
Income taxes	243,837	2,114,413
Add (deduct) other cash items not reflected above		
Trustpower dividends	16,086,396	17,208,702
Net cash flow from operating activities	7,613,924	18,627,596

Alliant Energy New Zealand Limited

Financial Statements of Alliant Energy New Zealand Limited for the Year Ended 31st December 2005 (prepared to comply with the Second Schedule of Securities Regulations 1983).

Statement of Financial Performance

For The Year Ended 31st December 2005

	Note	2005	2004
		\$	\$
Operating revenue	2	<u>21,477,953</u>	<u>19,261,042</u>
Surplus before taxation	3	16,715,002	22,244,762
Income tax expense/ (credit)	4	<u>3,489,102</u>	<u>3,414,691</u>
Surplus after taxation		13,225,901	18,830,071
Net surplus for the year		<u>13,225,901</u>	<u>18,830,071</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Movement in Equity

For The Year Ended 31st December 2005

	Note	2005	2004
		\$	\$
Equity at beginning of year		71,806,796	52,976,725
Net surplus for the year		13,225,901	18,830,071
Total recognised revenue and expenses		13,225,901	18,830,071
Net increase (decrease) in equity		13,225,901	18,830,071
Equity at end of year		85,032,697	71,806,796

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Financial Position

As at 31st December 2005

	Note	2005	2004
		\$	\$
Equity			
Share Capital	5	24,858,503	24,858,503
Accumulated surplus		60,174,194	46,948,293
Total equity		<u>85,032,697</u>	<u>71,806,796</u>
Current liabilities			
Trade Creditors		68,902	196,769
Deferred taxes		13,203	0
Non resident withholding tax payable		0	3,452,028
Income tax payable		243,837	0
Other current liabilities		5,428,792	1,464,204
		<u>5,754,734</u>	<u>5,113,001</u>
Non-current liabilities			
Redeemable Preference Shares	6	240,000,000	100,000,000
Total liabilities and equity		<u>330,787,431</u>	<u>176,919,797</u>
Current assets			
Bank balances, deposits and cash		29,913,685	26,285,788
Sundry Receivables		16,305	9,993
Trade debtors		67	479
Interest receivable		264,308	64,674
		<u>30,194,365</u>	<u>26,360,934</u>
Non-Current Assets			
Property, plant and equipment	7	109,064	145,994
Capitalised costs for Redeemable Preference Shares		2,451,821	1,431,804
Promissory Note	10	148,988,833	0
Loan receivable	10	762,172	711,186
Investments	8	148,281,176	148,269,879
		<u>300,593,066</u>	<u>150,558,863</u>
Total assets		<u>330,787,431</u>	<u>176,919,797</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Cash Flows

For the Year Ended 31st December 2005

	Note	2005 \$	2004 \$
Cash flows from operating activities			
Cash was provided from:			
Dividends		17,241,780	18,630,596
Supplementary dividends received		3,042,601	3,287,621
Interest		1,413,519	460,132
Foreign exchange gains		0	1,619
Receipts from customers		54,100	50,818
		<u>21,752,000</u>	<u>22,430,786</u>
Cash was disbursed to:			
Payments to suppliers, employees		(1,248,927)	(983,582)
Interest		(157,821)	(166,412)
RPS Dividends paid		(6,401,053)	0
Non resident withholding taxes received (paid)		(3,287,646)	(4,475,906)
Taxes received (paid)		(3,042,626)	1,822,708
		<u>(14,138,073)</u>	<u>(3,803,192)</u>
Net inflow from operating activities	16	<u><u>7,613,927</u></u>	<u><u>18,627,594</u></u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from the sale of investments		3,495	6,124,221
Proceeds from the sale of non current assets		0	3,001
		<u>3,495</u>	<u>6,127,222</u>
Cash was applied to:			
Cash outflow for investments		(3,191)	(2,676,968)
Purchase of Fixed assets		(9,052)	(49,291)
		<u>(12,243)</u>	<u>(2,726,259)</u>
Net cash (outflow) inflow from investing activities		<u><u>(8,748)</u></u>	<u><u>3,400,963</u></u>
Cash flows from financing activities			
Cash was provided from:			
Issue of RPS		140,000,000	100,000,000
		<u>140,000,000</u>	<u>100,000,000</u>
Cash was applied to:			
Repayment of loan		0	(101,299,550)
Loan to Alliant Energy South LLC		(142,207,056)	0
Costs of arranging RPS		(1,770,226)	(1,561,968)
		<u>(143,977,282)</u>	<u>(102,861,518)</u>
Net cash (outflow) from financing activities		<u><u>(3,977,282)</u></u>	<u><u>(2,861,518)</u></u>
Net increase (decrease) in cash held		3,627,896	19,167,039
Opening cash brought forward		26,285,789	7,118,750
Cash balances in the statement of financial position		<u><u>29,913,685</u></u>	<u><u>26,285,789</u></u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

1. Statement of Accounting Policies

The reporting entity is Alliant Energy New Zealand Limited. These financial statements have been prepared under the requirements of the New Zealand Companies Act 1993 and the Financial Reporting Act 1993 and prepared to comply with the Second Schedule of Securities Regulations 1983. The measurement base adopted is that of historical cost.

a) Principals of Accounting for Investment in Associates

An associate company is reflected in the financial statements on a cost accounting basis.

b) Investments

Long-term investments are stated at the lower of cost and net realisable value. Fees paid in purchasing such investments are included in their cost.

c) Property, Plant and Equipment

All property, plant and equipment are recorded at cost.

d) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Furniture and fittings	8-10 %
Equipment	15.5-40 %

e) Income Tax

The income tax expense charged to the statement of financial performance includes both the current year liability and the income tax effects of timing differences after allowing for non-assessable income and non-deductible expenses.

Deferred taxation is calculated using the liability method on a comprehensive basis. Debit balances in the deferred tax account arising from net accumulated timing differences and future income tax benefits arising from income tax losses carried forward are only recognised if there is virtual certainty of realisation.

f) Accounts Receivable

Accounts receivable have been valued at estimated realisable value after making provision for doubtful debts.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

g) Leases

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

Finance leases

Finance leases are capitalised and depreciated over the life of the asset.

h) Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items.

i) Differential Reporting

The Company qualifies for differential reporting exemptions, as described in the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand, as the Company is not publicly accountable and the owners of the Company and the governing body are not separated. The Company has elected to apply the following differential reporting exemptions;
FRS 31 Disclosure of Information about Financial Instruments
FRS 41 Disclosing the Impact of Adopting New Zealand equivalents to International Financial Reporting Standards, and SSAP 23 Financial Reporting for Segments.

j) Changes In Accounting Policies

There have been no material changes in accounting policies during the year. All policies have been applied on consistent bases with previous years.

k) Capitalised costs for Redeemable Preference Shares

Costs incurred in arranging the Redeemable Preference Shares have been capitalised at cost and amortised in the statement of financial performance on a straight line basis over the term of the tranche, being the assumed date of redemption of the Redeemable Preference Shares.

2. Operating Revenue

	2005	2004
	\$	\$
Dividends received	17,241,780	18,630,596
Interest Received	4,176,173	570,413
Other Income	60,000	60,033
Total revenue	21,477,953	19,261,042

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

3. Surplus before Taxation	2005	2004
	\$	\$
Has been determined after charging/(crediting):		
Fees paid to auditors	20,262	17,000
Depreciation	45,982	41,920
Operating lease expenses	75,757	58,183
Net profit on disposal of investments	(1,599)	(4,124,671)
Interest expense	10,408,842	2,930,171
Foreign exchange gains	(4,583,117)	(1,619)
Amortisation of RPS cost	750,209	130,164

4. Income Tax Expense	2005	2004
	\$	\$
Operating surplus before tax expense	13,672,401	18,957,141
Supplementary dividends received	3,042,601	3,287,621
Surplus before tax expense	16,715,002	22,244,762
Income tax expense	961,690	127,070
Taxation paid in respect of supplementary dividends	3,042,601	3,287,621
Prior years taxation losses used	(515,190)	0
Income tax expense	3,489,101	3,414,691

The tax paid of \$3,042,601 above relates to a payment required due to supplementary dividends received from TrustPower and Infratil which has also been included in Surplus before taxation. In 2004 the supplementary dividends received and the taxation paid in respect of the supplementary dividends was netted off in the income tax line in the Statement of Financial Performance. The comparative information in these financial statements has been restated to show consistent disclosure for both periods. At 31 December 2005 the Company had \$633,505 (2004: \$2,194,687) of unused tax losses to be used in subsequent periods.

5. Share Capital	2005	2004
	\$	\$
Issued 24,858,503 ordinary shares fully paid	24,858,503	24,858,503
	<u>24,858,503</u>	<u>24,858,503</u>

All shares have equal voting rights and participate equally in any dividend distribution or any surplus on the winding up of the company

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

6. Borrowings	2005	2004
	\$	\$
<i>Non-current liabilities</i>		
Issued 1500 redeemable preference shares (2004:100)	240,000,000	100,000,000

The redeemable preference shares do not carry any conversion or voting rights.

Redeemable preference shares have been issued by the company in two tranches:

	Tranche B (2005)	Tranche A (2004)
Number of shares	1400	100
Total value NZ\$	\$140,000,000	\$100,000,000
Redemption date for RPS at par	August 2008	October 2007
Dividend rate	6.844%	6.764%

The Redeemable preference shares are secured over the investments in TrustPower Limited and Infratil Limited.

7. Property, Plant and Equipment

	2005			
	\$	\$	\$	\$
	Cost	Depreciation charge	Accumulated depreciation	Net Book Value
Furniture and fittings	33,928	3,131	(18,564)	15,364
Equipment	290,138	42,851	(196,438)	93,700
	<u>324,066</u>	<u>45,982</u>	<u>(215,002)</u>	<u>109,064</u>

	2004			
	\$	\$	\$	\$
	Cost	Depreciation charge	Accumulated depreciation	Net Book Value
Furniture and fittings	33,928	3,131	(15,433)	18,495
Equipment	281,086	38,789	(153,587)	127,499
	<u>315,014</u>	<u>41,920</u>	<u>(169,020)</u>	<u>145,994</u>

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

8. Investments

The Company records its investments at the lower of cost and net realisable value.

	2005		2004	
	\$	\$	\$	\$
	Cost	Market Value	Cost	Market Value
Non – Current:				
TrustPower Limited	133,095,103	460,145,743	133,095,103	426,476,542
Infratil Limited	15,181,066	41,255,464	15,171,066	36,846,158
Others	5,007	8,790	3,710	8,466
	<u>148,281,176</u>	<u>501,409,997</u>	<u>148,269,879</u>	<u>463,331,165</u>

9. Operating Lease Commitments

Commitments in respect of non-cancellable non-operating leases:

	2005	2004
	\$	\$
Not later than one year	71,023	71,023
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Later than two years and not later than five years	213,068	213,068
Later than five years	112,453	183,476

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

10. Related Parties

During the year the Company transacted with the following related parties:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Type of transactions</i>
Alliant Energy International Inc.	Parent Company	Cash advances, borrowings, subscription for shares, sundry receivable \$16,305 (2004:nil)
Jimmi Limited	Common Director	Interest bearing loan receivable (10% interest rate) \$762,172 (Dec 2004: \$711,186) Interest to 31 st December 2005 \$252,307 (Interest to 31 st December 2004 \$201,320)
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Alliant Energy South LLC	Common Ultimate Ownership	Promissory Note of US\$100,000,000.00 (NZ\$142,207,054)(2004: nil) at a rate fixed to the profit before tax, repayable on demand, plus accrued interest \$2,512, 034 and unrealised translation gain of \$4,269,745 (2004:nil)

11. Contingent Liabilities

The interest rate payable on the Redeemable Preference Shares is subject to a binding ruling application currently with the Inland Revenue Department. In the event of a favourable binding ruling not being obtained, an additional cash dividend of \$5,846,000 would need to be paid, (\$5,135,000 relating to the year ended 31 December 2005, \$711,000 relating to the year ended 31 December 2004). There are no other contingent liabilities at balance date, (December 2004: Nil).

12. Subsequent Events

On October 31st 2006 (NZT) the Board of Alliant Energy Corporation resolved to sell Alliant Energy New Zealand Limited to Infratil Limited.

On 19th July 2006 the IRD issued a Final Binding Ruling in relation to Tranche A of the RPS.

13. Foreign Currency Denominated Monetary Balances

At balance date the Company had the following unhedged foreign currency denominated assets.

