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ABN 61 100 364 234
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ASX Announcement

23 August 2010

Full Year Results in line with Prospectus Forecasts

Key Achievements

- Underlying EBITDA of $596 million in line with prospectus forecasts
- Operating cash flow of $155 million, $22 million ahead of prospectus forecasts[1]
- NGPL regulatory rate case approved by FERC commissioners
- DBCT tax case settled, with Prime Infrastructure receiving approximately $43 million in cash
- Distributions of $0.15 per security paid during FY2010
- Distribution announced for the September quarter of $0.075 per security

Summary of Proportional Financial Results

Prime Infrastructure (ASX: PIH) is pleased to announce its financial results for year ended 30 June 2010.

The proforma[2] proportionally consolidated EBITDA for the year of $596 million is in line with the prospectus forecasts, adjusted for foreign exchange movements.

The proforma proportional consolidated Operating Cash Flow for the current period of $155 million is $22 million ahead of the prospectus forecast. Excluding one time items, operating cash flow is in line with prospectus forecasts.

During the period Prime Infrastructure paid distributions of $0.15 per security to holders, 100 per cent of which was paid from free cash flow. Prime Infrastructure can also confirm that the distributions paid during the 2010 financial year are 100 per cent tax deferred.

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[1] Excluding one time items it is in line with prospectus forecasts
[2] Proforma adjustment made to the current period to reflect the proportional ownership of assets post recapitalisation for the entire period

PRIME INFRASTRUCTURE

Settlement with the Australian Tax Office

Prime Infrastructure has settled its dispute with the Australian Tax Office (**ATO**) regarding the deductibility of certain payments relating to the Dalrymple Bay Coal Terminal (**DBCT**). The settlement relates to payments agreed in 2001 to be made over the term of the initial lease of DBCT (2002 to 2051).

In 2007 Prime Infrastructure entered into an arrangement with the ATO under which it paid 50% of the disputed amount of primary tax and interest. These payments totalled $61 million.

Under the agreed settlement, Prime Infrastructure will:

- receive approximately $43 million in cash back from the ATO;
- recognise a reduction in deferred tax assets relating to carried forward tax losses of approximately $38 million; and
- recognise an immaterial reduction in potential future deductions for the payments to be made over the remaining initial lease term at DBCT.

The settlement agreement resolves all matters in dispute between Prime Infrastructure and the ATO in relation to DBCT.

SPARCS Redemption

The Board of Prime Infrastructure's wholly owned subsidiary, Prime Infrastructure Networks (New Zealand) Limited (**PINNZ**), has agreed to redeem all outstanding Prime Infrastructure NZ SPARCS (**SPARCS**) under clause 9.1(a) of the SPARCS Trust Deed on 17 November 2010, which is the next Reset Date (as that term is defined in the Trust Deed.)

Holders of SPARCS will receive face value plus any accrued interest in cash for each of their SPARCS under the redemption. PINNZ will shortly write to SPARCS holders with further details.

Distributions

The Boards of Prime Infrastructure have confirmed that its distribution in respect of the quarter ending 30 September 2010 will be $0.075 per stapled security. The Record Date for this distribution will be 30 September 2010 and the distribution will be paid on or about 30 November 2010.

The Boards also resolved, subject to certain conditions, including regulatory and other approvals, to make an in-specie distribution of shares in Prime AET&D Holdings No. 1 Pty Limited, formerly known as BBI EPS Limited (**AET&D Holdings**) to the Securityholders of Prime Infrastructure. The in specie distribution is being effected to reinforce the quarantined nature of AET&D and to simplify Prime's corporate structure. By way of background, an option over the shares in AET&D Holdings' wholly owned subsidiary, Prime AET&D Holdings No 2 Pty Limited was granted to the "EPS Promisor", an independent third party, which holds the option for the benefit of the former holders of BBI Exchangeable Preference Shares. The option may be exercised on payment of $1. As a result of these arrangements, the shares of AET&D Holdings have no value to whoever holds them, whether it is Prime Infrastructure or its security holders. As the shares in AET&D Holdings have no value, there will be no adverse tax consequences for Prime Infrastructure Securityholders receiving shares in AET&D Holdings.

Once all of the conditions are satisfied a record date will be set and it is intended that Prime Infrastructure Securityholders on the record date (**Eligible Securityholders**) will receive an in-specie distribution of one share in AET&D Holdings for each Prime Infrastructure security held. Eligible Securityholders will also receive a letter containing further information regarding AET&D Holdings and the transfer, which will be accompanied by a personalised security holdings statement.

Merger with Brookfield Infrastructure

Prime Infrastructure also announced today, that is has entered into a definitive merger agreement with Brookfield Infrastructure Partners. A separate announcement has been released which provides further detail on the proposed transaction.

Attachments

Attached is a copy of Prime Infrastructure's Appendix 4E Financial Report.

A separate Results Presentation will also be released which provides further detail on Prime Infrastructure's 2010 financial performance.

ENDS

Further enquires

David Akers
Investor Relations Manager
Prime Infrastructure
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Prime Infrastructure Appendix 4E 2010

APPENDIX 4E

PRELIMINARY FINAL REPORT

Name of Entity: Prime Infrastructure Holdings Limited
(formerly Babcock & Brown Infrastructure Limited)
ABN: 61 100 364 234

1. DETAILS OF THE REPORTING PERIOD

Current Period:	1 July 2009–30 June 2010
Previous Corresponding Period:	1 July 2008–30 June 2009

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Movement	2010 $'000	2009 $'000
2.1	Revenues from ordinary activities	64.6	904,120	549,368
2.2	Profit/(loss) from continuing operations after tax expense	112.8	32,295	(252,861)
2.3	Loss for the period attributable to members	(0.6)	(959,457)	(953,899)

		Amount per Security (cents)	Franked amount per Security (cents)
2.4	Distributions		
	June 2010 quarter distribution (FY 2010) – per Stapled Security	7.50	N/A
	March 2010 quarter distribution (FY 2010) – per Stapled Security	7.50	N/A
	Return of Capital – per fully paid Stapled Security	4.00	N/A
2.5	Record date for determining entitlement to the June 2010 quarter distribution	30 June 2010	
2.6	Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to the attached Review of Operations within the Directors' Report.		

3. INCOME STATEMENT WITH NOTES

Refer to the Income Statement in the attached Financial Statements.

4. STATEMENT OF FINANCIAL POSITION

Refer to the Statement of Financial Position in the attached Financial Statements.

5. STATEMENT OF CASH FLOWS WITH NOTES

Refer to the Statement of Cash Flows in the attached Financial Statements.

6. DETAILS OF DISTRIBUTIONS

	Record date	Payment date
June 2010 quarter distribution	30 June 2010	31 August 2010
March 2010 quarter distribution	30 April 2010	31 May 2010
Capital Distribution	16 Nov 2009	25 Nov 2009

APPENDIX 4E

PRELIMINARY FINAL REPORT

Name of Entity: Prime Infrastructure Holdings Limited
(formerly Babcock & Brown Infrastructure Limited)
ABN: 61 100 364 234

6. DETAILS OF DISTRIBUTIONS (CONTINUED)

As part of the recapitalisation that Prime Infrastructure undertook on 20 November 2009, a Capital Distribution in an aggregate amount of $103.7 million ($0.04 per Security) was made to registered Securityholders as at the Capital Distribution record date being 16 November 2009.

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010. This payment was made on 31 May 2010.

The June 2010 quarter distribution was announced on 17 June 2010 with a record date of 30 June 2010 and an expected payment date on or about 31 August 2010.

7. DETAILS OF DISTRIBUTION REINVESTMENT PLAN

On 21 August 2008, Prime Infrastructure announced that it had determined to suspend the Distribution Reinvestment Plan until further notice. As at the date of this Report, the Distribution Reinvestment Plan has not been reinstated.

8. TOTAL ASSETS PER STAPLED SECURITY

	Current period	Previous period
Total assets per Stapled Security[1]	$17.27	$4.88

9. NET ASSETS PER STAPLED SECURITY

	Current period	Previous period
Net asset backing per Stapled Security[1]	$6.35	$0.66

10. NET TANGIBLE ASSETS PER STAPLED SECURITY

	Current period	Previous period
Net tangible asset backing per Stapled Security[1]	$5.88	($0.66)

1 It is difficult to compare the asset backed ratios between June 2010 and June 2009. This is due to the recapitalisation that took place during the current year (as disclosed in this Report) that resulted in the disposal of certain assets, the change in classification of certain assets from consolidated to equity accounted and other assets being disclosed as held for sale. In addition, as part of the transaction, 4,433.0 million Securities were issued and a further 841.8 million Securities were issued in exchange for settlement of the BBI Exchangeable Preference Share liability. On 25 November 2009, Prime Infrastructure undertook a 1:15,000 consolidation of Stapled Securities.

11. CONTROL GAINED OR LOST OVER ENTITIES DURING THE PERIOD

11.1 Name of entity (or group of entities) over which control was gained	Nil
11.2 Name of entity (or group of entities) over which control was lost	1. Euroports Group – 28 July 2009 2. PD Ports - 20 November 2009 3. Dalrymple Bay Coal Terminal – 20 November 2009

APPENDIX 4E

PRELIMINARY FINAL REPORT

Name of Entity: Prime Infrastructure Holdings Limited
(formerly Babcock & Brown Infrastructure Limited)
ABN: 61 100 364 234

12. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

12.1 Name of entity (or group of entities) over which significant influence was gained	1. Euroports Group 2. Dalrymple Bay Coal Terminal
12.2 Date significant influence was gained	1. 28 July 2009 2. 20 November 2009
12.3 Percentage economic interest in associates and joint ventures	1. 66.1% 2. 50.1%

13. OTHER SIGNIFICANT INFORMATION

Refer to the attached Financial Statements and commentary on results.

14. COMMENTARY ON RESULTS

REVIEW OF OPERATIONS

OPERATING PERFORMANCE

This Annual Report covers the period from 1 July 2009 to 30 June 2010.

The first six months of the 2010 Financial Year was a period of significant challenge to Prime Infrastructure. Prime Infrastructure had $8.9 billion in total proportional debt, including $1.2 billion in corporate level debt as at 30 June 2009 and proportional gearing of 98%. Of this amount approximately $3.0 billion in proportional debt was maturing in the 2010 and 2011 financial years, including $300.0 million of corporate debt requiring to be repaid in February 2010.

This led to the major recapitalisation of Prime Infrastructure that was completed on 20 November 2009. The recapitalisation resulted in offering investors a simpler capital structure, with internalised management and the support of a strong cornerstone investor.

The key components of the recapitalisation included:

- An equity raising of $1.5 billion;
- Brookfield Infrastructure Australia Trust subscribed for Convertible Notes for $295.4 million and entered into a number of other agreements with Prime Infrastructure which conferred a 49.9% economic interest in DBCT to Brookfield Infrastructure Australia Trust;
- Brookfield acquired all of Prime Infrastructure’s interests in PD Ports for nominal proceeds;
- Options to acquire the Australian Energy Transmission & Distribution and Cross Sound Cable assets for nominal proceeds were granted in favour of the former BBI Exchangeable Preference Shareholders and Brookfield respectively;
- Full repayment of Prime Infrastructure’s outstanding corporate debt, excluding the New Zealand bonds and other asset level debt;
- Establishment of a $300.0 million, three year corporate debt facility (currently undrawn);
- BBI Exchangeable Preference Shares (BEPPA) were converted into Prime Infrastructure Stapled Securities and $48.0 million of accrued and deferred dividends were paid to EPS holders;
- Capital distribution of $103.7 million ($0.04 per Security) was paid to registered Securityholders;
- Internalisation of Prime Infrastructure’s management, a process by which the management agreement with the external manager, Babcock & Brown Limited was cancelled and the existing management team were directly employed by Prime Infrastructure; and
- Babcock & Brown Infrastructure changed its name to Prime Infrastructure and undertook a Security consolidation and included Prime Infrastructure Trust 2 as a party to the Stapling Deed.