	2005	2004
	\$	\$
Assets		
Cash account United States dollars	210	403

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Year Ended 31st December 2005

14. Associate

The company owns 23.771% of TrustPower Limited, which is a large electricity generator and retailer incorporated in New Zealand (December 2004: 23.771%).

TrustPower Limited's reporting date is different from the company being 31 March.

15. Comparative Information

Where necessary, comparative information has been reclassified in order to provide a more appropriate basis for comparison.

	\$ 2005	\$ 2004
16. Cash flow reconciliation		
Cash flow reconciliation of net surplus with cash inflow from operating activities		
Net surplus after tax	13,225,901	18,830,071
Add (deduct) non-cash items		
Depreciation	45,982	41,920
Deferred taxes	13,203	0
Amortisation of RPS costs	750,209	130,164
Unrealised foreign exchange gains	(4,269,745)	0
Add items classified as financing activities		
Intercompany interest	0	1,299,555
Accrued interest on promissary note	(2,512,034)	0
Add (deduct) classified as financing activities		
Profit on sale on disposal of investments	(1,599)	(4,124,671)
Directors fees capitalised	(10,000)	(10,000)
Movements in working capital		
Sundry receivables	(5,900)	(9,215)
Interest receivable	(250,620)	(110,282)
Trade creditors	(127,867)	25,313
Non resident withholding tax payable	(3,452,028)	(1,023,878)
Other current liabilities	3,964,588	1,464,204
Income taxes	243,837	2,114,413
Net cash flow from operating activities	7,613,927	18,627,594

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16 November 2006

The Directors
Alliant Energy New Zealand Limited
P O Box 90 763
AUCKLAND 1030

The Directors
Infratil Limited
97 The Terrace
WELLINGTON

Dear Directors

AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

Alliant Energy New Zealand Limited (the 'Company') was acquired by Infratil Limited (the 'Borrowing Company') on 31 October 2006, and represents an acquired subsidiary of the Borrowing Company for the purposes of the First and Second Schedules of the Securities Regulations 1983. Accordingly, certain financial information of the Company is contained in a prospectus to be dated 16 November 2006 for the issue of infrastructure bonds in the Borrowing Company.

As auditors of Alliant Energy New Zealand Limited we have prepared this report pursuant to clause 42 of the First Schedule and clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in the prospectus for the issue of infrastructure bonds.

We have audited the financial statements of the Company, set out at pages 100 to 122. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 31 December 2005 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 104 to 105 and 116 to 117.

We report on the summary financial information set out on pages 98 to 99. The summary financial information has been taken from the audited financial statements for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001.

We report on the interim financial statements and summary interim financial statements set out on pages 128 to 149; and 98 and 99 respectively. The interim financial statements and summary interim financial statements have been taken from the unaudited interim financial statements for the 6 month period ended 30 June 2006.

Board of Directors' Responsibilities

The board of directors (the 'directors') of the Company and the Borrowing Company are responsible for the preparation of:

- (a) the financial statements of the Company as required by clause 11(3) and clauses 23 to 38 of the First Schedule of the Securities Regulations 1983, that comply with the regulations; and subject to the regulations comply with generally accepted accounting practice in New Zealand; and

A member of
Deloitte Touche Tohmatsu

give a true and fair view of the state of affairs of the Company as at 31 December 2005 and its financial performance and cash flows for the financial year ended on that date; and

- (b) the financial statements of the Company as required by clause 8(3) and clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983, that comply with the regulations; and subject to the regulations comply with generally accepted accounting practice in New Zealand; and give a true and fair view of the state of affairs of the Company as at 31 December 2005 and its financial performance and cash flows for the financial year ended on that date; and
- (c) the summary of financial statements of the Company for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 as required by clause 11(3) of the First Schedule of the Securities Regulations 1983; and
- (d) the summary of financial statements of the Company for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 as required by clause 8(3) of the Second Schedule of the Securities Regulations 1983; and
- (e) the interim financial statements which give a true and fair view of the financial position of the Company as at 30 June 2006, and its financial performance and cash flows for the six month period ended on that date, as required by clause 11(3) of the First Schedule of the Securities Regulations 1983; and
- (f) the interim financial statements which give a true and fair view of the financial position of the Company as at 30 June 2006, and its financial performance and cash flows for the six month period ended on that date, as required by clause 8(3) of the Second Schedule of the Securities Regulations 1983; and
- (g) the summary of interim financial information, for the six month period ended 30 June 2006 as required by clause 11(3) of the First Schedule of the Securities Regulations 1983; and
- (h) the summary of interim financial information, for the six month period ended 30 June 2006 as required by clause 8(3) of the Second Schedule of the Securities Regulations 1983.

Auditors' Responsibilities

It is our responsibility to:

- (a) express an independent opinion on the financial statements of the Company as at 31 December 2005 and for the year ended on that date, prepared and presented by the directors, and report our opinion in accordance with clause 42(1) of the First Schedule of the Securities Regulations 1983; and
- (b) express an independent opinion on the financial statements of the Company as at 31 December 2005 and for the year ended on that date, prepared and presented by the directors, and report our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983; and
- (c) report in accordance with clause 42(1)(g) of the First Schedule of the Securities Regulations 1983
 - i) on the amounts included in the summary of financial statements for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 presented by the directors; and
 - ii) on the amounts included in the summary interim financial statements for the 6 month period ending 30 June 2006 presented by the directors; and

- (d) report in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983
- i) on the amounts included in the summary of financial statements for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 presented by the directors; and
 - ii) on the amounts included in the summary interim financial statements for the 6 month period ending 30 June 2006 presented by the directors.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 42 of the First Schedule and clause 36 of the Second Schedule of the Securities Regulations 1983. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements, the interim financial statements and the summary interim financial information, for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Basis of Opinion on the Financial Statements

An audit of the financial statements for the year ended 31 December 2005 includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Basis of Opinion on the Summary of Financial Statements and Summary of Interim Financial Statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on pages 98 and 99 of this prospectus, pursuant to clause 11(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 and the unaudited interim financial statements of the Company for 6 month period ended 30 June 2006. For a better understanding of the financial position and results of the Company's operations for the financial period, the summary financial information should be read in conjunction with the related annual financial statements.



We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on pages 98 and 99 of this prospectus, pursuant to clause 8(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 and the unaudited interim financial statements of the Company for 6 month period ended 30 June 2006. For a better understanding of the financial position and results of the Company's operations for the financial period, the summary financial information should be read in conjunction with the related annual financial statements.

We have not audited, and do not express an opinion on, the interim financial statements of the Company as at and for the 6 month period ended 30 June 2006 set out on pages 128 to 149 of this prospectus.

Unqualified Opinion on the Financial Statements

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements of the Company on pages 100 to 111 of this prospectus, as required by clause 11(3) and clauses 23 to 38 of the First Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
 - comply with the Securities Regulations 1983, and
 - subject to these Regulations, comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Company as at 31 December 2005 and the results of their operations and cash flows for the financial year ended on that date, and
- the financial statements of the Company on pages 112 to 122 of this prospectus, as required by clause 8(3) and clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
 - comply with the Securities Regulations 1983, and
 - subject to these Regulations, comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the Company as at 31 December 2005 and the results of their operations and cash flows for the financial year ended on that date.

Our audit was completed on 27 June 2006 and our unqualified opinion is expressed as at that date.



Unqualified Opinion on the Summary of Financial Statements and Interim Financial Statements

In our opinion:

- the amounts set out in the summary of financial statements on pages 98 and 99 of this prospectus, as required by clause 11(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 from which they were extracted; and
- the amounts set out in the summary of financial statements on pages 98 and 99 of this prospectus, as required by clause 8(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial years ended 31 December 2005, 31 December 2004, 31 December 2003, 31 December 2002 and 31 December 2001 from which they were extracted; and
- the amounts set out in the summary of interim financial statements on pages 98 and 99 of this prospectus, as required by clause 11(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the unaudited financial statements of the Company for the 6 month period ended 30 June 2006 from which they were extracted; and
- the amounts set out in the summary of interim financial statements on pages 98 and 99 of this prospectus, as required by clause 8(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the unaudited financial statements of the Company for the 6 month period ended 30 June 2006 from which they were extracted.

In terms of Regulations 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

A handwritten signature in cursive script that reads "Deloitte".

DELOITTE

Chartered Accountants
Auckland, New Zealand

Alliant Energy New Zealand Limited

Financial Statements of Alliant Energy New Zealand Limited for the Six Months Ended June 30th 2006 (prepared to comply with the First Schedule of Securities Regulations 1983).

Statement of Financial Performance

For The Six Months Ended 30th June 2006

	Note	June 2006	December 2005
		\$	\$
Operating revenue	2	<u>4,805,647</u>	<u>5,391,557</u>
Surplus before taxation	3	24,461,986	19,963,390
Income tax expense/ (credit)	4	<u>1,811,932</u>	<u>3,475,898</u>
Surplus after taxation		22,650,054	16,487,492
Net surplus for the year		<u>22,650,054</u>	<u>16,487,492</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Movements in Equity

For The Six Months Ended 30th June 2006

	Note	June 2006 \$	December 2005 \$
Equity at beginning of year		166,432,970	149,945,479
Net surplus for the period		22,650,054	16,487,492
Total recognised revenue and expenses		22,650,054	16,487,492
Net increase (decrease) in equity		22,650,054	16,487,492
Equity at end of the period		189,083,024	166,432,971

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Financial Position

As at 30th June 2006

	Note	June 2006 \$	December 2005 \$
Equity			
Share Capital	5	24,858,503	24,858,503
Share of revaluation reserve of associate		91,074,835	91,074,835
Accumulated surplus		73,149,686	50,499,633
Total equity		<u>189,083,024</u>	<u>166,432,971</u>
Current liabilities			
Trade Creditors		577,400	68,903
Income tax payable		1,758,445	243,837
Other current liabilities		5,480,962	5,428,791
		<u>7,816,807</u>	<u>5,741,531</u>
Non-current liabilities			
Redeemable Preference Shares	6	240,000,000	240,000,000
Total liabilities and equity		<u>436,899,831</u>	<u>412,174,502</u>
Current assets			
Bank balances, deposits and cash		30,633,636	29,913,682
Sundry Receivables		549,340	16,372
Income tax receivable		172,007	0
Interest receivable		520,583	264,308
		<u>31,875,565</u>	<u>30,194,362</u>
Non-Current Assets			
Long term tax receivable		219,808	
Property, plant and equipment	7	65,038	109,064
Capitalised costs for Redeemable Preference Shares		1,896,299	2,451,821
Loan receivable	10	787,456	762,172
Promissory note	10	173,623,798	148,988,833
Investments	8	228,431,867	229,668,250
		<u>405,024,266</u>	<u>381,980,140</u>
Total assets		<u>436,899,831</u>	<u>412,174,502</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Cash Flows

For the Six Months Ended 30th June 2006

	Note	June 2006 \$	December 2005 \$
Cash flows from operating activities			
Cash was provided from:			
Dividends		9,803,739	17,241,780
Supplementary Dividends Received		1,730,040	3,042,601
Interest		659,573	1,413,518
Receipts from customers		30,000	54,098
		<u>12,223,352</u>	<u>21,751,997</u>
Cash was disbursed to:			
Payments to suppliers, employees		(910,522)	(1,248,927)
AEI swap account payments		(286,377)	0
Interest		(66)	(157,821)
Non resident withholding taxes paid		(967,549)	(3,287,646)
Taxation paid		<u>(1,205,461)</u>	<u>(3,042,626)</u>
		<u>(3,369,975)</u>	<u>(7,737,020)</u>
Net inflow from operating activities	16	<u>8,853,377</u>	<u>14,014,979</u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from the sale of investments		0	3,495
		<u>0</u>	<u>3,495</u>
Cash was applied to:			
Cash outflow for investments		0	(3,191)
Purchase of Fixed assets		0	(9,052)
		<u>0</u>	<u>(12,243)</u>
Net cash inflow (outflow) from investing activities		<u>0</u>	<u>(8,748)</u>
Cash flows from financing activities			
Cash was provided from:			
Issue of RPS		0	140,000,000
		<u>0</u>	<u>140,000,000</u>
Cash was applied to:			
Loan to Alliant Energy South		0	(142,207,053)
Costs of arranging RPS		0	(1,770,226)
RPS Dividends paid		<u>(8,133,423)</u>	<u>(6,401,053)</u>
		<u>(8,133,423)</u>	<u>(150,378,332)</u>
Net cash inflow (outflow) from financing activities		<u>(8,133,423)</u>	<u>(10,378,332)</u>
Net increase (decrease) in cash held		719,954	3,627,897
Opening cash brought forward		29,913,682	26,285,785
Cash balances in the statement of financial position		<u>30,633,636</u>	<u>29,913,682</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

1. Statement of Accounting Policies

The reporting entity is Alliant Energy New Zealand Limited. These financial statements have been prepared under the requirements of the New Zealand Companies Act 1993 and the Financial Reporting Act 1993 and the First Schedule of the Securities Regulations 1983. The measurement base adopted is that of historical cost.

a) Principals of Accounting for Investment in Associates

The accounts of an associate company have been reflected in the financial statements on an equity accounting basis that shows the Companies' share of surpluses in the statement of financial performance and its share of post acquisition increases in net assets, in the statement of financial position.

b) Goodwill

Goodwill on acquisition of associates is included within the carrying amount of the investment in the associate. Goodwill is amortised on a straight line basis over the period of expected benefits not exceeding 20 years.

c) Investments

Long-term investments are stated at the lower of cost and net realisable value. Fees paid in purchasing such investments are included in their cost.

d) Property, Plant and Equipment

All property, plant and equipment are recorded at cost.

e) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Furniture and fittings	8-10 %
Equipment	15.5-40 %

f) Income Tax

The income tax expense charged to the statement of financial performance includes both the current year liability and the income tax effects of timing differences after allowing for non-assessable income and non-deductible expenses.

Deferred taxation is calculated using the liability method on a comprehensive basis. Debit balances in the deferred tax account arising from net accumulated timing differences and future income tax benefits arising from income tax losses carried forward are only recognised if there is virtual certainty of realisation.

g) Accounts Receivable

Accounts receivable have been valued at estimated realisable value after making provision for doubtful debts.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

h) Leases

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

Finance leases

Finance leases are capitalised and depreciated over the life of the asset.

i) Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items.

j) Differential Reporting

The Company qualifies for differential reporting exemptions, as described in the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand, as the Company is not publicly accountable and the owners of the Company and the governing body are not separated. The Company has elected to apply the following differential reporting exemptions;
FRS 31 Disclosure of Information about Financial Instruments
FRS 41 Disclosing the Impact of Adopting New Zealand equivalents to International Financial Reporting Standards, and SSAP 23 Financial Reporting for Segments.

k) Changes In Accounting Policies

There have been no material changes in accounting policies during the year. All policies have been applied on consistent bases with previous years.

l) Capitalised costs for Redeemable Preference Shares

Costs incurred in arranging the Redeemable Preference Shares have been capitalised at cost and amortised in the statement of financial performance on a straight line basis over three years to October 2007, being the date of redemption of the Redeemable Preference Shares.

2. Operating Revenue

	June 2006	December 2005
	\$	\$
Dividends received	825,283	1,155,384
Interest Received	3,950,364	4,176,173
Other Income	30,000	60,000
Total revenue	4,805,647	5,391,557

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

3. Surplus before Taxation

	June 2006	December 2005
	\$	\$
Has been determined after charging/(crediting):		
Fees paid to auditors	10,000	20,262
Depreciation	20,638	45,982
Operating lease expenses	29,091	75,757
Net profit on disposal of investments	0	(1,599)
Interest expense	8,185,661	10,408,842
Amortisation of goodwill	209,220	418,440
Equity Income from Associate	(7,951,290)	(19,753,224)
Foreign exchange gain	21,351,981	(4,583,117)
Amortisation of RPS cost	555,522	750,209

4. Income Tax Expense

In 2005 supplementary dividends received were included in surplus before taxation because no dividend had been declared by the Company.

Supplementary dividends have been received from TrustPower and Infratil in 2006 but their use has not yet been determined.

5. Share Capital

	June 2006	December 2005
	\$	\$
Issued 24,858,503 ordinary shares fully paid	24,858,503	24,858,503
	<u>24,858,503</u>	<u>24,858,503</u>

All shares have equal voting rights and participate equally in any dividend distribution or any surplus on the winding up of the company.

6. Borrowings

	June 2006	December 2005
	\$	\$
Issued 1500 redeemable preference shares (2004:100)	240,000,000	240,000,000

The redeemable preference shares do not carry any conversion or voting rights.

Redeemable preference shares have been issued by the company in two tranches:

	Tranche B (2005)	Tranche A (2004)
Number of shares	1400	100
Total value NZ\$	\$140,000,000	\$100,000,000

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

	Tranche B (2005)	Tranche A (2004)
Redemption date for RPS at par	August 2008	October 2007
Dividend rate	6.844%	6.764%
Voting Rights	No	No
Redeemable at	Par	Par

7. Property, Plant and Equipment

	June 2006			
	\$ Cost	\$ Depreciation charge June	\$ Accumulated Depreciation	\$ Net Book Value
Furniture and fittings	33,928	1,247	(19,811)	14,117
Equipment	256,388	19,391	(205,467)	50,921
	<u>290,316</u>	<u>20,638</u>	<u>(225,278)</u>	<u>65,038</u>

	December 2005			
	\$ Cost	\$ Depreciation charge 2005	\$ Accumulated Depreciation	\$ Net Book Value
Furniture and fittings	33,928	3,131	(18,564)	15,364
Equipment	290,138	42,851	(196,438)	93,700
	<u>324,066</u>	<u>45,982</u>	<u>(215,002)</u>	<u>109,064</u>

8. Investments

The Company records its investments at lower of cost and net realisable value. TrustPower Limited is equity accounted as detailed in Note 13. At 30th June 2005 the market value of investments was approximately:

	June 2006		December 2005	
	\$ Cost	\$ Market Value	\$ Cost	\$ Market Value
Non – Current:				
TrustPower Limited (refer note 13)	213,245,797	531,225,167	214,482,180	460,145,743
Infratil Limited	15,181,066	45,666,339	15,181,065	41,255,464
Others	5,004	9,811	5,005	8,790
	<u>228,431,867</u>	<u>576,901,317</u>	<u>229,668,250</u>	<u>501,409,997</u>

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

9. Operating Lease Commitments

Commitments in respect of non-cancellable non-operating leases:

	June 2006	December 2005
	\$	\$
Not later than one year	71,023	71,023
Later than one year and not later than two years	71,023	71,023
Later than two years and not later than five years	213,068	213,068
Later than five years	76,942	112,453

10. Related Parties

During the year the Company transacted with the following related parties:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Type of transactions</i>
Alliant Energy International Inc.	Parent Company	Cash advances, borrowings, subscription for shares June 2006 Nil (June 2005 Nil)
Jimmi Limited	Common Director	Interest bearing loan receivable (10% interest rate) June 2006: \$787,456 (Dec 2005: \$762,172) Interest to 30 June 06 \$277,590.71
Te Maunga Power Ltd	Subsidiary	Voting shares in Trustpower Limited June 2006 Nil (June 2005 Nil)
Alliant Energy South LLC	Common Ultimate Ownership	Promissory Note of US\$100,000,000.00 (NZ\$142,207,054) (2005: NZ\$142,207,054) at a rate fixed to the profit before tax, repayable on demand, plus accrued interest \$5,880,564.73 and unrealised translation gain of \$22,493,737 (Dec 2005: \$4,269,745)

11. Contingent Liabilities

There are no other contingent liabilities at balance date, (December 2005: Nil, June 2005: Nil).

A successful binding ruling application was received from the Inland Revenue Department for Tranche A, and a similar response is expected from Tranche B.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

12. Subsequent Events

On October 31st 2006 (NZT) the Board of Alliant Energy Corporation resolved to sell Alliant Energy New Zealand Limited to Infratil Limited.

On 19th July 2006 the IRD issued a Final Binding Ruling in relation to Tranche A of the RPS.

13. Foreign Currency Denominated Monetary Balances

At balance date the Company had the following unhedged foreign currency denominated assets.

	June 2006	December 2005
	\$	\$
Assets		
Cash account United States dollars	103	210

14. Associate

The company owns 23.771% of TrustPower Limited, which is a large electricity generator and retailer in New Zealand (December 2005: 23.771%).

TrustPower Limited's reporting date is different from the company being 31 March.

Movements in carrying value

	June 2006	December 2005
	\$	\$
Beginning balance	214,482,180	211,233,792
Share of revenues	7,951,291	19,753,224
Dividends	(8,978,454)	(16,086,396)
Goodwill amortised	(209,220)	(418,440)
Closing balance of Associate	<u>213,245,797</u>	<u>214,482,180</u>

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

Movements in Goodwill

	June 2006	December 2005
	\$	\$
Gross Goodwill	18,416,721	18,416,721
Accumulated amortisation	(4,421,957)	(4,212,737)
Change in share holding	(10,047,829)	(10,132,264)
Net Goodwill	<u>3,946,935</u>	<u>4,071,720</u>

Closing balance by component

	June 2006	December 2005
	\$	\$
Cost at beginning of year	133,095,105	133,095,105
Equity Income from Associate (cum)	73,065,839	65,114,549
Dividend Income from Associate (cum)	(78,256,126)	(69,277,672)
Accumulated goodwill amort	(4,421,957)	(4,212,737)
Revaluation	91,074,837	91,074,837
Other retained earnings	(1,311,901)	(1,311,901)
Total equity investment	<u>213,245,797</u>	<u>214,482,181</u>

In March 2004 Trustpower disposed of equipment from their Highbank and Coleridge stations which had previously been written to zero. The effect was to increase revaluation reserve and decrease retained earnings. The total value was \$5,732m, The Companies portion was \$1.362m.

15. Comparative Information

Where necessary comparative information has been reclassified in order to provide a more appropriate basis for comparison.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

	June 2006	December 2005
16. Cash flow reconciliation		
Cash Flow Reconciliation of net surplus with cash inflow from operating activities	\$	\$
Net surplus after tax	22,650,054	16,487,492
Add (deduct) non cash items		
Depreciation	20,638	45,982
Amortisation of Goodwill	209,220	418,440
Amortisation of RPS costs	555,522	750,209
Foreign exchange gains	(21,266,434)	(4,269,745)
RPS dividend accrual	8,185,594	10,403,079
Items classified as investing activities		
Profit on sale on disposal of investments	0	(1,599)
Asset writeoff	23,389	0
Directors fees capitalised	0	(10,000)
Trustpower equity earnings	(7,951,290)	(19,753,224)
Add (deduct) items classified as financing activities		
Intercompany interest		
RPS Dividend payable	(52,170)	(4,002,026)
Accrued interest on promissory note	(3,368,531)	(2,512,034)
Movements in working capital		
Sundry receivables	(532,968)	(5,902)
Long term income tax recievable	(219,808)	0
Interest receivable	(281,559)	(250,620)
Trade creditors	508,497	(292,273)
Non resident withholding tax payable	0	(3,287,621)
Other current liabilities	52,171	3,964,588
Income taxes	1,342,597	243,837
Other Cash Items not reflected above		
Trustpower dividends	8,978,455	16,086,396
Net cash flow from operating activities	8,853,377	14,014,979

Alliant Energy New Zealand Limited

Financial Statements of Alliant Energy New Zealand Limited for the Six Months Ended June 2006 (prepared to comply with the Second Schedule of Securities Regulations 1983).