The second six months of the Financial Year continued to be a challenge for Prime Infrastructure. In the last six months of the Financial Year, Prime Infrastructure and its co-investors successfully negotiated:

14. COMMENTARY ON RESULTS (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

DBCT DRAFT ACCESS UNDERTAKING

DBCT submitted the Draft Access Undertaking (DAU) with the full support of all DBCT customers. The DAU will see the weighted average cost of capital (WACC) rolled forward and updated for current market conditions (i.e. risk free rate and costs of debt) and based on the conditions at 30 June 2010 the WACC would increase from 8.9% to 10.2%. This would result in additional Earnings before Interest Tax and Depreciation and Amortisation (EBITDA) of approximately $155.0 million (100% at the DBCT level) over the next five and a half years commencing January 2011. The Queensland Competition Authority (QCA) is reviewing the DAU and will make its final decision prior to 31 December 2010.

NATURAL GAS PIPELINE OF AMERICA (NGPL) RATE CASE

On 19 November 2009 (one day before the recapitalisation) the United States Federal Energy Regulator (FERC) initiated a regulatory rate case review against the rates that NGPL (and two other US pipeline operators) charges it customers. During the current period an agreed Settlement was negotiated with NGPL’s customers and FERC staff, which resolved all issues raised in the regulatory rate case. The settlement was approved on 30 July 2010 and will be finalised after a 30 day comment period.

The Settlement calls for a 45% reduction of retained fuel, an 8% reduction in maximum transportation rates and a 3% reduction in the maximum storage rates that NGPL can charge its customers. These reductions are being phased-in beginning July 2010 through to July 2011.

The financial impact of the settlement is a reduction in Prime’s share of Funds from Operations (FFO) by approximately US$18.0 million per year once fully implemented. However, prospectively, Prime Infrastructure will have greater stability of cash flow from NGPL due to a five year term during which the customers cannot initiate a rate case. Additionally, the cash flow from this business will be predominantly generated from the sales of gas transportation and storage capacity, which are typically under medium term contracts with minimal volume risk. Prime Infrastructure and its consortium partners in NGPL are currently investigating refinancing options for some of the associated debt in the NGPL structure as a consequence of the Settlement.

Prime Infrastructure recognised a $112.1 million impairment in its investment in NGPL during the Financial Year, which was associated with the reduced cash flow profile arising from the agreed Settlement on the NGPL regulatory rate case.

SETTLEMENT WITH THE AUSTRALIAN TAX OFFICE

Subsequent to the end of the Financial Year, Prime Infrastructure settled its dispute with the Australian Taxation Office (ATO) regarding the deductibility of certain payments relating to DBCT. The payments that were in dispute are made over the term of the initial lease of DBCT (2002 to 2051). In 2007, Prime Infrastructure entered into an arrangement with the ATO under which it paid 50% of the disputed amount of primary tax and interest. These amounts totalled $60.6 million.

Under the agreed settlement, Prime Infrastructure will:

- receive approximately $43.0 million in cash back from the ATO;
- recognise a reduction in deferred tax assets relating to carried forward tax losses of approximately $38.0 million; and
- recognise an immaterial reduction in future deductions for the payments to be made over the remaining initial lease term at DBCT.

The settlement agreement resolves all matters in dispute between Prime Infrastructure and the ATO in relation to DBCT.

OPERATIONS

Revenue and other income from continuing operations for the Financial Year ended 30 June 2010 is $904.1 million, which represents an increase of $354.8 million from the prior year. Included within this amount is a gain of $392.5 million from the conversion of BEPPA into Prime Infrastructure Stapled Securities. These hybrid securities were recorded as a liability of $677.4 million and the fair value attributed to these liabilities upon conversion was $284.9 million. Excluding this one-off, non-cash gain, revenue and other income was $511.6 million which is a decrease of $37.8 million from the prior year result. This decrease can largely be attributed to the strengthening Australian dollar which negatively impacted the translated revenue recognised from IEG. WestNet Rail revenue increase was due to a solid contribution from grain, strong intermodal and mineral resources traffic. IEG’s revenue benefitted from an increase in developer contributions recognised.

EBITDA from continuing operations on a statutory basis (excluding equity accounted results and gain in relation to conversion of the BEPPA hybrid liability) for the Financial Year ended 30 June 2010 is $137.7 million compared to EBITDA of $165.4 million in the prior year. Each of the assets has performed largely in line with the Prospectus forecasts with positive performances being driven by increases in EBITDA from the WestNet Rail and International Energy Group’s (IEG) Connections businesses compared to the prior year, whilst IEG’s Distribution business is lower than forecast due to higher LPG costs in the Islands businesses resulting in lower margins and lower EBITDA. Corporate costs (excluding one off costs associated with the recapitalisation) are lower than forecast due to a focus on cost savings at a corporate level. The strengthening Australian dollar has negatively impacted the EBITDA recognised across the Group.

14. COMMENTARY ON RESULTS (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

OPERATIONS (CONTINUED)

The net loss from continuing and discontinued operations for the Financial Year ended 30 June 2010 is $948.6 million compared to a net loss of $977.1 million in the prior year. The reason for the significant loss in the current Financial Year is due to the write-downs and losses recognised in relation to the recapitalisation of Prime Infrastructure as discussed above and the following key items:

- Impairment charge against the Australian Energy & Transmission Distribution (AET&D) assets of $662.6 million as this asset is now held for sale at nominal proceeds;
- Mark to market adjustments to profit and loss ($67.8 million) on interest rate hedges that were previously hedge accounted. These hedges are no longer considered to be effective due to the AET&D and Cross Sound Cable assets being held for sale;
- Loss recognised on the disposal of PD Ports of $247.2 million as this asset was sold for nominal proceeds;
- Fair value write-down of $82.6 million relating to the partial disposal and subsequent equity accounting of Euroports and an impairment of $111.1 million recognised on the anticipated outcome in respect of the Euroports Share Equalisation Adjustment mechanism. This does not have a cashflow impact;
- Gain of $20.5 million recognised on entering into arrangements with Brookfield Infrastructure Australia Trust regarding DBCT;
- Impairment of $112.1 million recognised in respect of Prime's investment in NGPL following the agreed settlement of the NGPL regulatory rate case

The reported results for the Financial Year ended 30 June 2010 have been impacted by the movements in the Australian dollar during the current year. The table below demonstrates the movement in key currencies in which Prime Infrastructure operates:

	New Zealand Dollar	Great British Pound	United States Dollar	Euro
Average rate for the Financial Year ended 30 June 2010	1.255	0.559	0.882	0.636
Average rate for the Financial Year ended 30 June 2009	1.229	0.462	0.748	0.542

Movements in exchange rates do not have a major impact on Prime Infrastructure's reported operating cash flow as the Group hedges its expected distributions from its subsidiaries for up to a five year period on a rolling or progressive basis. In addition, Prime Infrastructure borrows to fund any growth opportunities in the currency of the local jurisdiction. This acts as a natural hedge to any foreign currency movement.

Utilities Operations

Prime Infrastructure's Utilities platform is comprised of regulated businesses which earn a return on their asset base as well as businesses with long term contracts designed to generate a return on capital over the life of the contract. In this segment, Prime Infrastructure owns and operates assets that earn a return on a regulated or notionally stipulated asset base, which is referred to as a rate base. The rate base increases in accordance with capital that is invested to upgrade and expand systems. Depending on the jurisdiction, the rate base may also increase by inflation and maintenance capital expenditure and decrease by regulatory depreciation. The return that is earned is typically determined by a regulator or contract for prescribed periods of time. Thereafter, it may be subject to customary reviews based upon established criteria. Due to the regulatory diversity that Prime Infrastructure has within its Utilities platform, exposure to any single regulatory regime is mitigated. In addition, due to the regulatory frameworks and economies of scale within the Utilities businesses, Prime Infrastructure often has significant competitive advantages in competing for projects to expand its rate base. These competitive advantages enable Prime Infrastructure to invest capital at attractive returns. Accordingly, it is expected this segment will produce stable revenues and margins that should increase with additional capital invested and inflation. Virtually 100% of the Utility platform's EBITDA is supported by regulated or contractual revenues.

Prime Infrastructure's objective for its Utilities platform is to invest capital in the expansion of its rate base and to provide a safe and reliable service for its customers on a cost efficient basis. Should Prime Infrastructure do so, it will ensure that it is in a position to earn an appropriate return on its rate base. Prime Infrastructure's performance can be measured by the growth in its rate base, return on its rate base, as well as its Adjusted Funds from Operations (AFFO) yield.

Prime Infrastructure's Utilities platform comprises of the following:

Coal Terminal Operations

- DBCT - 50.1% economic interest in Dalrymple Bay Coal Terminal (100% up to 20 November 2009), which is currently the largest coal export terminal in the world with customers including some of the world's largest mining companies and accounts for 20% of global seaborne metallurgical coal exports and 8% of global seaborne coal exports.

14. COMMENTARY ON RESULTS (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

OPERATIONS (CONTINUED)

Energy Distribution

- IEG Connections – 100% equity interest in International Energy Group's UK gas and electricity businesses which is the second largest provider of 'last-mile' gas and electricity services in the United Kingdom. IEG Connections operates 804,000 electricity and is one of the largest independent operators of utility connections in the UK.
- Powerco – 42% equity interest in Powerco which is New Zealand's second largest provider of regulated electricity and gas distribution services. Powerco is one of the largest distributors of energy in New Zealand.

Dalrymple Bay Coal Terminal (DBCT):

The EBITDA result for DBCT for the Financial Year ended 30 June 2010 (100% basis) is $213.4 million compared to $153.7 million (100% basis) in the prior Financial Year. This positive variance is due to the full contribution in the current year from the Phase 2/3 expansion project and the back charge (to commencement of commercial operations date, being 1 July 2009) associated with the increased Phase 1 expansion costs. The sign off on the back charge occurred earlier than anticipated by the regulator (QCA) on the Phase 1 expansion costs. From a statutory accounting perspective, Prime Infrastructure consolidated the revenue and expense of DBCT within discontinued operations up to 20 November 2009, and then equity accounted the results from the date of the transaction to 30 June 2010 in continuing operations.

During the year ended 30 June 2010 DBCT shipped 63.1Mt of coal which is significantly lower than the 85Mtpa capacity of the terminal. This shortfall is not due to any operational issues at the terminal and does not impact the financial performance of the terminal, as all customers have 100% take or pay contracts. The operating performance for the Financial Year ended 30 June 2010 is a significant increase over the prior corresponding period (47.0Mt) due to an increase in export coal seen in the market generally, combined with an increase in demand due to the strong Chinese demand cycle and also a return of demand from traditional markets such as Japan since September 2009 (as a result of improving global steel price).