Statement of Financial Performance

For The Six Months Ended 30th June 2006

	Note	June 2006	December 2005
		\$	\$
Operating revenue	2	13,784,101	21,477,953
Surplus before taxation	3	25,698,370	16,715,002
Income tax expense/ (credit)	4	2,095,973	3,489,101
Surplus after taxation		23,602,397	13,225,901
Net surplus for the year		23,602,397	13,225,901

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Movement in Equity

For The Six Months Ended 30th June 2006

	Note	June 2006	December 2005
		\$	\$
Equity at beginning of year		85,032,697	71,806,796
Net surplus for the year		23,602,397	13,225,901
Total recognised revenue and expenses		23,602,397	13,225,901
Net increase (decrease) in equity		23,602,397	13,225,901
Equity at end of year		108,635,094	85,032,697

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Financial Position

At 30th June 2006

	Note	June 2006 \$	December 2005 \$
Equity			
Share Capital	5	24,858,503	24,858,503
Accumulated surplus		83,776,591	60,174,194
Total equity		<u>108,635,094</u>	<u>85,032,697</u>
Current liabilities			
Trade Creditors		52,820	68,902
Deferred taxes		15,966	13,203
Income tax payable		2,564,302	243,837
Other current liabilities		5,480,962	5,428,792
		<u>8,114,049</u>	<u>5,754,734</u>
Non-current liabilities			
Redeemable Preference Shares	6	240,000,000	240,000,000
Total liabilities and equity		<u>356,749,143</u>	<u>330,787,431</u>
Current assets			
Bank balances, deposits and cash		30,633,638	29,913,685
Sundry Receivables		549,340	16,305
Trade debtors		0	67
Income tax receivable		172,007	0
Interest receivable		520,583	264,308
		<u>31,875,567</u>	<u>30,194,365</u>
Non-Current Assets			
Long term tax recievable		219,810	0
Property, plant and equipment	7	65,038	109,064
Capitalised costs for Redeemable Preference Shares		1,896,299	2,451,821
Loan receivable	10	787,456	762,172
Promissory note	10	173,623,798	148,988,833
Investments	8	148,281,176	148,281,176
		<u>324,873,576</u>	<u>300,593,066</u>
Total assets		<u>356,749,143</u>	<u>330,787,431</u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Statement of Cash Flows

For the Six Months Ended 30th June 2006

	Note	June 2006	December 2005
		\$	\$
Cash flows from operating activities			
Cash was provided from:			
Dividends		9,803,737	17,241,780
Supplementary Dividends Received		1,730,040	3,042,601
Interest		659,573	1,413,519
Receipts from customers		30,000	54,100
		<u>12,223,350</u>	<u>21,752,000</u>
Cash was disbursed to:			
Payments to suppliers, employees		(910,520)	(1,248,928)
AEI swap account payments		(286,377)	0
Interest		(66)	(157,821)
Non resident withholding taxes paid		(967,549)	(3,287,646)
Taxation paid		<u>(1,205,461)</u>	<u>(3,042,626)</u>
		<u>(3,369,973)</u>	<u>(7,737,021)</u>
Net inflow from operating activities	16	<u><u>8,853,377</u></u>	<u><u>14,014,979</u></u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from the sale of investments		0	3,495
		<u>0</u>	<u>3,495</u>
Cash was applied to:			
Cash outflow for investments		0	(3,191)
Purchase of Fixed assets		0	(9,052)
		<u>0</u>	<u>(12,243)</u>
Net cash inflow (outflow) from investing activities		<u><u>0</u></u>	<u><u>(8,748)</u></u>
Cash flows from financing activities			
Cash was provided from:			
Issue of RPS		0	140,000,000
		<u>0</u>	<u>140,000,000</u>
Cash was applied to:			
Loan to Alliant Energy South		0	(142,207,056)
Costs of arranging RPS		0	(1,770,225)
RPS Dividends paid		<u>(8,133,424)</u>	<u>(6,401,053)</u>
		<u>(8,133,424)</u>	<u>(150,378,334)</u>
Net cash inflow (outflow) from financing activities		<u><u>(8,133,424)</u></u>	<u><u>(10,378,334)</u></u>
Net increase (decrease) in cash held		719,953	3,627,897
Opening cash brought forward		29,913,685	26,285,788
Cash balances in the statement of financial position		<u><u>30,633,638</u></u>	<u><u>29,913,685</u></u>

The accompanying notes form part of these financial statements.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

1. Statement of Accounting Policies

The reporting entity is Alliant Energy New Zealand Limited. These financial statements have been prepared under the requirements of the New Zealand Companies Act 1993 and the Financial Reporting Act 1993 and prepared to comply with the Second Schedule of Securities Regulations 1983. The measurement base adopted is that of historical cost.

a) Principals of Accounting for Investment in Associates

An associate company is reflected in the financial statements on a cost accounting basis.

b) Investments

Long-term investments are stated at the lower of cost and net realisable value. Fees paid in purchasing such investments are included in their cost.

c) Property, Plant and Equipment

All property, plant and equipment are recorded at cost.

d) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives.

Principal depreciation rates are:

Furniture and fittings	8-10 %
Equipment	15.5-40 %

e) Income Tax

The income tax expense charged to the statement of financial performance includes both the current year liability and the income tax effects of timing differences after allowing for non-assessable income and non-deductible expenses.

Deferred taxation is calculated using the liability method on a comprehensive basis. Debit balances in the deferred tax account arising from net accumulated timing differences and future income tax benefits arising from income tax losses carried forward are only recognised if there is virtual certainty of realisation.

f) Accounts Receivable

Accounts receivable have been valued at estimated realisable value after making provision for doubtful debts.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

g) Leases

Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

Finance leases

Finance leases are capitalised and depreciated over the life of the asset.

h) Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items.

i) Differential Reporting

The Company qualifies for differential reporting exemptions, as described in the Framework for Differential Reporting issued by the Institute of Chartered Accountants of New Zealand, as the Company is not publicly accountable and the owners of the Company and the governing body are not separated. The Company has elected to apply the following differential reporting exemptions;
FRS 31 Disclosure of Information about Financial Instruments
FRS 41 Disclosing the Impact of Adopting New Zealand equivalents to International Financial Reporting Standards, and SSAP 23 Financial Reporting for Segments.

j) Changes In Accounting Policies

There have been no material changes in accounting policies during the year. All policies have been applied on consistent bases with previous years.

k) Capitalised costs for Redeemable Preference Shares

Costs incurred in arranging the Redeemable Preference Shares have been capitalised at cost and amortised in the statement of financial performance on a straight line basis over the term of the tranche, being the assumed date of redemption of the Redeemable Preference Shares.

2. Operating Revenue

	June 2006	December 2005
	\$	\$
Dividends received	9,803,737	17,241,780
Interest Received	3,950,364	4,176,173
Other Income	30,000	60,000
Total revenue	13,784,101	21,477,953

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

3. Surplus before Taxation

	June 2006	December 2005
	\$	\$
Has been determined after charging/(crediting):		
Fees paid to auditors	10,000	20,262
Depreciation	20,638	45,982
Operating lease expenses	29,091	75,757
Net profit on disposal of investments	0	(1,599)
Interest expense	8,185,661	10,408,842
Foreign exchange gains	(21,351,981)	(4,583,117)
Amortisation of RPS cost	555,522	750,209

4. Income Tax Expense

In 2005 supplementary dividends received were included in surplus before taxation because no dividend had been declared by the Company.

Supplementary dividends have been received from TrustPower and Infratil in 2006 but their use has not yet been determined.

5. Share Capital

	June 2006	December 2005
	\$	\$
Issued 24,858,503 ordinary shares fully paid	24,858,503	24,858,503
	<u>24,858,503</u>	<u>24,858,503</u>

All shares have equal voting rights and participate equally in any dividend distribution or any surplus on the winding up of the company.

6. Borrowings

	June 2006	December 2005
	\$	\$
Issued 1500 redeemable preference shares (2004:100)	240,000,000	240,000,000

The redeemable preference shares do not carry any conversion or voting rights.

Redeemable preference shares have been issued by the company in two tranches:

	Tranche B (2005)	Tranche A (2004)
Number of shares	1400	100
Total value NZ\$	\$140,000,000	\$100,000,000
Redemption date for RPS at par	August 2008	October 2007

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

	Tranche B (2005)	Tranche A (2004)
Dividend rate	6.844%	6.764%
Voting Rights	No	No
Redeemable at	Par	Par

7. Property, Plant and Equipment

			June 2006	
	\$ Cost	\$ Depreciation charge	\$ Accumulated depreciation	\$ Net Book Value
Furniture and fittings	33,928	1,247	(19,811)	14,117
Equipment	256,388	19,390	(205,467)	50,921
	<u>290,316</u>	<u>20,638</u>	<u>(225,278)</u>	<u>65,038</u>

			December 2005	
	\$ Cost	\$ Depreciation charge	\$ Accumulated depreciation	\$ Net Book Value
Furniture and fittings	33,928	3,131	(18,564)	15,364
Equipment	290,138	42,851	(196,438)	93,700
	<u>324,066</u>	<u>45,982</u>	<u>(215,002)</u>	<u>109,064</u>

8. Investments

The Company records its investments the lower of cost and net realisable value.

At the 30th June the market value of these investments was approximately:

	June 2006		December 2005	
	\$ Cost	\$ Market Value	\$ Cost	\$ Market Value
Non - Current:				
TrustPower Limited	133,095,105	531,225,167	133,095,103	460,145,743
Infratil Limited	15,181,066	45,666,339	15,181,066	41,255,464
Others	5,006	9,811	5,007	8,790
	<u>148,281,176</u>	<u>576,901,316</u>	<u>148,281,176</u>	<u>501,409,997</u>

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

9. Operating Lease Commitments

Commitments in respect of non-cancellable non-operating leases:

	June 2006	December 2005
	\$	\$
Not later than one year	71,023	71,023
Later than one year and not later than two years	71,023	71,023
Later than two years and not later than five years	213,068	213,068
Later than five years	76,942	112,453

10. Related Parties

During the year the Company transacted with the following related parties:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Type of transactions</i>
Alliant Energy International Inc.	Parent Company	Cash advances, borrowings, subscription for shares June 2006 Nil (June 2005 Nil)
Jimmi Limited	Common Director	Interest bearing loan receivable (10% interest rate) June 2006: \$787,456 (Dec 2005: \$762,172) Interest to 30 June 06 \$277,590.71
Te Maunga Power Ltd	Subsidiary	Voting shares in Trustpower Limited June 2006 Nil (June 2005 Nil)
Alliant Energy South LLC	Common Ultimate Ownership	Promissory Note of US\$100,000,000.00 (NZ\$142,207,054) (2005: NZ\$142,207,054) at a rate fixed to the profit before tax, repayable on demand, plus accrued interest \$5,880,564.73 and unrealised translation gain of \$22,493,737 (Dec 2005: \$4,269,745)

11. Contingent Liabilities

There are no other contingent liabilities at balance date, (December 2005: Nil, June 2005: Nil).

A successful binding ruling application was received from the Inland Revenue Department for Tranche A, and a similar response is expected from Tranche B.

12. Subsequent Events

On October 31st 2006 (NZT) the Board of Alliant Energy Corporation resolved to sell Alliant Energy New Zealand Limited to Infratil Limited.

On 19th July 2006 the IRD issued a Final Binding Ruling in relation to Tranche A of the RPS.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

13. Foreign Currency Denominated Monetary Balances

At balance date the Company had the following unhedged foreign currency denominated assets.

	June 2006	December 2005
	\$	\$
Assets		
Cash account United States dollars	103	210

14. Associate

The company owns 23.771% of TrustPower Limited, which is a large electricity generator and retailer incorporated in New Zealand (December 2004: 23.771%).

TrustPower Limited's reporting date is different from the company being 31 March.

15. Comparative Information

Where necessary comparative information has been reclassified in order to provide a more appropriate basis for comparison.

Alliant Energy New Zealand Limited

Notes to and Forming Part of the Financial Statements

For the Six Months Ended 30th June 2006

	June 2006	December 2005
16. Cash flow reconciliation		
Cash flow reconciliation of net surplus with cash inflow from operating activities	\$	\$
Net surplus after tax	23,602,397	13,225,901
Add (deduct) non cash items		
Depreciation	20,638	45,982
Deferred taxes	2,763	13,203
Amortisation of RPS costs	555,522	750,209
Foreign exchange gains	(21,266,434)	(4,269,745)
RPS dividend accrual	8,185,594	10,403,079
Add items classified as financing activities		
RPS dividend payable	(52,170)	(4,002,026)
Accrued interest ASL	(3,368,531)	(2,512,034)
Items classified as investing activities		
Profit on sale on disposal of investments	0	(1,599)
Asset writeoff	23,389	0
Directors fees capitalised	0	(10,000)
Movements in working capital		
Sundry receivables	(532,968)	(5,900)
Long term income tax receivable	(219,810)	0
Interest receivable	(281,559)	(250,621)
Trade creditors	(16,082)	(127,867)
Non resident withholding tax payable	0	(3,452,028)
Other current liabilities	52,170	3,964,588
Income taxes	2,148,458	243,837
Net cash flow from operating activities	8,853,377	14,014,979

STATUTORY INFORMATION

The following sets out the information required by the First and Second Schedules to the Securities Regulations 1983. An index of this information is set out on page 173.

MAIN TERMS OF OFFER/NAME AND ADDRESS OF INFRATIL

The issuer and offeror of the Infrastructure Bonds is Infratil Limited which has its registered office at 97 The Terrace, Wellington.

Brief descriptions of the Infrastructure Bonds are provided on pages 5 to 17 of this Prospectus.

The maximum number of Infrastructure Bonds which Infratil is able to offer under this Prospectus is 300,000,000, for an aggregate principal amount of \$300,000,000. However the number of Infrastructure Bonds which Infratil actually issues may be less than this, depending on Infratil's capital requirements during the term of this offer. No oversubscriptions will be accepted. The face value of each Infrastructure Bond is \$1.00.

The Issue Price (including details of consideration to be paid) of each Infrastructure Bond will be determined by reference to prevailing market interest rates at the time of issue and be specified, or determined in accordance with terms specified, in the relevant Issue Flyer and the relevant Appendix to this Prospectus or the relevant Supplemental Prospectus (if one is required to be prepared pursuant to the Securities Act 1978) relating to the relevant Series.

Infratil is the only member of the Infratil Group to which this Infrastructure Bond issue relates. The Infrastructure Bonds issued pursuant to this offer do not place any obligations on any other member of the Infratil Group.

DETAILS OF INCORPORATION OF THE ISSUER

Infratil is a company incorporated in New Zealand under the Companies Act 1993. It was incorporated on 27 January 1994. Infratil's registered number is 597366. The public file in relation to the company can be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, a request for the documents can be made via the website.

DESCRIPTION OF ACTIVITIES OF INFRATIL GROUP AND PRINCIPAL SUBSIDIARIES

Infratil is the listed holding company for the Infratil Group. All investments made by the Infratil Group are made by subsidiaries of Infratil. The day to day administration and

management of assets and liabilities of the Infratil Group is undertaken by Morrison & Co Infrastructure Management Limited under a management agreement dated 11 February 1994. The only business activities of Infratil are the holding of shares in its wholly owned subsidiaries and the raising of equity and debt financing to assist the expansion of investments by the Infratil Group. This has been the only business of Infratil since its incorporation and listing on NZX on 28 March 1994. Since March 1999 all bank debt financing has been raised by Infratil's wholly owned subsidiary, Infratil Finance Limited.

No assets are charged as security for any of the Infrastructure Bonds.

Each of Infratil Investments Limited, Infratil Securities Limited, Infratil 1998 Limited, NZ Airports Limited, Infratil UK Limited, Infratil Australia Limited, Infratil Europe Limited, Infratil Ventures Limited, Infratil Gas Limited, Swift Transport Limited, Infratil Energy Limited and Infratil Finance Limited is 100% owned by Infratil. Each, except Infratil Finance Limited, is solely involved in owning shares or other financial assets.

Infratil Finance Limited is involved solely in borrowing money for the Infratil Group.

NZ Airports Limited which is a holding company 100% owned by Infratil owns 66% of Wellington International Airport Limited which owns most of the assets associated with the operations of Wellington airport at Rongotai, Wellington.

Infratil Australia Limited which is a holding company 100% owned by Infratil owns 100% of Infratil Energy Australia Pty Limited which owns most of the assets associated with Infratil's electricity generation operations in Australia. It also owns all Infratil's other Australian investments.

Infratil UK Limited which is a holding company 100% owned by Infratil, owns 100% of the UK registered holding company Infratil Airports Europe Limited which owns most of the assets associated with the operations of Glasgow Prestwick International Airport at Prestwick on the west coast of Scotland near the city of Glasgow, most of the assets associated with the operations of Kent International Airport at Manston in Kent to the east of the city of London and most of the assets associated with the operations of Lubeck International Airport at Lubeck in north Germany.

Swift Transport Limited which is a holding company 100% owned by Infratil, owns 100% of New Zealand Bus Finance Company Limited which owns most of the assets associated with the ferry services operated by Fullers Ferries on the Waitemata Harbour and Hauraki Gulf. Swift Transport Limited and New Zealand Bus Finance Company Limited together own 100% of New Zealand Bus Limited which owns most of the assets associated with the public transport bus operations operating in the Auckland and Wellington regions.

None of the principal assets of the Infratil Group are held under lease.

GUARANTORS

None of the Infrastructure Bonds or payments thereunder or Shares issued on conversion thereof is guaranteed by any person.

DIRECTORATE AND ADVISERS

The Directorate and Advisers which are required to be specified by clause 5 of the First and Second Schedules to the Securities Regulations 1983 are listed on pages 168 - 169 and 175 of this Prospectus.

No member of the Infratil Group employs any Infratil Director.

If a Series of Infrastructure Bonds is underwritten, the name and address of the underwriter will be specified in the relevant Appendix to this Prospectus or the relevant Supplemental Prospectus (if one is required to be prepared pursuant to the Securities Act 1978) for the relevant Series.

RESTRICTIONS ON DIRECTORS' POWERS

The Constitution of Infratil provides that the directors may not:

- (a) except in limited circumstances, cause Infratil to issue equity securities in Infratil without the prior written approval of shareholders by resolution;
- (b) vote on any matter in which he or she is interested unless it is in respect of a matter which, pursuant to the Companies Act 1993, directors are required to sign a certificate;
- (c) cause Infratil to give financial assistance in connection with the acquisition of equity securities issued by Infratil or redeem equity securities unless certain criteria are met;
- (d) cause Infratil to enter into, or permit any of Infratil's subsidiaries to enter into, any transaction or series of transactions which would change the essential nature of the business of the Infratil Group or which would have a gross value in excess of 50% of shareholder funds, without the prior approval of shareholders by resolution;
- (e) cause Infratil to enter into, or permit any of Infratil's subsidiaries to enter into any business to a significant extent outside the essential nature of the business of the Infratil Group, subject to certain exceptions,

without prior written approval of shareholders by resolution;

- (f) cause Infratil to enter into certain major transactions without a special resolution of shareholders; or
- (g) cause Infratil to enter into certain transactions with related parties, without the prior approval of shareholders by resolution.

There are no other modifications, exceptions or limitations on the powers of the directors of Infratil imposed by the Constitution. However, the Companies Act 1993 does contain provisions that could have the effect of limiting the powers of the Infratil directors. Such provisions apply to all companies registered under the Companies Act 1993.

SUBSTANTIAL SHAREHOLDERS OF INFRATIL

On 6 November 2006 Infratil's ten largest shareholders were:

NZ Central Securities Depository Limited	93,631,384
Alliant Energy New Zealand Limited	11,003,937
Hettinger Nominees Limited	8,686,799
Custodial Services Limited	6,722,076
Forbar Custodians Limited	3,037,588
JML Trustee Company Limited	2,700,018
First NZ Capital Custodians	1,610,955
Agra Nominees Limited	1,220,000
Ronnoco Nominees Limited	873,200
HA & JB Morrison	728,430

None of these parties guarantees or has any liability in respect of the Infrastructure Bonds, payments thereunder or Shares issued on conversion thereof.

SUMMARY FINANCIAL STATEMENTS

Five year summary financial statements for the Infratil Group and Infratil are set out on pages 28 to 31 of this Prospectus.

PROSPECTS AND FORECASTS

Infratil invests in companies holding, operating or developing infrastructure or utility assets or projects. At the current time, Infratil's main investments and focus are in airports, public transport, renewable energy and energy generation. The investments are in New Zealand, Australia and Europe. Further investments may occur in these and other related sectors.

Infratil's objective is to take an active role in investments in which it has majority ownership. It seeks to bring in industry expertise to assist investee companies out-perform industry standards.

A description of the risks to which Infratil is exposed and which may not be known or anticipated by the general public and which could materially affect the prospects of Infratil are set out below in relation to the various investment sectors and more generally under the heading "Investment risks".

ENERGY

Infratil's largest investment in the energy sector is its 35.2% shareholding in the listed electricity generation and retailing company, TrustPower Limited. Infratil has been a shareholder in TrustPower since 1994. TrustPower is listed on the NZX and its other shareholders are the Tauranga Energy Consumers Trust 28%, Alliant Energy New Zealand Limited 24%, and 13,000 other investors with relatively small parcels. Infratil has an agreement with Alliant Energy which gives Infratil a measure of additional control over TrustPower.

On 31 October 2006, Infratil announced the conditional purchase of Alliant Energy New Zealand Limited by Infratil Energy Limited (a holding company 100% owned by Infratil) for \$445 million. The purchase is conditional on TrustPower shareholder approval, which will be sought in December 2006. Settlement of the purchase is scheduled for 29 December 2006. Infratil anticipates selling some part of either the Alliant Energy holding of TrustPower shares or those TrustPower shares Infratil already owns so as to leave itself with at least a 50.1% shareholding in TrustPower. See "Acquisition of Business or Subsidiary" on page 158 of this Prospectus for more information.

TrustPower's performance has lifted in recent years as it has improved its business focus and risk management strategies and electricity prices have risen. The New Zealand electricity sector continues to have risks associated with it. The market is dominated by State Owned Enterprises that may not always operate in the same economic way as equivalent private sector companies. The Electricity Commission and other regulatory bodies may have adverse or unexpected consequences for the electricity industry. The long term wholesale electricity price (which is the principal driver of the value of TrustPower) depends on, among other things, the cost of new generation, the New Zealand Government's policies on climate change and green house gas emissions and on the timing and cost of discovering and extracting new gas supplies. It also depends on the New Zealand Government's approach to regulating the industry. A lessening of the commitments to limiting green house gas emissions and the early discovery of abundant gas would have an adverse effect on the value of TrustPower. The volatile nature of electricity prices can also produce short-term fluctuations in the earnings of a company such as TrustPower, as can climatic conditions which impact hydro and wind power generation. TrustPower does seek to hedge against such eventualities, but hedging cannot eliminate all risk.

TrustPower's profitability also depends on maintenance of the margin between the wholesale price and the retail price.

Infratil has been a shareholder in Energy Developments Limited, based in Australia, since 2002. It currently has a 25.5% shareholding. Energy Developments has two main businesses. The first is in remote area power supply (the provision of generators to isolated areas not connected to national or regional electricity networks). Most of this business is in Australia. The other is in generating electricity from methane (and similar gases) that leach from waste in landfills and coal seams. This business is seen as environmentally friendly as it converts the potent green house gases into less damaging carbon dioxide. This business has operations in a number of countries around the world. Energy Developments' business and prospects are dependent on the operational efficiency and reliability of its plant, obtaining access to gas and the policies of the governments in the countries where it operates continuing to encourage the reduction of greenhouse gas emissions.

Energy Developments' landfill gas business receives income from the sale of electricity and "green credits". The price of the "credits", in particular are subject to market risks and subject to uncertainty as regards the relevant Government policy parameters.

In 2004 Infratil initiated financial support for Victoria Electricity Limited which is a start-up energy retailer based in Melbourne. Since then Infratil has provided debt and equity funding to Victoria Electricity of approximately \$15 million. Victoria Electricity buys electricity and gas in the wholesale market and then retails it to a mainly residential and small business customer base. Because it is in start-up mode, a significant part of Victoria Electricity's business involves growing its customer base. The prospects for Victoria Electricity depend on it being able to continue to grow its sales via customer number growth, maintaining efficiently priced energy supply and in being able to keep costs down.

Victoria Electricity purchases electricity and gas from their respective spot markets. Risk is managed with hedge contracts, but customer volumes are uncertain and as prices can be volatile margin risk exists.

Victoria Electricity is subject to regulatory oversight and compliance failure could lead, in the extreme, to a loss of retail licence and the transfer of customers to other retailers.

In March 2006 Infratil acquired the Angaston power station in South Australia for approximately \$20 million. It has subsequently committed to invest in an expansion of this facility and has contracted to acquire another power station of a similar type, also in South Australia. The total cost of all these investments will amount to about \$40 million. These power

stations specialise in selling electricity price caps and are expected to actually only generate for approximately 100 hours a year. The prospects of these stations depend on the nature of the inherently volatile Australian energy market and the expertise of Infratil's energy trading management and systems.

PUBLIC TRANSPORT

On 29 November 2005 Infratil acquired 100% of the New Zealand assets of Stagecoach plc. These comprise bus and ferry public transport activities in greater Auckland and bus activities in greater Wellington.

They operate in an environment of strong civic support for increased use of public transport as a means of reducing reliance on private cars. In both Auckland and Wellington the public agencies responsible for encouraging use of public transport (Auckland Regional Transport Authority and Greater Wellington Regional Authority) hope to increase services over the medium term and to stimulate greater use of public transport.

The key challenge of increasing the value of these businesses will be for Infratil to provide public transport services in a manner which both meets the public's expectations of more readily available, quality, low cost, public transport and is profitable.

Changes in the Auckland Regional Transport Authority's management of the public transport services in the Auckland region present a risk for the businesses. For instance, while buses are significantly lower cost than trains, political prioritisation is resulting in considerably more public funding (on a per-passenger basis) going into trains. This will result in a transfer of passengers from bus to train, but so long as the overall use of public transport grows it will not represent a threat to bus and ferry operators.