In December 2009, DBCT negotiated a final settlement with the contractor who was engaged to perform the marine works and mechanical, structural and electrical works for the offshore outloading component of the 7X Expansion Project. This contractor had lodged claims over and above the contracted amount (totalling $26.8 million). This was disclosed as a contingent asset and liability in the 30 June 2009 Annual Report. The settlement of this claim was at an amount significantly lower than that disclosed at 30 June 2009 and it is expected that this amount will be included by the QCA in the regulated asset base for the Phase 2/3 expansion project (which was commissioned on 30 June 2009).

DBCT also submitted the DAU for DBCT with the full support of all DBCT customers. The DAU will see the weighted average cost of capital (WACC) rolled forward and updated for current market conditions (i.e. risk free rate and costs of debt) and based on the conditions at 30 June 2010 the WACC would increase from 8.9% to 10.2%. This would result in additional EBITDA of approximately $155.0 million (100% at the DBCT level) over the next five and a half years commencing January 2011. The Queensland Competition Authority is reviewing the DAU and will make its final decision prior to 31 December 2010.

International Energy Group (IEG) – Connections:

IEG's Connections business (comprising IEG's UK gas and electricity businesses) underlying EBITDA performance for the Financial Year ended 30 June 2010 was £24.3 million which was higher than the Prospectus Forecast (£20.5 million), and higher than the prior Financial Year (£20.5 million). The higher than expected EBITDA result is driven by increased developer contributions. Orders for gas and electricity connections remain ahead of budget indicating good future growth potential.

IEG's Connections financial results are consolidated in Prime Infrastructure's financial results for the Financial Year ended 30 June 2010.

Powerco:

Powerco's underlying EBITDA performance (on a 100% basis) for the Financial Year ended 30 June 2010 is NZ$215.7 million, which is in line with the Prospectus forecast. EBITDA in the prior Financial Year was NZ$219.5 million (100% basis). The variance between years is primarily due to the impact of the New Zealand Commerce Commission's decision in January 2009 to reduce gas prices by approximately 11% and also to an increase in indirect costs relating to the recent regulatory, corporate and financing activities.

From a statutory accounting perspective, Prime Infrastructure equity accounts its investment in Powerco.

In the next 12 to 18 months it is likely that Powerco's electricity regulatory environment will present an opportunity to choose a new regulatory regime (being the Customised Price Path) or stay with the current regulatory environment (the Default Price Path or DPP).

14. COMMENTARY ON RESULTS (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

OPERATIONS (CONTINUED)

Fee for Service Operations

Prime Infrastructure's Fee for Service platform comprises open access systems that provide transportation, storage and handling of energy, freight and bulk commodities. This operating platform is comprised of businesses with price ceilings as a result of regulation, such as its energy transmission and rail operations, as well as unregulated businesses, such as ports. Fee for Service businesses typically have high barriers to entry and in many instances have very few substitutes in their local markets. While these businesses have greater sensitivity to market prices and volume than Prime Infrastructure's Utilities platform, revenues are generally stable and, in many cases, are supported by long-term contracts or customer relationships. The Fee for Service platform is expected to benefit from increases in demand for commodities as well as increases in the global movement of goods. Furthermore, the diversification within the Fee for Service platform mitigates the impact of fluctuations in demand from any particular sector, commodity or customer.

Prime Infrastructure's objective for its Fee for Service platform is to provide a safe and reliable service to its customers and to satisfy their growth requirements by increasing the utilisation of its assets and expanding capacity in a capital efficient manner. By doing so, Prime Infrastructure will be able to charge an appropriate price for its services, and will be able to earn an attractive return on the capital that has been deployed as well as the capital that will be invested to increase the capacity of its operations. Prime Infrastructure's performance can be measured by its revenue growth, EBITDA margin and it's Adjusted Funds from Operations (AFFO) yield.

Prime Infrastructure's Fee for Service platform comprises the following:

Energy Transmission and Distribution

- NGPL – 26.4% equity interest in Natural Gas Pipeline Company of America which is one of the largest natural gas pipeline and storage systems in the US and provides essential gas transportation and storage required to service the Chicago market.
- IEG Distribution – 100% equity interest in International Energy Group's island distribution businesses (the sole provider of natural gas and LPG in the Channel Islands and Isle of Man) and the PowerOn Electrical contracting business in the United Kingdom.
- Tas Gas Networks – 100% equity interest in Tas Gas Networks which is the only natural gas distributor in Tasmania, with approximately 730km of distribution pipe and 6,500 customers.

Rail Operations

- WestNet Rail – 100% equity interest (96% up to 20 November 2009) which owns over 5,000km of rail track providing sole rail access to markets for south-west Western Australian minerals and grain businesses that underpin the Western Australian economy.

Ports Operations

- Euroports – 66.1% equity interest (disposed of 33.9% on 28 July 2009) in a portfolio of port concession businesses in key strategic locations throughout Europe and China.

NGPL:

NGPL has performed slightly lower than expectations for the Financial Year ended 30 June 2010. Underlying EBITDA for NGPL (100% basis at NGPL on an A-IFRS basis) was US$637.7 million (after adding back negative mark to market adjustment on the gas inventory to the lower of cost or market value recorded by NGPL of US$25.8 million) compared to a forecast EBITDA of US$678.0 million in the Prospectus and US$680.1 million in the prior Financial Year. The financial performance in the current year has been impacted by reduced line pack services and lower gas sales revenue due to softening in the US gas market and deferral of physical gas sales.

From a statutory accounting perspective, Prime Infrastructure equity accounts its investment in NGPL.

On 19 November 2009, NGPL along with two other US interstate pipeline companies, were notified by FERC of a separate proceeding against each interstate pipeline company pursuant to section 5 of the Natural Gas Act.

As noted under the Operating Performance, an agreed Settlement was negotiated with NGPL's customers and FERC staff which resolved all issues raised in the regulatory rate case. The settlement calls for a 45% reduction of retained fuel, an 8% reduction in maximum transportation rates and a 3% reduction in the maximum storage rates NGPL can charge its customers. These reductions are being phased-in effective from July 2010 through to July 2011.

Prime Infrastructure and its consortium partners are currently investigating refinancing options for some of the associated debt in the NGPL structure as a consequence of the Settlement. Prime Infrastructure recognised a $112.1 million impairment in its investment in NGPL during the Financial Year which was associated with the reduced cash flow profile arising from the agreed Settlement on the NGPL regulatory rate case.

14. COMMENTARY ON RESULTS (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

OPERATIONS (CONTINUED)

WestNet Rail:

WestNet Rail's EBITDA contribution (on a 100% basis) for the Financial Year ended 30 June 2010 was $109.8 million, which was slightly higher than the Prospectus Forecast of $108.0 million and was significantly ahead of the prior Financial Year ($103.6m). A solid grain harvest (in the 2008 and 2009 calendar years) underpinned volumes leading into the 2010 Financial Year, together with a solid contribution from intermodal and mineral resources volumes growth compared to the prior year.

WestNet Rail's financial results are consolidated in Prime Infrastructure's financial results for the Financial Year ended 30 June 2010.

In early January 2010, WestNet Rail received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition by Prime Infrastructure. Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge its position. Notwithstanding Prime Infrastructure's intention to object to the assessment, a payment of this amount was made on 5 February 2010 as required by law.

The acquisition of WestNet Rail was completed in 2006 in conjunction with Queensland Rail as acquirer of the above rail ARG Group business (WestNet Rail acquired the below rail track infrastructure). As a consequence of this joint acquisition, a portion ($24.9 million) of the stamp duty assessment is contractually payable by Queensland Rail and these funds were received prior to the payment of the total stamp duty assessment noted above. Accordingly, if it is ultimately determined that WestNet Rail is liable for the stamp duty; the amount applicable to Prime Infrastructure would be $46.4 million.

The Western Australian State Government has provided written confirmation to WestNet Rail confirming that WestNet Rail is not liable for any of the re-sleepering projects associated with the uneconomic grain lines and that WestNet Rail has complied with all commercial and maintenance obligations for these lines. Furthermore the West Australian State Government announced in January 2010 the first tranche of the associated funding, with the West Australian State Government funding 50% of the total estimated costs of the project ($43.5m) and seeking Federal Government funding for the remaining portion of the Avon to Albany line re-sleepering project.

Euroports:

Euroports underlying EBITDA performance (on a 100% basis for all ports excluding Rostock which is Euroports 50% proportionate interest) for the Financial Year ended 30 June 2010 is €73.8 million which is slightly behind the Prospectus forecast but is higher than the prior comparative Financial Year (€67.7 million). This increase compared to the prior year is due to the fact that Euroports has seen some small recovery from the effect of the global financial crisis and the associated economic impacts in Europe that negatively impacted the 2009 Financial Year results for Euroports.

During the current Financial Year, lower than anticipated volumes were balanced by higher storage revenues and cost savings initiatives implemented by Euroports management throughout the Euroports group. Such cost savings initiatives can be demonstrated by the fact that volumes for the year were down 8% year on year but recurring EBITDA was up 10%. The last 9 months of the 2010 Financial Year saw increased volumes with a strong sugar and fertiliser season in northern Europe significantly benefiting Euroports' core Antwerp based terminals and improved forestry products compared to the prior year.

Recovery in Europe is expected to continue to be sporadic with monthly performance remaining volatile albeit backed by a slow and steady long-term improvement of volumes back towards pre global financial crisis levels. This, coupled with the efficiency improvements and cost savings initiatives implemented by management, bodes well for the continued gradual improvement in profitability at Euroports over the short to medium term. The diversity of Euroports' portfolio of 20 terminals throughout Europe will continue to provide downside protection against weakness in individual product segments, just as it has done throughout the recent economic crisis.

On 28 July 2009, Prime Infrastructure completed the sale of 33.89% of the equity interest in Euroports to Antin Infrastructure Partners and Arcus European Infrastructure Fund I for total proceeds of €141.5 million. In addition, Antin holds a convertible bond, which if converted, would result in an additional 5.97% of equity, leaving Prime Infrastructure with a 60% holding. The proceeds from this transaction were used to repay a $60.9 million (€35.0 million) current liability. The transaction contains provision under which the Euroports shareholders agreed to a share adjustment process, to be implemented in 2012 and 2013, which is based on the future EBITDA levels achieved by Euroports at that time. Depending upon Euroports' performance, the aggregate equity owned by Prime Infrastructure may be adjusted from the original up-front 60% to between 35% and 66% for no additional consideration. In the year ended 30 June 2010 Prime Infrastructure recognised a provisional impairment of $111.1 million on an anticipated outcome in respect of the Euroports Share Equalisation adjustment process.

Prime Infrastructure consolidated the revenue and expense of Euroports within discontinued operations up to 28 July 2009, and then equity accounted the results from the date of the transaction to 30 June 2010 in continuing operations.

14. COMMENTARY ON RESULTS (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

OPERATING PERFORMANCE (CONTINUED)

OPERATIONS (CONTINUED)

International Energy Group (IEG) – Distribution:

IEG's Distribution businesses (comprising IEG's islands businesses and PowerOn) underlying EBITDA performance for the Financial Year ended 30 June 2010 was £11.5 million which was slightly lower than the Prospectus forecast (£12.5 million), and the prior Financial Year (£13.3 million). The slightly lower than expected EBITDA result in the current year is driven by higher LPG costs in the Islands businesses resulting in lower margins, together with a lower level of electricity connections and reduced trading results from PowerOn due to continued softness in the UK construction market.