General changes to public transport procurement are also being contemplated by the Ministry of Transport and Land Transport New Zealand. How these changes impact on Infratil's public transport operations is uncertain. It is possible that they could result in reducing the growth, or even a reduction in activities and/or income, of Infratil's public transport operations.

When Infratil acquired Stagecoach plc's New Zealand public transport operations the purchase price included a \$3 million deposit that had been paid on the acquisition of the 74% of Mana Coach Services Limited not previously owned by Stagecoach plc. This acquisition was progressed by Infratil until stopped by the High Court, which ruled that the acquisition would have substantially lessened competition within the Wellington bus market. This resulted in both a fine of \$500,000 and costs of \$600,000 being imposed on New Zealand Bus Limited and the 74% holding being acquired by a

third party. Infratil owns 26% of Mana Coach Holdings Limited (following a restructure, the parent of Mana Coach Services Limited) and provides loan funding and may still buy the 74% holding in the event legal impediments are removed.

AIRPORTS

Infratil owns 100% of Glasgow Prestwick Airport in Scotland, having first acquired a 67% shareholding in 2001, 66% of Wellington Airport, having first acquired a 26% shareholding in 1998, 100% of Kent International Airport since August 2005, and 90% of Lubeck Airport since December 2005.

Glasgow Prestwick's performance is closely linked to its use by low-cost passenger airlines and freight services. Almost all Glasgow Prestwick's passengers fly on Ryanair which provides direct services to Irish, English and continental European destinations. Freight services are provided by a number of specialist freight airlines.

Glasgow Prestwick's financial performance is influenced by the volume of freight that passes through the Airport, passenger numbers (which directly impacts the airport charges levied on passenger airlines) and passenger spend rates on parking, food & beverages and other retail while passing through the airport.

It is considered likely that the low-cost passenger airline sector will continue to grow, both absolutely and as a proportion of the air travel market, and that Glasgow Prestwick will continue to experience growing passenger volumes. Considerable management focus is being given to increasing the passenger spend rates and securing greater air-freight volumes. Recent disappointing financial performance at Glasgow Prestwick is due to underperformance in these areas.

Wellington International Airport is a more mature investment than Glasgow Prestwick. Because of its location and relatively short runway, air-freight is not a significant part of its business. It also has fewer route growth opportunities than Glasgow Prestwick. The performance of Wellington Airport is mainly dependant on the New Zealand domestic and Tasman market for air travel remaining competitive. In particular, it is important that Air New Zealand maintains a commitment to low fares and making capacity available on Wellington Airport's routes. Wellington Airport is serviced by three material airlines, Air New Zealand, Qantas and Pacific Blue and the cessation of activity by any one, or agreement to limit supply by any group of them, would probably result in higher air travel costs and lower passenger numbers. Unlike Infratil's other airports, Wellington Airport's determination of aeronautical charges is subject to a defined regulatory process. It is unclear both how this regulatory power will develop and be exercised, which may impact on Wellington Airport's operation and results.

Both Kent and Lubeck airports are relatively immature businesses acquired at significantly below replacement cost. In both instances it is Infratil's intention to invest to build up the level of activity as a means of enhancing value. It is expected that both investments will take some years to achieve profitability, and both offer material potential for value increases. As other airports nearby (especially the major airports near London) reach capacity, some of their traffic may look to relocate to less congested, more efficient, lower cost airports. Both of Kent and Lubeck are well placed to benefit from this trend. The timing of these developments and their financial magnitude will depend on the quality of the management installed by Infratil and how the competitive European low cost and freight airline sectors develop.

OTHER

Other, non specified, assets amounted to approximately 3% of Infratil's total assets as at 30 September 2006

INVESTMENT RISKS

Some specific investment risks are noted above. The value and profitability of Infratil's investments in energy, public transport and airports and any other infrastructure and utility companies are also dependent on management performance and investment decision making at Infratil and investee company levels, specific natural disasters (e.g. earthquakes and pandemics), adverse world events (e.g. terrorist attacks reducing air travel), macro-economic factors affecting general trading circumstances (e.g. local or global recessions), regulatory risk (e.g. government regulation), changes to taxation regimes and financial market risk (e.g. rising interest rates and/or an increase in the value of the New Zealand dollar against the Australian and/or United Kingdom currencies or other changes that adversely affect asset values), and changes to public initiatives in fields such as control of Greenhouse Gas emissions and the procurement of public transport services. The value of equity investments is more volatile when the issuer has higher debt levels, so higher debt levels may be an additional investment risk.

ACQUISITION OF BUSINESS OR SUBSIDIARY

ALLIANT ENERGY AND TRUSTPOWER

On 31 October 2006, Infratil announced the conditional purchase of Alliant Energy by Infratil Energy Limited (a holding company 100% owned by Infratil) for \$445 million. Alliant Energy is a holding company established in 1995 to invest in New Zealand energy sector assets. The principal assets of Alliant Energy are cash, a 23.77% shareholding in

TrustPower, a 5.07% shareholding in Infratil and US\$100 million promissory notes issued by Alliant Energy South LLC. The purchase of Alliant Energy by Infratil Energy Limited is conditional on TrustPower shareholder approval, which will be sought in December 2006. Settlement of the purchase is scheduled for 29 December 2006.

Infratil anticipates selling some part of either the Alliant Energy holding of TrustPower shares or the 35.2% of TrustPower shares Infratil already owns. In any case, Infratil will retain a total aggregate holding in TrustPower of at least 50.1%, meaning TrustPower will become a subsidiary of Infratil.

TrustPower is a successful and fully sustainable renewables generator which is also integrated fully into the retail value chain. A further description of TrustPower's business is set out under the heading "Energy" on page 154 of this Prospectus.

Over the five years prior to the conditional purchase of Alliant Energy, the businesses of Alliant Energy and TrustPower have remained largely unchanged other than as regards normal operational developments.

Five year summary financial statements for Alliant Energy and TrustPower are set out on pages 98 to 99 and 77, respectively, of this Prospectus.

Audited financial statements of Alliant Energy as at, and for the 12 months ending, 31 December 2005 are set out on pages 100 - 123 of this Prospectus. Interim financial statements of Alliant Energy as at, and for the six month ending, 30 June 2006 are set out on pages 128 - 149 of this Prospectus.

Audited financial statements of TrustPower as at, and for the 12 months ending, 31 March 2006 are set out on pages 78 - 95 of this Prospectus.

STAGECOACH

In November 2005 Infratil acquired the New Zealand operations of Stagecoach plc for total consideration (excluding acquisition costs and the cost of working capital) of \$250.5 million.

The businesses acquired were New Zealand Bus Limited and New Zealand Bus Finance Limited. The former comprises the public transport bus operations operating in the Auckland and Wellington regions, while the latter comprises the ferry services operated by Fullers Ferries on the Waitemata Harbour and Hauraki Gulf.

Over the five years prior to their acquisition the businesses of New Zealand Bus Limited and New Zealand Bus Finance Limited have remained largely unchanged other than as regards normal operational developments.

Five year summary financial statements for the New Zealand Bus Limited Group and the New Zealand Bus Finance Limited Group are set out on pages 73 to 74 and 75 to 76, respectively, of this Prospectus.

DIRECTORS' INTERESTS

The constitution of Infratil provides that Infratil may make a payment to a Director or former Director, or his or her dependants, by way of a lump sum pension, upon or in connection with the retirement or cessation of office of the Director, only if the amount of the payment or the method of calculation of the amount of that payment is authorised by an ordinary resolution of Infratil.

In the five years preceding the registration of this Prospectus the following transactions, which may be material transactions requiring disclosure under the Regulations, have been entered into:

- On 19 January 2001 Infratil acquired a 67% interest in Glasgow Prestwick Holdings Limited from an unrelated company, and as part of the consideration payable to Morrison & Co for arranging the transaction, and as an incentive to management, Infratil granted its manager Morrison & Co an option over 6.1% of the shares in Glasgow Prestwick Holdings Limited. As at 31 March 2004 Infratil and Morrison & Co agreed the intention to cancel the option. The cancellation terms were confirmed as at 30 September 2004 and Infratil has paid Morrison & Co UK£680,975, which now forms part of Infratil's cost of acquiring 100% of Glasgow Prestwick Holdings Limited.
- On 31 March 2004, 22.73% of the shares of Glasgow Prestwick Holdings Limited were acquired by Infratil from Utilico Investment Trust plc. ("Utilico") for \$29.0 million. Utilico acquired the shares on 19 January 2001.

MATERIAL CONTRACTS/OPTIONS TO SUBSCRIBE FOR SECURITIES

MATERIAL CONTRACTS

In undertaking the acquisition of the New Zealand operations of Stagecoach plc, Infratil entered into the following contracts:

- a purchase and sale agreement dated 29 November 2005 with Stagecoach Group plc; and
- a bank facility agreement dated 28 November 2005 between Infratil Finance Limited and ANZ National Bank Limited and Bank of New Zealand for funding of

the acquisition amount, working capital and other corporate purposes.

Subsequently Infratil replaced its bank facilities with a single bank loan agreement dated 28 September 2006 between Infratil Finance Limited and ANZ National Bank Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited for corporate purposes.

In undertaking the acquisition of Alliant Energy:

- Infratil entered into an agreement for the sale and purchase of Alliant Energy New Zealand Limited dated 31 October 2006 with Alliant Energy International Inc and Alliant Energy Corporation; and
- Infratil Finance Limited entered into a mandate letter dated 2 November 2006 with ANZ National Bank Limited for the provision of acquisition finance.

In relation to the offer of PIIBs under this Prospectus, Infratil entered into an underwriting agreement dated 10 November 2006 with First NZ Capital Securities Limited and ABN Amro Craigs Limited.

WARRANTS

As at 30 September Infratil had on issue 45,129,138 warrants each of which entitles the holder to acquire one Infratil share for \$3.50 at any time until a final exercise date of 10 July 2009. The terms of the warrants are adjusted if Infratil undertakes a bonus or rights issue. Between 31 March 2006 and 30 September 2006 124,716 warrants were exercised.

BONDS

As at 30 September 2006 Infratil has on issue 680,500 convertible bonds of \$1.00 face value, maturity of 15 November 2010, which pay a quarterly 7.25% pa. coupon, 20,000,000 convertible bonds of \$1.00 face value, maturity of 15 November 2011, which pay a quarterly 8.5% pa. coupon, 112,072,768 convertible bonds of \$1.00 face value, maturity of 15 May 2011, which pay a quarterly 8.25% pa. coupon, 57,396,500 convertible bonds of \$1.00 face value, maturity of 15 November 2012, which pay a quarterly 7.75% pa. coupon, 85,276,395 convertible bonds of \$1.00 face value, maturity of 15 September 2013, which pay a quarterly 8.5% pa. coupon, 152,835,700 convertible bonds of \$1.00 face value, maturity of 15 November 2015, which pay a quarterly 8.5% pa. coupon and 80,497,600 convertible bonds of \$1.00 face value, maturity of 15 February 2020, which pay a quarterly 8.5% pa. coupon.

The terms of these Bonds are set out in the Trust Deed dated 11 November 1999 between Infratil and Trustees Executors Limited as trustee as amended by deeds dated 14 August 2003,

10 December 2004, 18 February 2005, 26 August 2005, 6 October 2005, 20 December 2005 and 15 November 2006.

BANK FACILITIES

Infratil has a bank loan facility agreement with ANZ National Bank Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited dated 28 September 2006.

PENDING PROCEEDINGS

There are no legal proceedings or arbitrations that are pending at the date of registration of this Prospectus that may have a material adverse effect on Infratil or the Infratil Group.

ISSUE EXPENSES

Infrastructure Bond Programme establishment expenses (including printing costs, share registry expenses, legal costs, accounting, financial advisory and programme establishment expenses) are estimated at \$250,000 and are payable by Infratil. Infratil will incur further issue expenses at the time of issue of each Series of Infrastructure Bonds.

Infratil may pay brokerage, placement fees and underwriting fees on Infrastructure Bonds at rates agreed between Infratil and the broker or investor. It is expected that such fees (including underwriting fees) will be, in total, between 1% and 2% of the total face value of Infrastructure Bonds issued under this Prospectus. For example, were Infrastructure Bonds with a total face value of \$100 million issued under this Prospectus, the fees payable to brokers and underwriters in respect of those Infrastructure Bonds would be approximately \$1 million to \$2 million. However usually some Infrastructure Bonds are taken up by investors who have not used a broker, meaning no brokerage fees are payable by Infratil in respect of Infrastructure Bonds bought by those investors.

For PIIBs, the estimate of brokerage, placement fees and underwriting fees of between 1% and 2% of the total face value of PIIBs issued includes:

- a brokerage fee payable to brokers approved by Infratil of 1.5% of the face value of PIIBs issued which bear the broker's stamp;
- an underwriting commission of 0.4% of the face value of the underwritten amount of PIIBs (being \$100,000,000), payable to the underwriters;

- a placement fee of 0.4% of the face value of all PIIBs issued in addition to the underwritten amount, payable to the underwriters.

MOVEMENTS IN SHARE CAPITAL SINCE 31 MARCH 2006

Movements in issued and fully paid ordinary shares		
	Shares	Capital \$000
Balance 1 April 2006	218,938,557	150,050
Warrants exercised	124,716	437
Less share buy back	2,050,000	8,220
	<hr/>	<hr/>
Issued capital at 30 September 2006 ordinary shares	217,001,221	142,267

RESTRICTIONS ON INFRATIL AND THE INFRATIL GROUP

The restrictions on the ability of Infratil and the Infratil Group to borrow and to make distributions are set out below and in the Bond Priority section on page 12 of this Prospectus.

RANKING OF SECURITIES/PROVISIONS OF TRUST DEED

There are no securities that are secured by a mortgage or charge over any of the assets of Infratil that rank in point of security ahead or equally with the Infrastructure Bonds. See “Bond Priority” on page 12 of this Prospectus for a description of how the Infrastructure Bonds are structurally subordinated to the bank debt of the Infratil Group.

Brief details and particulars of the Trust Deed are set out in the section entitled “Summary of the Trust Deed Constituting the Infrastructure Bonds” on pages 19 - 26 of this Prospectus. For the purposes of clause 13(1)(c) of the Second Schedule to the Securities Regulations, the Trust Deed contains the following limitations.

Infratil has covenanted not to create or permit to subsist security over its assets to any person unless at the same time the benefit of such security is extended equally and rateably to Bondholders in respect of the Infrastructure Bonds.

Under the Trust Deed Infratil covenants, for the benefit only of Holders of Bonds issued prior to 1 November 2006 and, until such time as all of those Bonds have been either redeemed or converted in accordance with the Trust Deed, the Trustee that, on the last day of each financial year and half-year of Infratil (and, if at any time Infratil has covenanted with any bank to comply with a balance sheet financial covenant on a day other than the last day of each financial year and half-year, then

during the currency of that covenant such additional day or days) during the currency of any Series of Infrastructure Bonds issued prior to 1 November 2006, Borrowed Money Indebtedness of the Issuer Group shall not exceed 50% of Tangible Assets as at that date. In this covenant, terms are defined substantially as follows:

“Borrowed Money Indebtedness” of the Issuer Group means the aggregate financial indebtedness of each member of the Issuer Group (excluding any guarantee, indemnity or similar obligation of one member in respect of the financial indebtedness of any other member) and including the Infrastructure Bonds.

“Issuer Group” means Infratil and those of its subsidiaries that, as at the date of the Trust Deed or from time to time, guarantee any financial indebtedness of Infratil or any of its subsidiaries that, in turn, guarantees any financial indebtedness of Infratil.

“Market Value” of an asset on any date means:

- (a) in relation to an investment in securities listed on NZX or any Recognised Stock Exchange (for the purposes of the NZX Listing Rules) the value determined by reference to the closing price of the relevant securities on that date; and
- (b) in relation to any other asset, its cost or, if an assessed value (i.e. the value determined by an Independent Expert) has been obtained, the most recent such assessed value.

“Tangible Assets” means, at any date, the aggregate on a consolidated basis of the Market Value of all tangible assets (determined in accordance with NZ GAAP) of the Issuer and its subsidiaries as at that date.

If Infratil breaches this covenant it shall have a 30 day grace period to remedy the default from the date Infratil receives written notice from the Trustee requiring the default to be remedied. Failure to remedy the default shall entitle the Holders of Bonds issued prior to 1 November 2006 to require, at their election by Extraordinary Resolution, immediate repayment of the Face Value of the Infrastructure Bonds or conversion by the issuance of the number of Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and of the Market Price. All accrued interest (less any withholding taxes and other deductions) will also be payable by Infratil.

For the avoidance of doubt, this covenant will cease to apply once all Bonds issued prior to 1 November 2006 have been converted or redeemed in accordance with the Trust Deed, and neither Holders of Bonds issued after 1 November 2006 nor the Trustee to the extent it represents those Holders, have the benefit of this covenant.

The Trustee’s statement required by clause 13(3) of the Second Schedule of the Securities Regulations 1983 is set out on page 27 of this Prospectus.

OTHER TERMS OF OFFER AND SECURITIES

All terms of the Infrastructure Bonds that may be offered under the programme are set out in this Prospectus, except those

implied by law, set out in the Constitution, the Trust Deed, the relevant Series Supplement, or that will be set out in the relevant Issue Flyer and Supplemental Prospectus (if one is required to be prepared pursuant to the Securities Act 1978).

FINANCIAL STATEMENTS FOR INFRATIL AND THE INFRATIL GROUP

The audited financial statements of Infratil (as the borrowing group) and audited consolidated financial statements for the Infratil Group (as the issuing group) as at, and for the 12 months ending, 31 March 2006 are set out on pages 29 to 69 of this Prospectus.

These financial statements include those required to be included in this Prospectus by clauses 22 to 38 of the First Schedule and clauses 16 to 32 of the Second Schedule to the Securities Regulations 1983.

While consolidated financial statements have been included for Infratil and its subsidiaries, none of the subsidiaries guarantee the Infrastructure Bonds, payments thereunder or Shares issued on conversion thereof.

FINANCIAL STATEMENTS FOR TRUSTPOWER AND THE TRUSTPOWER GROUP

The audited financial statements of TrustPower and audited consolidated financial statements of the TrustPower Group as at, and for the 12 months ending, 31 March 2006 are set out on pages 78 to 95 of this Prospectus.

These financial statements include those required to be included in this Prospectus by clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule to the Securities Regulations 1983.

FINANCIAL STATEMENTS FOR ALLIANT ENERGY

The audited financial statements of Alliant Energy as at, and for the 12 months ending, 31 December 2005 are set out on pages 100 to 123 of this Prospectus.

Interim financial statements of Alliant Energy as at, and for the six months ending, 30 June 2006 are set out on pages 128 to 149 of this Prospectus.

These financial statements include those required to be included in the Prospectus by clause 11(3) of the First Schedule and clause 8(3) of the Second Schedule to the Securities Regulations 1983.

PLACES OF INSPECTION OF DOCUMENTS

During the currency of this Prospectus, copies of the Constitution of Infratil, the Trust Deed, any Series Supplement, any Supplemental Prospectuses and of the material contracts referred to on page 160 of this Prospectus may be inspected by any person without fee at the office of Infratil at 97 The Terrace, Wellington or on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, a request for the documents can be made via the website.

OTHER MATERIAL MATTERS

There are no other material matters relating to the Bond Programme or any Infrastructure Bonds to be offered under this Prospectus other than the matters set out elsewhere in this Prospectus and which will be set out in the relevant Issue Flyer and Supplemental Prospectus (if one is required to be prepared pursuant to the Securities Act 1978).

DIRECTORS' STATEMENT

In the opinion of the Directors of Infratil after due enquiry by them in relation to the period since 31 March 2006 to the date this Prospectus was delivered for registration no circumstances have arisen that would materially adversely affect:

- The trading or profitability of Infratil or the Infratil Group;
- The value of the assets of Infratil or the Infratil Group; or
- The ability of Infratil or the Infratil Group to pay its liabilities due within the next 12 months.

AUDITOR'S REPORT

A copy of the report signed by Infratil's auditors, KPMG, is set out on page 70 to 72 of this Prospectus.

A copy of the report signed by TrustPower's auditors, PricewaterhouseCoopers, is set out on pages 96 to 97 of this Prospectus.

A copy of the report signed by Alliant Energy's auditors, Deloitte, is set out on pages 124 to 127 of this Prospectus.

REGISTRATION

A copy of this Prospectus signed by each Director of Infratil, or his duly authorised agent, having attached thereto all documents required to be attached by section 41 of the Securities Act 1978 (being the material contracts referred to on page 160 of this Prospectus that have not previously been

delivered to the Registrar and the signed auditor's reports and statements of consent), has been delivered to the Registrar of Companies at Auckland for registration under section 42 of the Securities Act 1978.

DIRECTORS

Infratil's Directors are:

D A R Newman has been a director since 1994 and Chairman since the 2004 Annual Meeting. He is Chairman of Wellington International Airport and Austral Pacific Energy, a director of Infratil Airports Europe (the holding company of Infratil's European airports) and a member of the Board of the Guardians of the New Zealand Superannuation Fund. He is a Chartered Accountant. He was previously Managing Director of BP New Zealand and Chief Executive of the Institute of Directors..

D F Caygill joined the Infratil board in 2004. He is Chairman of the Audit and Review Committee. He was a Christchurch City Councillor for nine years and Member of Parliament from 1978 to 1996 including six years as a Cabinet Minister (Trade and Industry, Health, Finance). Between 1993-96 he was Deputy Leader of the Opposition. In 1996 he retired from politics and became a partner in the legal firm Buddle Findlay. He is, or has been, chair of the Accident Compensation Corporation, the electricity industry's Grid Security Committee, Education New Zealand Trust and the 2000 Ministerial Inquiry into the Electricity Industry. He is Deputy Chair of the Commerce Commission.

H R L Morrison is Executive Chairman of H.R.L. Morrison & Co, Infratil's manager. He was appointed to the board of Infratil in 2002. He is Chairman of Infratil Airports Europe (the holding company of Infratil's European airports) and a director of Wellington International Airport and TrustPower. He established the H.R.L. Morrison Music Trust to support New Zealand music and musicians and the H.R.L. Morrison Arts Trust to support the arts in New Zealand.

J K Peterson was appointed to the board in 2002. He has been President of Alliant Energy International Inc. since 1998 and leads the international project development activities for Alliant Energy including serving on the boards of energy companies in Australia, Brazil, and China. Prior to this he had 18 years utility industry experience in a range of roles including regulatory, marketing, human resources and strategic planning.

H J D Rolleston was appointed to the Board in March 2006. He is a Fellow of the New Zealand Institute of Directors and a Fellow of the Institute of Management. He is a director of a number of NZX listed companies: Property for Industry, Broadway Industries, and SKY Television Network. He owns a number of private companies involved in Tourism, Security, Manufacturing and Finance.

D P Saville has been a director since Infratil's establishment in 1994. He is a chartered accountant and a director of H.R.L. Morrison & Co, Infratil's manager. He is the principal of a

funds management business, an experienced non-executive director and has advised on utility privatisations.

Contact details are set out in the Directory on page 175 of this Prospectus.