IEG's Distributions financial results are consolidated in Prime Infrastructure's financial results for the Financial Year ended 30 June 2010.

Tas Gas Networks (TGN):

TGN's underlying EBITDA for the Financial Year ended 30 June 2010 was $6.6 million, which is in line with the Prospectus forecast. This compares favorably to the prior Financial Year in which EBITDA of $3.0 million was generated. This is a significant improvement and is in line with the increase in the number of connections and load on the network.

TGN's financial results are consolidated in Prime Infrastructure's financial results for the Financial Year ended 30 June 2010.

Assets Held for Sale:

In the current Financial Year, the investments in Australian Energy Transmission & Distribution and Cross Sound Cable have been classified as held for sale and the results from their operations are included within discontinued operations. Prime Infrastructure does not intend to provide any further financial support to AET&D or Cross Sound Cable. The debt facilities within these assets are non-recourse to Prime Infrastructure.

Financing:

The recapitalisation of Prime Infrastructure in November 2009 resulted in profound changes to the Group's capital structure, including:

- A significant reduction in consolidated leverage through the repayment of certain corporate and non-recourse debt, the sale of PD Ports, the arrangements regarding a 49.9% economic interest in DBCT and the classification of AET&D and Cross Sound Cable assets as held for sale;
- The simplification of the capital structure through the conversion of the BEPPA;
- A lengthening of the debt maturity profile; and
- Ensuring the group has significant liquidity, in the form of cash and an undrawn $300.0 million term debt facility, going forward.

The above items established a sustainable capital structure for the group.

As part of the transaction, all of Prime Infrastructure's corporate bank debt was repaid and associated interest rate swaps terminated. At the same time a $300.0 million three-year liquidity facility was established, which remains undrawn at the date of this report. Proceeds from the equity raising and the arrangements regarding a 49.9% economic interest in DBCT were used to repay debt and terminate associated interest rate swaps, acquire the minority interest in WestNet Rail and pay transaction costs.

15. SUBSEQUENT EVENTS

New coal export terminal:

On 12 July 2010, Prime Infrastructure announced that DBCT Management Pty Limited, an entity that the Group has a 50.1% economic interest in, had been appointed by the Queensland Government owned North Queensland Bulk Ports (NQBP) as one of two preferred proponents for the development of new coal export terminal facilities at Dudgeon Point in the Port of Hay Point, Queensland.

Settlement of NGPL rate case:

On 30 July 2010, Prime Infrastructure announced that the pending Natural Gas Pipeline of America (NGPL) Summary of Stipulation and Agreement (Settlement) had been approved and became binding by FERC. FERC determined that the proposed Settlement was fair and reasonable and in the public interest, and accordingly, approved the Settlement under its regulations.

This Settlement includes a staged implementation of reductions in service charges commencing from 1 July 2010 with the first full year impact occurring in the 2012 Calendar year and sets out rate and tariff moratoriums to 1 April 2016. This provides greater certainty over NGPL's operating cash flows for the next six years.

Whilst the Settlement is now final and binding, there is a 30 day period in which persons may seek to object to the Settlement.

15. SUBSEQUENT EVENTS (CONTINUED)

Settlement with the Australian Taxation Office:

On 23 August 2010 Prime Infrastructure announced it had settled its dispute with the ATO regarding the deductibility of certain payments relating to DBCT. The settlement relates to payments agreed in 2001 to be made over the term of the initial lease of DBCT (2002 to 2051). In 2007 Prime Infrastructure entered into an arrangement with the ATO under which it paid 50% of the disputed amount of primary tax and interest. These payments totalled $60.6 million.

Under the agreed settlement, Prime Infrastructure will:

- receive approximately $43 million in cash back from the ATO;
- recognise a reduction in deferred tax assets relating to carried forward tax losses of approximately $38 million; and
- recognise an immaterial reduction in potential future deductions for the payments to be made over the remaining initial lease term at DBCT.

The settlement agreement resolves all matters in dispute between Prime Infrastructure and the ATO in relation to DBCT.

SPARCS Redemption:

On 23 August 2010, Prime Infrastructure's wholly owned subsidiary, Prime Infrastructure Networks (New Zealand) Limited (PINNZ), agreed to redeem all outstanding Prime Infrastructure NZ SPARCS (SPARCS) under clause 9.1(a) of the SPARCS Trust Deed on 17 November 2010, which is the next Reset Date (as that term is defined in the Trust Deed.) Holders of SPARCS will receive face value plus any accrued interest in cash for each of their SPARCS under the redemption.

Distributions:

On 23 August 2010, Prime Infrastructure announced that the Distribution in respect of the quarter ending 30 September 2010 will be 7.5 cents per Stapled Security. The Record Date for this distribution will be 30 September 2010 and the distribution will be paid on or about 30 November 2010.

Prime Infrastructure also announced, subject to certain conditions, including regulatory and other approvals, to make an in-specie distribution of shares in Prime AET&D Holdings No. 1 Pty Limited, formerly known as BBI EPS Limited (AET&D Holdings) to the Prime Infrastructure Securityholders. The in-specie distribution is being effected to reinforce the quarantined nature of AET&D and to simplify Prime Infrastructure's corporate structure. The shares of AET&D Holdings have no value to whoever holds them, whether it is Prime Infrastructure or its Securityholders.

Merger with Brookfield Infrastructure:

On 23 August 2010, Prime Infrastructure and Brookfield Infrastructure Partners L.P. (NYSE: BIP; TSX: BIP.UN) announced that they have entered into a definitive merger agreement to create a leading global infrastructure company, in a transaction with an estimated value of approximately $1.6 billion. Under the terms of the transaction, Prime Infrastructure security holders will receive 0.24 Brookfield Infrastructure units (BIP Units) for each Prime Infrastructure Stapled Security held, representing a headline price of approximately $4.60 per Prime Infrastructure Stapled Security. The transaction will be conducted by way of a scheme of arrangement and a concurrent takeover bid, both of which are subject to various regulatory approvals and conditions. The transaction, if successful, is expected to complete in December 2010.

16. REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

This report is based on accounts that are in the process of being audited.

17. QUALIFICATION OF AUDIT

Not applicable.

INCOME STATEMENT

for the year ended 30 June 2010

		Consolidated	
	Note	2010 $'000	2009 $'000
Revenue	4	499,231	533,024
Other income	6(a)	404,889	16,344
Total income		**904,120**	**549,368**
Share of (losses)/profits from associates and jointly controlled entities accounted for using the equity method	14	(185,055)	6,828
Employee benefit expense		(80,646)	(57,045)
Transmission and direct costs		(131,515)	(146,260)
Depreciation, amortisation and impairment charge	6(b)	(128,818)	(161,754)
Finance costs	5(a)	(164,207)	(317,545)
Operating and management charges		(58,368)	(66,891)
Net hedge income/(expense)	5(b)	19,650	(112,894)
Impairment of related party loans	6(b)	(95,658)	-
Other expense		(46,267)	(30,324)
Total expense		**(870,884)**	**(885,885)**
Profit / (loss) before income tax (expense) / benefit		**33,236**	**(336,517)**
Income tax (expense)/benefit	7	(941)	83,656
Profit / (loss) from continuing operations		**32,295**	**(252,861)**
Loss from discontinued operations	38	(980,892)	(724,269)
Loss for the year		**(948,597)**	**(977,130)**
Attributable to:			
Equity holders of the parent entity		(959,457)	(953,899)
Non-controlling interest		10,860	(23,231)
		(948,597)	**(977,130)**
Loss per Security from continuing and discontinued operations			
Basic and diluted (cents per Security)	29	(448.3)	(595,906.3)
Profit / (loss) per Security from continuing operations			
Basic and diluted (cents per Security)	29	15.0	(158,770.8)

Notes to the Financial Statements are included on pages 18 to 107.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

		Consolidated	
	Note	2010 $'000	2009 $'000
Loss for the year		**(948,597)**	**(977,130)**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income reclassified from equity relating to assets held for sale		36,810	-
Exchange differences arising on translation of foreign operations		26,024	34,204
Transfer of reserves to profit or loss on disposal of operations		(35,672)	5,211
Loss on cash flow hedges taken to equity		(23,033)	(217,998)
Gain on cash flow hedges transferred to income		27,971	(47,555)
Other reserves recognised in the year		10,434	(12,399)
Share of other comprehensive income of associates		(61,243)	(9,603)
Income tax relating to components of other comprehensive income		9,938	73,043
Other comprehensive income / (expense) for the year		**(8,771)**	**(175,097)**
Total comprehensive expense of the year		**(957,368)**	**(1,152,227)**
Total comprehensive expense attributable to:			
Owners of the parent		(968,228)	(1,128,996)
Non-controlling interests		10,860	(23,231)
		(957,368)	**(1,152,227)**

Notes to the Financial Statements are included on pages 18 to 107.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

		Consolidated	
	Note	2010 $'000	2009 $'000
CURRENT ASSETS			
Cash and cash equivalents	41(a)	430,752	257,873
Trade and other receivables	9	82,130	172,991
Other financial assets	10	67,030	67,573
Inventories	11	14,713	18,687
Current tax receivables	7	10	10,356
Other	12	8,300	16,590
Non-current assets classified as held for sale	38	1,913,118	2,223,734
Total current assets		**2,516,053**	**2,767,804**
NON-CURRENT ASSETS			
Trade and other receivables	9	4,917	9,440
Other financial assets	10	898,541	705,712
Cash held on restricted deposit	13	29,853	104,316
Investments accounted for using the equity method	14	397,988	650,509
Property, plant and equipment	15	1,734,717	3,876,533
Investment property	16	-	174,672
Goodwill	17	160,893	378,563
Other intangible assets	18	6,565	3,045,531
Deferred tax assets	7	249,078	735,598
Other	12	77,144	63,984
Total non-current assets		**3,559,696**	**9,744,858**
Total assets		**6,075,749**	**12,512,662**
CURRENT LIABILITIES			
Trade and other payables	19	160,095	332,189
Borrowings	20	721,650	493,760
Other financial liabilities	21	4,859	117,116
Current tax payable	7	847	1,377
Provisions	22	6,190	16,249
Other	23	34,088	9,865
Liabilities directly associated with non-current assets classified as held for sale	38	1,958,130	1,907,155
Total current liabilities		**2,885,859**	**2,877,711**

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
NON-CURRENT LIABILITIES			
Trade and other payables	19	16,223	3,290
Borrowings	20	567,455	6,485,945
Other financial liabilities	21	152,001	207,334
Deferred tax liabilities	7	61,173	945,399
Provisions	22	4,315	67,513
Other	23	153,570	205,097
Total non-current liabilities		**954,737**	**7,914,578**
Total liabilities		**3,840,596**	**10,792,289**
Net assets		**2,235,153**	**1,720,373**
EQUITY			
Issued capital	26	4,332,865	2,811,318
Reserves	27	(177,617)	(157,610)
Accumulated losses	28	(1,958,823)	(999,366)
Amounts recognised directly in equity to non-current assets classified as held for sale		(25,574)	(36,810)
PARENT ENTITY INTEREST		**2,170,851**	**1,617,532**
Non-controlling interest		64,302	102,841
Total equity		**2,235,153**	**1,720,373**