GLOSSARY

Alliant Energy	Means Alliant Energy New Zealand Limited.
Board	Means the board of directors of Infratil.
Bondholder	Means a person whose name is recorded in Infratil's register as the holder of an Infrastructure Bond.
Bond Programme	Means Infratil's Infrastructure Bond Programme.
Borrowed Money Indebtedness	Has the meaning set out on page 14 of this Prospectus.
Business Day	Means a day on which NZX is open for trading.
Constitution	Means the constitution for the time being of Infratil.
Conversion Percentage	Means the percentage specified as the Conversion Percentage in the relevant Issue Flyer. See page 10 of this Prospectus.
Coupon Payment Dates	Means the dates specified as such in the relevant Issue Flyer.
Coupon Rate	Means the rate per annum specified as such in the relevant Issue Flyer.
Dated Infrastructure Bond	Means an Infrastructure Bond with a Maturity Date.
Directors	Means the directors for the time being of Infratil.
Face Value	Means \$1.00 per Infrastructure Bond.
Gearing Ratio	Means, on a particular date, the ratio of Borrowed Money Indebtedness of the Issuer Group to Tangible Assets on that date. The Gearing Ratio is determined by reference to the most recent certificate delivered to the Trustee by Infratil under the Trust Deed.
Independent Expert	Means an investment banker, chartered accountant or other financial adviser (in each case, being appropriately qualified having regard to the purpose of the appointment) selected by the Board and approved by the chairperson for the time being of the Institute of Chartered Accountants of New Zealand, or means an expert appointed in accordance with the Listing Rules, as appropriate.
Infrastructure Bond	Means one convertible bond with a face value of \$1.00, issued pursuant to this Prospectus.
Infratil	Means Infratil Limited.
Infratil Group	Means Infratil and its subsidiaries.
Interest Rate	Means the rate per annum specified as such in the relevant Issue Flyer or the rate determined in accordance with the terms specified in the relevant Issue Flyer.
Investment Statement	Means the Investment Statement prepared for the

	purposes of the Securities Act 1978 and the Securities Regulations 1983 relating to this Infrastructure Bond Programme and the Infrastructure Bonds dated 16 November and, where the Investment Statement is being read in the context of a particular Series of Infrastructure Bonds, the Issue Flyers for such Series.
Issue Date	Means in relation to a particular Infrastructure Bond, the date the Registrar processes the completed application and cleared funds for the Infrastructure Bond.
Issue Flyer	Means a document specifying the terms and conditions applying to a particular Series of Infrastructure Bonds. See page 5 of this Prospectus.
Issuer Group	Means Infratil and those of its subsidiaries that, as at the date of the Trust Deed or from time to time, guarantee any financial indebtedness of Infratil or any of its subsidiaries that, in turn, guarantees any financial indebtedness of Infratil.
Issue Price	Means the amount specified as such in the relevant Issue Flyer.
Listing Rules	Means the Listing Rules of NZX, as in place from time to time.
Margin	Means, for the PIIBs, the rate per annum specified as such in the relevant Issue Flyer.
Market Price	See “Redemption/Conversion of Dated Infrastructure Bonds on Maturity at the Option of Infratil” on page 10 of this Prospectus.
Maturity Date	Means the date specified as such in the relevant Issue Flyer. PIIBs have no Maturity Date.
NZX	Means New Zealand Exchange Limited.
One Year Swap Rate	On any day means the rate per annum expressed on a percentage yield basis and rounded up to the nearest two decimal places which is: <ul style="list-style-type: none"> (a) the average of the bid and offered swap rate displayed at or about 11 am on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a one year term; or (b) if a rate is unable to be determined in accordance with paragraph (a) or if Infratil forms a view that the rate so determined is not an accurate reflection of market rates the average of the mean bid and offered swap rates quoted by three registered banks in New Zealand at or about 11 am on that day for an interest rate swap with a one year term.
Perpetual Infratil Infrastructure Bond	Means an Infrastructure Bond with no Maturity Date.

PIIB	Means a Perpetual Infratil Infrastructure Bond.
Prospectus	Means this prospectus prepared by Infratil and dated 16 November for the Bond Programme including the Appendices hereto and, where this Prospectus is being read in the context of a particular Series of Infrastructure Bonds, this Prospectus and the Supplemental Prospectus (if any) for such Series.
Rate Set Date	Means the dates specified as such in the relevant Issue Flyer.
Registrar	Means Link Market Services.
Series or Bond Series	Means Infrastructure Bonds identified as being of a particular series and having the same Maturity Date (in the case of Dated Infrastructure Bonds), Interest Rate, Coupon Rate, Coupon Payment Dates, Conversion Percentage and otherwise issued, or to be issued, on the same terms and conditions.
Share	Means a fully paid ordinary share issued by Infratil.
Shareholder	Means the person whose name is recorded in Infratil's share register as the holder of Shares.
Supplemental Prospectus	Means a memorandum of amendments to this Prospectus registered under section 43 of the Securities Act 1978.
Takeovers Code	Means the takeover code recorded in Takeovers Code Approval Order 2000.
Tangible Assets	Has the meaning set out on page 14 of this Prospectus.
Trust Deed	Means the trust deed dated 11 November 1999 as amended by deeds dated 14 August 2003, 10 December 2004, 18 February 2005, 26 August 2005, 6 October 2005, 20 December 2005 and 15 November 2006, which sets out the rights and obligations of the Trustee, Bondholders and Infratil and, where the Trust Deed is being read in the context of a particular Series of Infrastructure Bonds, the Series Supplement for such Series.
Trustee	Means Trustees Executors Limited.
TrustPower	Means TrustPower Limited.
TrustPower Group	Means TrustPower and its subsidiaries.

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DIRECTORY

DIRECTORS: D A R Newman (Chairman), Wellington D F Caygill, Christchurch H R L Morrison, Wellington J K Peterson, Cedar Rapids HJD Rolleston, Christchurch D P Saville, Sydney C/- 97 The Terrace Wellington	REGISTERED OFFICE: 97 The Terrace PO Box 320 Wellington Telephone: 04 473 3663 Internet Address www.infratil.com
MANAGER: Morrison & Co Infrastructure Management Limited 97 The Terrace PO Box 1395 Wellington Internet Address http://www.hrlmorrison.com	AUDITOR: KPMG KPMG Centre 135 Victoria Street PO Box 996 Wellington
SHARE REGISTRAR: Link Market Services National Bank Chambers 138 Tancred Street PO Box 384 Ashburton Telephone: 03 308 8887	TRUSTEE: Trustees Executors Limited Level 1 50-64 Customhouse Quay PO Box 3222 Wellington
SOLICITORS TO THE ISSUER: Russell McVeagh Vodafone on the Quay 157 Lambton Quay PO Box 10 214 Wellington http://www.russellmcveagh.com	SOLICITORS TO THE TRUSTEE: Buddle Findlay State Insurance Tower 1 Willis Street PO Box 2694 Wellington
	BROKERS ABN AMRO Craigs Limited ANZ National Bank Limited Bank of New Zealand Direct Broking Limited First NZ Capital Securities Limited Forsyth Barr Limited McDouall Stuart Securities Limited Westpac Institutional Bank

APPENDIX 1 - SERIES 2017

TERMS OF ISSUE OF SERIES 2017

This Appendix sets out the key commercial terms of the Series 2017 Infrastructure Bonds. Other terms of the Series 2017 Infrastructure Bonds are set out in the remainder of the Prospectus, the Investment Statement and the Series Supplement to the Trust Deed for the Series 2017 Infrastructure Bonds.

- 1. Maturity Date:**
15 November 2017
- 2. Coupon Rate:**
8.50% per annum.
- 3. Yield:**
8.50% per annum.
- 4. Issue Price:**
\$1.00 per \$1.00 Bond
- 5. Coupon Payment Dates:**

15 February 2007, 15 May 2007, 15 August 2007, 15 November 2007, 15 February 2008, 15 May 2008, 15 August 2008, 15 November 2008, 15 February 2009, 15 May 2009, 15 August 2009, 15 November 2009, 15 February 2010, 15 May 2010, 15 August 2010, 15 November 2010, 15 February 2011, 15 May 2011, 15 August 2011, 15 November 2011, 15 February 2012, 15 May 2012, 15 August 2012, 15 November 2012, 15 February 2013, 15 May 2013, 15 August 2013, 15 November 2013, 15 February 2014, 15 May 2014, 15 August 2014, 15 November 2014, 15 February 2015, 15 May 2015, 15 August 2015, 15 November 2015, 15 February 2016, 15 May 2016, 15 August 2016, 15 November 2016, 15 February 2017, 15 May 2017, 15 August 2017, 15 November 2017
- 6. Offer Period**
If Infratil makes the Series 2017 Bonds available for subscription, the offer will be open until 31 December 2006 but may be extended until 30 September 2007 at the latest if Infratil registers a certificate in accordance with section 37A(1A) of the Securities Act 1978 (which it intends to do), but may be closed earlier by Infratil if the issue is filled or Infratil chooses to cease to issue Series 2017 Bonds.
- 7. CP or Conversion Percentage:**
98%.
- 8. Series Reference:** 2017
- 9. Underwriting:**
The offer of Series 2017 Infrastructure Bonds is not underwritten.

APPENDIX 2 - PIIBs

TERMS OF ISSUE OF PIIBs

This Appendix sets out the key commercial terms of the PIIBs. Other terms of the PIIBs are set out in the remainder of the Prospectus, the Investment Statement and the Series Supplement to the Trust Deed for the PIIBs.

- 1. Maturity Date:**
None
- 2. Coupon Rate:**
 - For the first Interest Period, 9.0% per annum.
 - For each subsequent Interest Period, the rate per annum determined by Infratil to be the aggregate of the Margin and the One Year Swap Rate for that Interest Period.
- 3. Yield:**
 - For the first Interest Period, 9.0% per annum.
 - For each subsequent Interest Period, the rate per annum determined by Infratil to be the aggregate of the Margin and the One Year Swap Rate for that Interest Period.
- 4. Issue Price:**
\$1.00 per \$1.00 Bond
- 5. Coupon Payment Dates:**
Each 15 November, 15 February, 15 May, 15 August during the period from 15 February 2007 to the date on which the PIIB is Converted or redeemed in accordance with the Trust Deed.
- 6. Offer Period**
The offer of PIIBs is open until 31 December 2006 but may be extended until 30 September 2007 at the latest if Infratil registers a certificate in accordance with section 37A(1A) of the Securities Act 1978 (which it intends to do), but may be closed earlier by Infratil if the issue is filled or Infratil chooses to cease to issue Series Perpetual Bonds.
- 7. CP or Conversion Percentage:**
98%.
- 8. Series Reference:** PIIBs
- 9. Underwriting:**
The offer of PIIBs is underwritten up to an amount of \$100 million. The underwriters are First NZ Capital Securities Limited, 16th Floor, Caltex Tower, 282-292 Lambton Quay, Wellington and ABN AMRO Craigs Limited, ABN AMRO Craigs House, Cnr Cameron Road and Spring Street, Tauranga.

10. Additional Definitions: The following definitions apply to the PIIBs:

"Gearing Ratio" means, on a particular date, the ratio of Borrowed Money Indebtedness of the Issuer Group to Tangible Assets on that date (as determined by the most recent certificate delivered to the Trustee by Infratil under the Trust Deed).

"Interest Period" means, in relation to a PIIB, the period from (and including) a Rate Set Date (or the Issue Date in the case of the first Interest Period) to (but excluding) the next Rate Set Date (or the date on which the PIIB is Converted or redeemed in accordance with the Trust Deed, in the case of the last Interest Period).

"Margin" means, on any Rate Set Date, the percentage rate per annum set out opposite the Gearing Ratio in the table below which is applicable on that date:

Gearing Ratio	Margin (% p.a.)
Up to (but excluding) 60%	1.50
From (and including) 60% up to (but excluding) 70%	1.75
From (and including) 70% up to (but excluding) 80%	2.25
80% and above	3.00

"Rate Set Date" means, for each PIIB, 15 November 2007 and each subsequent 15 November until the PIIB is Converted or redeemed in accordance with the Trust Deed.

11. Acceleration on Declaration by Trustee:

For the avoidance of doubt, PIIBS are "Bonds" for the purposes of clause 8.2 of the Trust Deed.

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www.pwc.com/nz

The Directors
Infratil Limited
97 The Terrace
WELLINGTON

16 November 2006

Report by the auditors of TrustPower Limited for inclusion in the prospectus dated 16 November 2006

Dear Directors

In terms of Regulation 7(1)(b)(ii) of the Securities Regulations 1983, we hereby give consent to the inclusion in your Prospectus to be dated 16 November 2006 of our auditors' report dated 16 November 2006 in the form in which it appears.

We have not made or purported to have made any statement in the Prospectus other than in our audit report and we expressly disclaim responsibility for any other statements in the Prospectus.

We have not been involved in the preparation of any part of the Prospectus other than our auditors' report, and we have not authorised or caused the issue of the Prospectus.

Yours faithfully


PricewaterhouseCoopers
Chartered Accountants



10 Customhouse Quay
Wellington 6011
New Zealand

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New Zealand

Telephone +64 (4) 816 4500
Fax +64 (4) 816 4600
Internet www.kpmg.co.nz

The Chairman
Infratil Limited
97 The Terrace
Wellington

16 November 2006

Dear Sir

**Consent to include audit report in prospectus
Infratil Limited**

In terms of Regulation 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to our audit report dated 16 November 2006 appearing in the registered Prospectus to be dated 16 November 2006 in the form in which it appears. We have not authorised or caused the issue of the prospectus and take no responsibility for any part of the prospectus other than our audit report on pages 70 to 72.

We also confirm that we have not, before delivery of a copy of the Prospectus for registration, withdrawn our consent to the issue thereof.

Yours sincerely

Wellington



16 November 2006

The Registrar of Companies
Private Bag 92061
Auckland Mail Centre
AUCKLAND

Dear Sir

Infratil Limited – Listing and Quotation of Perpetual Infratil Infrastructure Bonds

New Zealand Exchange Limited ("NZX") hereby confirms that in terms of Regulation 23(2) of the Securities Regulations 1983, application has been made to NZX for permission to list the above securities the subject of the Prospectus, and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus.

Yours sincerely

A handwritten signature in black ink, appearing to read "Damas Potoi", is written over a horizontal line.

Damas Potoi
Solicitor