Notes to the Financial Statements are included on pages 18 to 107.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

Consolidated	Issued capital $'000	Hedge reserve $'000	Foreign currency translation reserve $'000	Other reserve $'000	General reserve $'000	Retained earnings $'000	Equity associated with assets held for sale $'000	Attributable to owners of the parent entity $'000	Non controlling interest $'000	Total $'000
Balance at 1 July 2009	2,811,318	(77,622)	(82,112)	2,124	-	(999,366)	(36,810)	**1,617,532**	102,841	**1,720,373**
Loss for the year	-	-	-	-	-	(959,457)	-	**(959,457)**	10,860	**(948,597)**
Amounts recognised in the current period	-	(23,033)	26,024	24,035	8,872	-	36,810	**72,708**	-	**72,708**
Income tax relating to components of other comprehensive income		9,938	-	-	-	-	-	**9,938**	-	**9,938**
Differences arising on disposal of subsidiary	-	(28,792)	(15,752)	-	-	-	-	**(44,544)**	-	**(44,544)**
Transferred to profit or loss	-	27,971	-	-	-	-	-	**27,971**	-	**27,971**
Share of reserves of associates	-	(39,135)	937	-	(23,045)	-	-	**(61,243)**	-	**(61,243)**
Total comprehensive income for the period	**-**	**(53,051)**	**11,209**	**24,035**	**(14,173)**	**(959,457)**	**36,810**	**(954,627)**	**10,860**	**(943,767)**
Securities issued during the period	1,784,866	-	-	-	-	-	-	**1,784,866**	-	**1,784,866**
Issue costs (net of tax)	(106,882)	-	-	-	-	-	-	**(106,882)**	-	**(106,882)**
Return of capital to stapled security holders	(103,671)	-	-	-	-	-	-	**(103,671)**	-	**(103,671)**
Total	**4,385,631**	**(130,673)**	**(70,903)**	**26,159**	**(14,173)**	**(1,958,823)**	**-**	**2,237,218**	**113,701**	**2,350,919**
Minority interests disposed of or acquired during the period	-	-	-	-	(13,601)	-	-	**(13,601)**	(45,171)	**(58,772)**
Distributions paid from capital	(52,766)	-	-	-	-	-	-	**(52,766)**	-	**(52,766)**
Dividends paid from retained earnings	-	-	-	-	-	-	-	**-**	(4,228)	**(4,228)**
Transferred to assets held for sale	-	23,901	1,673	-	-	-	(25,574)	**-**	-	**-**
Total equity at 30 June 2010	**4,332,865**	**(106,772)**	**(69,230)**	**26,159**	**(27,774)**	**(1,958,823)**	**(25,574)**	**2,170,851**	**64,302**	**2,235,153**

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

Consolidated	Issued capital $'000	Hedge reserve $'000	Foreign currency translation reserve $'000	Other reserve $'000	General reserve $'000	Retained earnings $'000	Equity associated with assets held for sale $'000	Attributable to owners of the parent entity $'000	Non controlling interest $'000	Total $'000
Balance at 1 July 2008	2,790,483	70,213	(98,619)	13,822	220	13,926	-	**2,790,045**	170,230	**2,960,275**
Loss for the year	-	-	-	-	-	(953,899)	-	**(953,899)**	(23,231)	**(977,130)**
Amounts recognised in the current period	-	(217,998)	34,204	(11,698)	(701)	-	-	**(196,193)**	-	**(196,193)**
Income tax relating to components of other comprehensive income	-	73,043	-	-	-	-	-	**73,043**	-	**73,043**
Differences arising on disposal of subsidiary	-	15,403	(10,192)	-	-	-	-	**5,211**	-	**5,211**
Transferred to profit or loss	-	(47,555)	-	-	-	-	-	**(47,555)**	-	**(47,555)**
Share of reserves of associates	-	(9,603)	-	-	-	-	-	**(9,603)**	-	**(9,603)**
Total comprehensive income for the period	**-**	**(186,710)**	**24,012**	**(11,698)**	**(701)**	**(953,899)**	-	**(1,128,996)**	**(23,231)**	**(1,152,227)**
Securities issued during the period	20,835	-	-	-	-	-	-	**20,835**	-	**20,835**
Issue costs (net of tax)	-	-	-	-	-	-	-	**-**	-	**-**
Return of capital to stapled security holders	-	-	-	-	-	-	-	**-**	-	**-**
Total	**2,811,318**	**(116,497)**	**(74,607)**	**2,124**	**(481)**	**(939,973)**	**-**	**1,681,884**	**146,999**	**1,828,883**
Minority interests disposed of or acquired during the period	-	-	-	-	-	-	-	**-**	(42,967)	**(42,967)**
Distributions paid from retained earnings	-	-	-	-	-	(59,393)	-	**(59,393)**	(6,150)	**(65,543)**
Transferred to assets held for sale	-	38,875	(7,505)	-	481	-	(36,810)	**(4,959)**	4,959	**-**
Total equity at 30 June 2009	**2,811,318**	**(77,622)**	**(82,112)**	**2,124**	**-**	**(999,366)**	**(36,810)**	**1,617,532**	**102,841**	**1,720,373**

Notes to the Financial Statements are included on pages 18 to 107.

STATEMENT OF CASH FLOWS

for the Financial Year ended 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,085,374	2,819,626
Payments to suppliers and employees		(678,648)	(2,079,126)
Interest received		61,641	142,560
Interest and other costs of finance paid		(448,746)	(632,182)
Income tax paid		(13,633)	(19,084)
Net stamp duty paid	33	(46,494)	-
Net cash provided by operating activities	**41(g)**	**(40,506)**	**231,794**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant & equipment		(214,220)	(681,286)
Proceeds from sale of property, plant and equipment		3,036	6,992
Net proceeds from deposits		7,629	24,844
Proceeds from sale of investments	41(c)	129,371	415,882
Return on equity from equity accounted investments		10,703	44,560
Payment for investments		(34,415)	(1,453)
Proceeds from loans with associates		85,649	-
Repayment of loans to associate entities		(39,960)	-
Payment for businesses	41(b)	-	(185,420)
Dividends received		26,483	24,877
Net cash used in investing activities		**(25,724)**	**(351,004)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid to Stapled Securityholders		(130,054)	(59,393)
Dividends paid to minority interests		(4,228)	(6,198)
Proceeds from issue of securities		1,500,000	-
Security issue costs paid		(109,207)	-
Proceeds from borrowings		366,032	1,337,632
Loan establishment costs paid		(16,537)	(18,319)
Repayment of borrowings		(1,352,117)	(1,067,545)
Net cash provided by financing activities		**253,889**	**186,177**
NET INCREASE IN CASH AND CASH EQUIVALENTS		187,659	66,967
Cash and cash equivalents at the beginning of the financial year		344,034	298,479
Effects of exchange rate changes on the balance of cash held in foreign currencies		(4,841)	(21,412)
Cash and cash equivalents at the end of the financial year[1]	**41(a)**	**526,852**	**344,034**

1 Cash and cash equivalents at the end of the financial period includes cash and cash equivalents from assets that are included within discontinued operations.

Notes to the Financial Statements are included on pages 18 to 107.

NOTES TO THE STATEMENTS

for the Financial Year ended 30 June 2010

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NOTES TO THE STATEMENTS

for the Financial Year ended 30 June 2010

1. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These Financial Statements are General Purpose Financial Statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The Financial Statements comprise the consolidated Financial Statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the Financial Statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

BASIS OF PREPARATION

The Financial Statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

STAPLED SECURITY

The shares of Prime Infrastructure Holdings Limited (formerly Babcock & Brown Infrastructure Limited) and the units in Prime Infrastructure Trust (formerly Babcock & Brown Infrastructure Trust) and Prime Infrastructure Trust 2 (formerly BBI SPARCS Trust) (collectively 'the Trusts') are combined and issued as Tripled Stapled Securities in the Prime Infrastructure Group ('the Group'). The shares in the Company and the units of the Trusts cannot be traded separately and can only be traded as Stapled Securities.

Prime Infrastructure Trust 2 joined the Stapled Group as part of the recapitalisation of Prime Infrastructure in November 2009. The equity and reserves of Prime Infrastructure 2 have been included as part of the total equity of the consolidated group rather than being disclosed as a minority interest in order to maintain consistency with the stapling treatment of the Company and the Trust.

GROUP FORMATION AND TERMINATION

On 29 April 2002, the Company was incorporated and Prime Infrastructure Trust was formed. On 18 June 2002, the units of the Trust and the shares of the Company were stapled (the Stapled Securities). On this date the Stapled Securities were issued to the public through an Initial Public Offering and were listed on the Australian Securities Exchange on 24 June 2002.

On 20 November 2009, as part of the recapitalisation of the Group, Prime Infrastructure 2 became a party to the Stapling Deed, resulting in Prime Infrastructure becoming a Tripled Stapled Security listed on the Australian Securities Exchange.

The shares in the Company and the units of the Trusts will remain stapled until the earlier of the Company ceasing to exist or being wound up, or the Trust being dissolved in accordance with the provisions of the Trust Constitution.

CURRENT ASSET DEFICIENCY

The Group has net current liabilities as at 30 June 2010 of $324.8 million excluding those assets and liabilities that are classified as held for sale within current assets and current liabilities. The net current liability position is impacted by the inclusion of debt relating to WestNet Rail of $619.5 million which is due for repayment in June 2011. Subsequent to year end, WestNet Rail has secured commitments from the existing lenders to refinance $619.0 million of facilities.

In addition, Prime Infrastructure has a $300.0 million corporate debt facility which remains undrawn as at balance date.

The Financial Report is prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and the settlement or refinancing of liabilities in the ordinary course of business.

(a) Consolidated accounts

Interpretation 1013 'Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements' requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, Prime Infrastructure Holdings Limited has been identified as the parent entity of the consolidated Group comprising Prime Infrastructure Holdings Limited and its controlled entities, Prime Infrastructure Trust and its controlled entities and Prime Infrastructure Trust 2 and its controlled entities.

The Financial Statements of the consolidated Group should be read in conjunction with the publicly available separate Financial Statements of Prime Infrastructure Trust and Prime Infrastructure Trust 2 for the year ended 30 June 2010.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

The consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of the Prime Infrastructure Group as at 30 June 2010 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) controlled by the Company and the Trusts (its subsidiaries) (referred to as 'the Group' in these Financial Statements). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Income Statement and Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, that is, the date the Group attains control and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date. The measurement period is subject to a maximum of one year.

(d) Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment in associates (continued)

The results and assets and liabilities of associates are incorporated in these Financial Statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(e) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control such as when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Interests in jointly controlled entities in which the Group is a venturer (and so has joint control) are accounted for under the equity method in the consolidated Financial Statements and the cost method in the company Financial Statements.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

(f) Property, plant and equipment

Land and buildings, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and subsequent accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis and diminishing value so as to write-off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its recoverable amount.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

– Buildings (straight-line)	25 to 100 years
– Buildings (diminishing value)	50 years
– Leasehold improvements	6 to 49 years
– Plant and equipment	3 to 25 years
– Network systems	10 to 65 years
– Track lease premium	42 years

Lease premiums represent the initial amount paid for access to the rail infrastructure assets in Western Australia. These premiums are being amortised over the period of the leases to which they relate, being 42 years.

Subsequent acquisitions of leasehold assets are shown as leasehold improvements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Concession arrangements acquired as part of a business combination are recognised at their fair value. These intangible assets relate to the right to control and use a specific port for a contractual length of time. These concession arrangements are amortised over the life of the contractual arrangement.

In previous periods, concession arrangements relating to DBCT were classified as property, plant and equipment and depreciated over the lease life of the asset. On initial adoption of AASB-1, these were subsequently transferred to intangible assets and continued to be amortised over the lease life of the asset.

The conservancy right was acquired as part of the acquisition of PD Ports, (and subsequently disposed of on 20 November 2009) was recorded at its fair value. The right is not amortised as it is a right in perpetuity issued by the Statutory Harbour Authority in the UK.

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Impairment of long-lived assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Goodwill

Goodwill arising from a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Goodwill (continued)

If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 1(d) above.

(j) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(l) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group are presented separately from other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

(m) Financial assets

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as 'at fair value through profit or loss'.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held to maturity investments

Bills of exchange and term deposits with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets are reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

(n) Investment property

Investment property, which is property held to earn rental yields and/or capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, based on active market prices. These valuations are reviewed annually by a qualified property valuer. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(o) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leased assets (continued)

Group as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (refer to note 1(r)).

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(p) Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(q) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

After initial recognition for those interest bearing borrowings where fair value hedge accounting is applied, the borrowings are adjusted for gains and losses attributable to the risk being hedged.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the 'Corridor Approach', with valuations being carried out when there are significant changes to components of the plan. Gains and losses are recognised in full in the profit or loss in the period in which they occur to the extent the movement is outside the corridor.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The assets of the relevant schemes are held independently of the Group by trustee companies and are invested by professional fund managers.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligations under the contract exceed the economic benefits estimated to be received under it.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 Revenue.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

(u) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges);
- hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges); or
- hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Derivative financial instruments (continued)

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value through the profit or loss.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of expenses or income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(v) Contributed equity and preference shares

Ordinary Stapled Securities are classified as equity. Mandatorily redeemable preference shares including Prime Infrastructure Networks (NZ) Subordinated Prime Adjusting Reset Convertible Securities (SPARCS) are classified as liabilities (note 20).

Incremental costs directly attributable to the issue of new Stapled Securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new Stapled Securities for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Interest and distributions

Interest on preference shares and distributions are classified as expenses or as distributions consistent with the Statement of Financial Position classification of the related debt or equity instruments.

(w) Dividends and distributions

Provision is made for the amount of any dividend or distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the Financial Year but not distributed at balance date.

(x) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated Financial Statements, the results and financial position of each group entity are expressed in Australian dollars ($), which is the functional currency of Prime Infrastructure Holdings Limited and the presentation currency for the consolidated Financial Statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Foreign currencies (continued)

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the period which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which forms part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve, and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are classified as recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of customer returns, trade allowances, rebates and other similar allowances.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Rendering of services

Revenue from a contract to provide services is recognised as follows:

Terminal infrastructure charge and handling charges (DBCT)

- Terminal Infrastructure Charge (TIC) is charged at a set rate per tonne of coal based on each customer's annual contracted reference tonnage and is recognised as revenue on a pro-rata basis each month. The total TIC revenue for the Financial Year is approved by the QCA and is also known as the revenue cap;
- handling charges (fixed) are based on the DBCT independent operator's fixed operating costs and are recognised as income on a pro-rata basis at the end of each month;
- handling charges (variable) are charged to each user at a variable rate per tonne based on the DBCT independent operator's variable operating costs and the total amount of coal shipped through DBCT.

Distribution and transmission income

Energy distribution and transmission income is recognised when services are provided and are rendered based upon usage or volume throughput during that period. Gas energy distribution income is recognised on an accruals basis.

Freight services revenue

Freight services revenue comprises revenue earned (net of refunds, discounts and allowances) from the provision of services to entities outside the Group. Revenue is recognised at the time services are provided to customers.

Maintenance contracts

Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (continued)

Rental revenue

Revenue from Cross Sound Cable in the US is derived from a long term lease which is treated as an operating lease with contingent rental payments, depending on the availability of the transmission facility. Unearned rental revenue reflects transmission availability billed but not yet provided.

Operating lease income (rental revenue) at PD Ports is accounted for on a straight-line basis over the term of the relevant lease, with any rental increases recognised during the period to which they relate. Operating lease income is recognised on an accruals basis.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Other revenue

Contributions for subdivisions/uneconomic lines (not received in the form of a Government contribution) received towards the costs of reticulating new sub-divisions and contributions received in constructing new lines are recognised as revenue.

Other income

Profit/loss on sale of goods and disposal of assets are recognised when the Group has passed control of the goods or other assets to the buyer.

(z) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with the conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

(aa) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Income tax (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(ab) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

(a) Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these Financial Statements. Details of other Standards and Interpretations adopted in these Financial Statements but that have had no effect on the amounts reported are set out in note 2(b).

Standard	Impact
AASB 101 Presentation of Financial Statements (as revised in September 2007)	AASB 101 (September 2007) introduced terminology changes (including revised titles for the Financial Statements) and changes in the format and content of the Financial Statements. This includes: – the presentation of all non-owner changes in equity (comprehensive income) either in one Statement of Comprehensive Income or in two statements (a separate Income Statement and a Statement of Comprehensive Income). Prime Infrastructure has decided to adopt the latter. Components of comprehensive income may not be presented in the Statement of Changes in Equity; – Balance Sheet has become the Statement of Financial Position; and – Cash flow Statement has become the Statement of Cash Flows
AASB 8 Operating Segments (AASB 8)	AASB 8 is a disclosure Standard that has resulted in a re-designation of the Group's reportable segments (refer note 37). The disclosure made is a 'management approach' to segment reporting.
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	This Amending Standard changes the term 'General Purpose Financial Report' to 'General Purpose Financial Statements' and the term 'financial report' to 'Financial Statements' to better align with IFRS terminology.
AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	This amends AASB7 Financial Instruments: Disclosures to require enhanced disclosures about fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
Corporations Act – Corporations Amendment (Corporate Reporting Reform) Act 2010 and Corporations Amendment Regulations 2010 (No.6)	Implements a number of financial reporting related amendments to the *Corporations Act 2001* and associated regulations including: - Parent entity information – parent entity columns are no longer required in consolidated Financial Statements, instead financial information of the parent entity is disclosed by way or note in the annual Financial Statements. - IFRS declaration – companies, registered schemes and disclosing entities making an explicit and unreserved statement of compliance with IFRS must include reference to this statement in their Directors' Declaration. - Declaration of dividends – dividends will be permitted to be paid where (a) assets exceed liabilities by an amount sufficient to pay the dividend, (b) the payment is fair and reasonable and (c) no material prejudice to the ability to pay creditors. The above items are effective from 29 June 2010.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(b) Standards and Interpretations adopted with no effect on the Financial Statements

The following new and revised Standards and Interpretations have also been adopted in these Financial Statements. Their adoption has not had any significant impact on the amounts reported in these Financial Statements but may affect the accounting for future transactions or arrangements.

Standard	Impact
AASB 123 Borrowing Costs (as revised in 2007)	This Standard eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. This has not expected to impact the Group, as the Group's accounting policy has been to capitalise all borrowing costs.
AASB 3 Business Combinations (as revised in 2008) AASB 127 Consolidated and Separate Financial Statements (2008), AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3	This standard: - allows for the measurement of non-controlling interests (previously referred to as minority interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree; - changes the recognition and subsequent accounting requirements for contingent consideration; - requires the acquisition related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in the profit or loss
Interpretation 18 Transfer of Assets from Customers	This Interpretation clarifies the accounting treatment for agreements where an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The key requirements of the Interpretation include: - an asset is only recognised where it meets the definition of an asset in the Framework; - transferred assets that meet the definition of an asset are initially recognised at fair value; and - revenue arising from the recognition of the transferred assets is recognised in accordance with AASB 118 Revenue. This has not impacted the Group, as Prime Infrastructure already recognises assets in accordance with this Interpretation.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

(c) Standards and Interpretations in issue not yet adopted

Standard	Impact	Effective for annual reporting periods beginning on or after
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	This amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset. This is not expected to impact the Group, as Prime Infrastructure has previously recognised an asset.	1 January 2011
Interpretation 19 Extinguishing Liabilities with Equity Instruments	This Interpretation requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. This is not expected to impact the Group, as Prime Infrastructure already accounts for the extinguishment of liabilities with equity instruments in this manner.	1 July 2010
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	This Standard introduces new requirements for classifying and measuring financial assets as follows: - debt instruments meeting both a 'business model' test and 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances); - investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss; - all other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss; and - the concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.	1 January 2013
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	This introduces amendments into Accounting Standards that are equivalent to those made by the International Accounting Standards Board under its program of annual improvements to its Standards. A number of the amendments are largely technical, clarifying particular terms or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the Statement of Cash Flows and the classification of leases of land and buildings	1 January 2010

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the Financial Statements. The Group does not intend to adopt any of these pronouncements before their effective date.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, as described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by the Directors in the preparation of these Financial Statements are outlined below.

Impairment of goodwill and intangibles with indefinite lives

Goodwill is assessed for impairment on an annual basis, or more often if indicators of potential impairment exist. Determining whether goodwill and intangibles with indefinite lives are impaired requires an estimation of the value-in-use or fair value less costs to sell of the cash-generating units which have been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill and intangibles with indefinite lives at the balance sheet date was $160.9 million (2009: $1,117.8 million) after an impairment loss of $193.0 million (2009: $732.4 million) was recognised during the current Financial Year from continuing operations. Details of the impairment loss calculation and assumptions used in the estimate of recoverable amount are provided in notes 17 and 18.

Intangible assets with finite lives

Useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

The carrying amount of intangible assets with finite lives at the balance sheet date was $6.6 million (2009: $2,306.3 million) after an impairment loss of $16.0 million (2009: $22.3 million) was recognised during the current Financial Year. Details of the assumptions used are provided in note 18.

Fair values in business combinations

The Group accounts for business combinations using the purchase method of accounting. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often predicated on estimates and judgements including future cash flows, revenue streams and value-in-use calculations (refer note 36 for details of business combinations). The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time required to obtain independent valuations of individual assets and to complete assessments of provisions.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Prime Infrastructure announced that it would classify its interests in AET&D and Cross Sound Cable as held for sale. Prime Infrastructure has issued an option to the BEPPA holders to receive any proceeds in relation to the disposal of the AET&D assets, whilst a twelve month option (with an option in favour of Brookfield for a further two periods of twelve months each) has been issued to Brookfield to acquire Cross Sound Cable for nominal proceeds.

Prime Infrastructure has written down its investment in AET&D to nil value and this has resulted in an impairment charge of $662.6 million being recognised in the current Financial Year. Further information is disclosed in note 38.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carried forward tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimation of useful lives of assets of property, plant and equipment

The estimation of the useful lives of property, plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of assets is assessed throughout the year and considered against the remaining useful life. Adjustments to useful life are made when necessary.

Asset retirement obligations

Provision is made for the anticipated costs of environmental restoration within Tasmania Gas Pipeline and future restoration of the sea bed at Cross Sound Cable (both held for sale). The provision includes future cost estimates associated with the rectification and remediation work. These future costs are discounted to their present value and are disclosed in note 22 and 38.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts. The impairment loss is disclosed in note 9.

Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. A number of assumptions including but not limited to wage escalation rates, inflation, interest rates, mortality rates and investment returns are used by the actuaries. Details of the assumptions used by the actuaries are disclosed in note 24.

Discounting of intercompany loans

Prime Infrastructure has a number of intercompany loans and loans with associates which are currently non-interest bearing. In determining the present value, a discount rate of between 5.86% and 6.94% has been used for a majority of the intercompany loans.

4. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
Continuing operations:		
Revenue from rendering of services	387,598	416,292
Revenue from rendering of services – related parties	1,335	-
Other revenue	6,487	4,933
Interest revenue:		
Bank deposits	12,733	29,417
Other related parties – associates	90,126	81,424
Other	295	958
Unwinding of unrealised discount on receivables from associates	657	-
	103,811	**111,799**
	499,231	**533,024**

5. FINANCE COSTS

	Consolidated	
	2010 $'000	**2009 $'000**
Continuing operations:		
(a) FINANCE COSTS		
Loss for the year has been arrived at after charging the following finance costs:		
Interest on loans	140,545	231,176
Other interest expense	3,310	2,374
Other finance costs	13,268	22,307
Interest paid/payable to BBI Exchangeable Preference Shareholders	7,084	61,688
	164,207	**317,545**
(b) HEDGE (GAIN) / EXPENSE		
(Gain)/loss on foreign currency derivatives	(18,462)	4,247
(Gain)/loss on interest rate derivatives	(1,188)	73,320
Fair value losses on interest rate swaps designated as cash flow hedges transferred from equity	-	35,327
	(19,650)	**112,894**

6. LOSS FOR THE YEAR

	Consolidated	
	2010 $'000	**2009 $'000**
(a) GAINS AND LOSSES		
Loss for the year has been arrived at after crediting/(charging) the following gains:		
Continuing operations:		
Gain on disposal of property, plant and equipment	62	72
Contributions from customers/developers	9,807	7,915
Government grants	1,169	1,171
Gain on conversion of BEPPA to Prime Infrastructure Stapled securities[1]	392,519	-
Other	1,332	7,186
	404,889	**16,344**
Loss for the year has been arrived at after crediting/(charging) the following losses:		
Continuing operations:		
Net foreign exchange losses	(46,490)	(28,289)
Loss on disposal of property, plant and equipment	(123)	(53)
	(46,613)	**(28,342)**
(b) OTHER EXPENSES		
Continuing operations:		
Net bad and doubtful debts arising from other entities	**647**	**(126)**
Depreciation of non-current assets (note 15)	75,915	71,090
Amortisation of non-current assets (note 18)	1,222	893
Impairment of non-current assets	51,681	89,771
	128,818	**161,754**
Impairment of intercompany loans with associates (note 10)	95,658	-
Operating lease rental expense:		
Minimum lease payments	1,394	1,683

1 The gain on conversion of BEPPA to Prime Infrastructure Stapled securities was due to the BEPPA securities being recorded at $677.4 million prior to their conversion. The fair value of these liabilities upon conversion was $284.8 million resulting in a one-off gain of $392.5 million.

7. INCOME TAXES

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS		
Tax (benefit) / expense comprises:		
Current tax (benefit)/expense	(77,430)	4,902
Adjustments recognised in the current year in relation to the current tax of prior years	44,777	(5,553)
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	50,532	(172,346)
Adjustments to deferred tax (benefit)/expense of prior years	(11,582)	3,665
Total tax expense / (benefit)	**6,387**	**(169,332)**
Attributable to:		
Continuing operations	941	(83,656)
Discontinued operations	5,446	(85,676)
	6,387	**(169,332)**
Income tax on pre-tax accounting profit reconciles to tax expense / (benefit) as follows:		
Profit/(loss) from continuing operations	33,236	(336,517)
Loss from discontinued operations	(975,447)	(809,945)
	(942,211)	**(1,146,462)**
Income tax benefit calculated at 30%	(282,663)	(343,939)
Exempt distributions	-	(1,705)
Income not assessable (including trust income)	(10,199)	(65,640)
Differences in overseas tax rates	(19,808)	3,280
Deferred tax assets not recognised	35,810	14,435
Non-deductible expenditure	5,678	20,017
Impairment loss	206,377	141,407
Unwinding of unrealised discount on related party receivables/payables	(1,227)	60,786
Equity accounted results	62,219	(456)
Other permanent differences	(22,995)	4,372
	(26,808)	**(167,443)**
Under/(over) provision of income tax in previous year	33,195	(1,889)
Income tax benefit recognised in profit or loss	**6,387**	**(169,332)**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

7. INCOME TAXES (CONTINUED)

The corporate tax rate in New Zealand was changed from 30% to 28% with effect from 1 April 2011. This revised rate in New Zealand has not impacted the current tax liability for the current year but will do so from 1 July 2011 (due to Prime Infrastructure Networks (New Zealand) Limited (PINNZ) adopting a 30 June balance date). The impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period.

	Consolidated	
	2010 $'000	**2009 $'000**
(b) INCOME TAX RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME		
Deferred tax:		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of financial instruments treated as cash flow hedges	11,479	73,043
Translation of foreign operations	(28,582)	47,610
Other reserve	(2,325)	-
Total income tax recognised directly in other comprehensive income	**(19,428)**	**120,653**
(c) CURRENT TAX ASSETS AND LIABILITIES		
Current tax assets:		
Tax refund receivable	**10**	**10,356**
Current tax payable:		
Income tax payable attributable to:		
Parent entity	-	-
Entities in the consolidated group	(847)	(1,377)
	(847)	**(1,377)**
	(837)	**8,979**
(d) DEFERRED TAX ASSETS		
The balance comprises deferred tax assets attributable to the following temporary differences:		
Property, plant and equipment	27,749	153,623
Deferred income	48,535	13,295
Receivables	50,151	125,837
Provisions	2,630	18,957
Accruals	3,162	2,713
Finance leases/novated loans	-	205,184
Hedges	31,419	70,873
Other	3,331	20,520
Total deferred tax assets attributable to temporary differences	**166,977**	**611,002**

7. INCOME TAXES (CONTINUED)

	Consolidated 2010 $'000	Consolidated 2009 $'000
(d) DEFERRED TAX ASSETS (CONTINUED)		
Deferred tax assets attributable to tax losses carried forward in the following jurisdictions:		
Australia	78,301	83,573
New Zealand	-	37,108
United Kingdom	1,230	3,915
Total deferred tax assets attributable to tax losses	**79,531**	**124,596**
Total deferred tax assets attributable to withholding tax	**2,570**	**-**
Total deferred tax assets	**249,078**	**735,598**
The following movements in the balance of deferred tax assets were included in the calculation of income tax expense:		
Opening balance of deferred tax assets	611,002	576,912
Amounts booked to foreign currency translation reserve	-	24,726
Revaluation of hedges	273	21,480
Equity raising costs and other	2,389	2,557
Acquisitions/disposals	(327,055)	(46,107)
Less closing balance of deferred tax assets attributable to temporary differences	(166,977)	(611,002)
Change in deferred tax assets included in tax benefit	**(119,632)**	**(31,434)**
(e) DEFERRED TAX LIABILITIES		
The balance comprises deferred tax liabilities attributable to the following temporary differences:		
Property plant and equipment	31,349	707,065
Intangibles	-	225,730
Payables	20,549	5,019
Pensions	9,275	7,585
Total deferred tax assets attributable to temporary differences	**61,173**	**945,399**
The following movements in the balance of deferred tax liabilities were included in the calculation of income tax expense:		
Opening balance of deferred tax liabilities	945,399	1,404,083
Amounts booked to foreign currency translation reserve	(28,582)	(22,883)
Acquisitions/disposals	(786,580)	(252,894)
Revaluation of hedges	11,617	(52,154)
Other	-	6,494
Less closing balance of deferred tax liabilities	(61,173)	(945,399)
Change in deferred tax liabilities included in tax (expense) / benefit	**(80,681)**	**137,247**

RELEVANCE OF TAX CONSOLIDATION TO THE GROUP

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Prime Infrastructure Holdings Limited. The members of the tax consolidated group are identified at note 35.

7. INCOME TAXES (CONTINUED)

RELEVANCE OF TAX CONSOLIDATION TO THE GROUP (CONTINUED)

Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate Financial Statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate Financial Statements of each entity and tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and other members of the tax-consolidated group in accordance with the arrangement.

There are three tax-consolidated groups within Australia. Tax expense/benefit, deferred tax assets and deferred tax liabilities for temporary differences for members of the tax consolidated group are reflected differently depending on whether the member is a controlled subsidiary, an associate or part of a disposal group classified as held for sale.

NATURE OF TAX FUNDING ARRANGEMENTS AND TAX SHARING AGREEMENTS

Entities within the tax-consolidated groups have entered into a tax funding arrangement and a tax sharing agreement with the relevant head entity. Under the terms of the tax funding arrangement, Prime Infrastructure Holdings Limited and each of the relevant entities in its tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. Similar arrangements exist between head entities and member entities of the other two tax-consolidated groups.

8. REMUNERATION OF AUDITORS

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

	Consolidated	
	2010 **$**	**2009** **$**
(a) AUDITOR OF THE PARENT ENTITY – DELOITTE TOUCHE TOHMATSU		
Audit or review of the Financial Report	645,006	479,942
Other assurance related projects[1]	2,799,920	-
	3,444,926	**479,942**
(b) OTHER AUDITORS		
Audit or review of the Financial Report – International associates of Deloitte Touche Tohmatsu	1,905,247	3,519,619
Non Deloitte Touche Tohmatsu audit firms for the audit or review of the Financial Reports of the Group entities	-	547,970
	1,905,247	**4,067,589**
(c) NON-AUDIT SERVICES		
International associates of Deloitte Touche Tohmatsu		
Taxation services	293,048	720,059
Assurance related	23,590	500,187
Other	-	98,287
	316,638	**1,318,533**

[1] The other assurance related projects paid to Deloitte Touche Tohmatsu consist primarily of fees paid in relation to the recapitalisation of Prime Infrastructure. Deloitte Touche Tohmatsu were engaged as the Investigating Accountants and provided a review statement on the forecast information contained in the Prospectus.

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010 $'000	**2009 $'000**
CURRENT		
Trade receivables[1]	43,479	134,924
Impairment provision	(1,344)	(2,989)
	42,135	**131,935**
GST and VAT receivables	1,765	4,566
Non-interest bearing receivable from other related party	-	5,749
Interest receivable from associates	26,015	7,310
Interest receivable – other entities	1,479	-
	27,494	**7,310**
Insurance claim receivable	2,097	4,750
Other	8,639	18,681
NON-CURRENT		
Trade receivables	3,728	4,435
Other receivables	1,189	1,691
Insurance claim receivable	-	3,314
	87,047	**182,431**
Disclosed in the Financial Statements as:		
Current trade and other receivables	82,130	172,991
Non-current trade and other receivables	4,917	9,440
	87,047	**182,431**

1 The average credit period on sales of services is 30 to 45 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable amounts from the provision of services, determined by reference to past default experience.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Consolidated 2010 $'000	Consolidated 2009 $'000
Ageing of past due but not impaired:		
Not past due	37,814	112,157
Past due - 0 to 30 days	4,331	16,573
Past due - 30 to 60 days	1,503	3,924
Past due – 60 to 90 days	1,036	2,200
Past due – 90 to 120 days	859	1,230
Past due – 120 plus days	320	286
	45,863	**136,370**
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	(2,989)	(8,670)
Impairment losses recognised on receivables	(767)	(875)
Amounts written off as uncollectible	(115)	(1,382)
Amounts recovered during the year	156	486
Impairment losses reversed	60	987
Net difference due to foreign exchange	580	(168)
Derecognised on disposal of subsidiary	1,661	163
Transferred to held for sale	70	6,470
	(1,344)	**(2,989)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting date. The concentration of risk to the Group is limited due to the customer base being large, diverse and unrelated.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Ageing of impaired trade receivables:		
Not past due	-	(96)
Past due - 0 to 30 days	-	(182)
Past due - 30 to 60 days	-	(119)
Past due – 60 to 90 days	-	(152)
Past due – 90 to 120 days	(853)	(490)
Past due – 120 plus days	(491)	(1,950)
	(1,344)	**(2,989)**

10. OTHER FINANCIAL ASSETS

	Consolidated	
	2010 $'000	**2009 $'000**
INVESTMENTS CARRIED AT COST		
Non-current:		
Other investments	**-**	**26**
DERIVATIVES		
Current:		
Foreign currency swaps	**4,171**	**4,053**
Non-current:		
Foreign currency swaps	2,623	9,098
Interest rate swaps	-	1,465
	6,794	**14,616**
LOANS CARRIED AT AMORTISED COST		
Current:		
Non-interest bearing loan with associate[1]	**34,829**	**-**
Non-current:		
Interest bearing loans with associate[2]	919,300	695,123
Provision for impairment for loans with associates	(31,229)	-
	888,071	**695,123**
Non-interest bearing loan with associate[3]	11,771	-
Provision for impairment for loan with associate	(3,924)	-
	7,847	**-**
	895,918	**695,123**
OTHER FINANCIAL ASSETS		
Current:		
Deposit – Australian Taxation Office[4]	28,030	60,616
Other	-	2,904
	28,030	**63,520**
	965,571	**773,285**
Disclosed in the Financial Statements as:		
Other current financial assets	67,030	67,573
Other non-current financial assets	898,541	705,712
	965,571	**773,285**

10. OTHER FINANCIAL ASSETS (CONTINUED)

1 Current non-interest bearing loans with associates relate to loans with DBCT. Refer note 39 for further information in relation to loans with related parties.

2 Non-current interest bearing loans with associates consist of the following:
   - $516.3 million (US $440.0 million) loan receivable from Myria Holdings Inc. which Prime Infrastructure has a 33% equity interest.
   - $200.8 million (NZ $247.1 million) loan receivable from Powerco New Zealand which Prime Infrastructure has a 42% equity interest.
   - $108.6 million loan receivable from DBCT which Prime Infrastructure has a 50.1% economic interest.
   - $93.7 million (€65.4 million) loan receivable which has been impaired by $31.2 million (€21.8 million) from Euroports Holdings S.á.r.l which Prime Infrastructure has a 66.1% equity interest. Refer note 39 for further information in relation to loans with related parties.

3 Non-current non-interest bearing loans with associates relate to loans receivable from Euroports Holdings S.á.r.l. The total receivable is $192.6 million (€134.4 million) which has a present value of $11.8 million (€8.2 million). This loan has been impaired by $3.9 million (€2.7 million). Refer note 39 for further information in relation to loans with related parties.

4 Cash on deposit with the Australian Taxation Office is interest bearing, and is in relation to the dispute regarding the deductibility of certain payments made in relation to the long-term lease of DBCT. For further information refer to note 33.

11. INVENTORIES

	Consolidated	
	2010 $'000	**2009 $'000**
Current:		
Consumables	**14,713**	**18,687**

NOTES TO THE STATEMENTS

for the Financial Year ended 30 June 2010

12. OTHER ASSETS

	Consolidated 2010 $'000	2009 $'000
Current:		
Deposits	169	13
Prepayments	8,109	16,552
Other	22	25
Non-current:		
Capitalised access undertaking costs	-	2,404
Less: accumulated amortisation	-	(2,184)
	-	**220**
Capitalised due diligence costs	-	5,417
Stamp duty costs paid[1]	71,346	-
Defined benefit asset (note 24)	5,542	37,486
Asset retirement obligation	-	19,920
Prepayments	-	561
Other	256	380
	85,444	**80,574**
Disclosed in the Financial Statements as:		
Other current assets	8,300	16,590
Other non-current assets	77,144	63,984
	85,444	**80,574**

1 On 6 January 2010, WestNet Rail Holdings No.1 Pty Limited, a wholly owned subsidiary of the Company received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition of the ARG Group by WestNet WA Rail Pty Limited. Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge it. Notwithstanding Prime Infrastructure's intention to object to the assessment, payment of $71.3 million ($46.4 million being Prime Infrastructure's share) was made on 5 February 2010 in accordance with the assessment.

WestNet WA Rail Pty Limited, the immediate parent of WestNet Rail Holdings No.1 Pty Limited, and also wholly-owned by the Company, exercised its contractual rights of indemnity against Queensland Rail as acquirer of the above rail ARG Group business in 2006 to recover approximately $24.9 million and to use that amount to partially fund the potential liability of WestNet Rail Holdings No.1 Pty Limited under the assessment. Accordingly, if it is ultimately determined that WestNet Rail Holdings No.1 Pty Limited is liable for stamp duty, the net duty required to be funded by the Company would be $46.4 million. This amount has been included as a contingent liability (refer note 33).

13. CASH HELD ON RESTRICTED DEPOSIT

	Consolidated	
	2010 $'000	**2009 $'000**
Non-current:		
Cash at bank[1]	**29,853**	**104,316**

1 Cash held on restricted deposit at bank is interest-bearing and its use is predominantly restricted as a reserve for the servicing of debt under the Group's financing agreements. In the prior year, cash held on restricted deposit also included restricted deposits in relation to equity contributions for the Dampier to Bunbury Natural Gas Pipeline Investment and DBCT.

14. INVESTMENTS IN ASSOCIATES

	Consolidated	
	2010 $'000	**2009 $'000**
Non-current:		
Investments in associates	397,602	650,196
Investments in joint venture entities	386	313
	397,988	**650,509**
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	650,509	778,042
Share of (loss)/profit for the year – continuing operations[6]	(185,055)	6,828
Share of profit for the year – discontinued operations	10,388	4,383
Share of reserves for the year	(61,242)	(9,603)
	414,600	**779,650**
Dividends	(26,483)	(24,871)
Additions[1,2]	330,064	59,871
Capital returns on equity investments[3]	(10,703)	(44,560)
Impairment[4]	(74,763)	(106,352)
Transferred to held for sale (note 38)[5]	(260,000)	(14,399)
Net foreign exchange differences	25,273	1,170
	397,988	**650,509**

1 Prime Infrastructure sold its 58% interest in Powerco New Zealand on 26 February 2009. Accordingly, Prime Infrastructure now equity accounts for its 42% interest. Further information is disclosed in note 38 to the Financial Statements.

2 The additions in the current Financial Year relate to DBCT and Euroports. In the prior year, the results from these assets were consolidated as they were controlled subsidiaries of Prime Infrastructure.

3 Capital returns on equity investments relate to Myria Holdings Inc.

4 The impairment charge of $74.8 million within equity accounted investments relates to a write down in the Multinet Gas Holdings and Dampier to Bunbury Natural Gas Pipeline of $23.1 million, a write down in the investment in Myria Holdings Inc. of $36.2 million and a write down in the investment in Euroports of $15.5 million.

5 Prime Infrastructure has classified its investment in AET&D as held for sale as at 30 June 2010. Included within the portfolio of assets within AET&D is the equity accounted investments in Multinet Gas Holdings and Dampier to Bunbury Natural Gas Pipeline. Accordingly, these investments are no longer included within investments in associates, but rather as a current asset within non-current assets classified as held for sale. In the prior year, the Euroports equity accounted investments was classified as held for sale.

6 Included within share of (loss)/profit for the year – continuing operations is the settlement of the DBCT ATO dispute.

14. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name of entity	Principal activity	Country of incorporation	Economic interest 2010 %	Economic interest 2009 %
Dalrymple Bay Coal Terminal[1]	Coal terminal	Australia	50.1	100
Powerco New Zealand Holdings Limited	Electricity and gas distribution	New Zealand	42	42
ARG Risk Management Limited	Captive insurer	Australia	50	50
Euroports s.á.r.l[2]	Ports operator	Luxembourg	66.1	100
Multinet Gas Holdings[3]	Gas distribution	Australia	20.1	20.1
Dampier to Bunbury Natural Gas Pipeline[3]	Gas transmission	Australia	20	20
Natural Gas Pipeline of America	Natural gas transmission and storage	USA	26.4	26.4

1 As part of the recapitalisation completed on 20 November 2009, Brookfield Infrastructure Australia Trust agreed to subscribe for Convertible Notes for $295.4 million and enter into a number of other agreements with Prime Infrastructure which confer on Brookfield Infrastructure Australia Trust a 49.9% economic interest in DBCT. As a result of this transaction, Prime Infrastructure no longer controls DBCT in accordance with Accounting Standards and equity accounts its investment.

2 The sale of 33.89% of Euroports was completed on 28 July 2009. This resulted in this investment being equity accounted as it was deemed that Prime Infrastructure no longer had control over this business in accordance with Accounting Standards. In addition, Antin IP holds a convertible bond, which if converted, would convert into a further 5.97% of the equity in Euroports leaving Prime Infrastructure holding 60% interest. In the prior year, this investment was classified as held for sale.

3 These investments are part of the AET&D group of assets. As at 30 June 2010, these have been classified as held for sale.

14. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Consolidated 2010 $'000	Consolidated 2009 $'000
SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE ENTITIES		
Financial position:		
Total assets	16,356,921	17,474,579
Total liabilities	(15,331,876)	(14,981,185)
Net assets	**1,025,045**	**2,493,394**
Group's share of associates' net assets	**397,980**	**650,196**
Financial performance:		
Total revenue	3,019,935	2,334,169
Total (loss)/profit for the year	(388,564)	32,813
Group's share of associates' (loss) / profit	**(174,741)**	**11,405**
SUMMARISED FINANCIAL INFORMATION OF JOINTLY CONTROLLED ENTITIES		
Financial position:		
Current assets	3,998	4,239
Non-current assets	53	55
	4,051	**4,294**
Current liabilities	(3,279)	(3,667)
Non-current liabilities	-	(2)
	(3,279)	**(3,669)**
Net assets	**772**	**625**
Group's share of jointly controlled entities' net assets	**386**	**313**
Financial performance:		
Income	173	239
Expenses	(25)	(627)
Net profit / (loss)	**148**	**(388)**
Group's share of jointly controlled entities' profit / (loss)	**74**	**(194)**

Dividends received from associates and joint ventures

During the year, the Group received dividends of $26.5 million (2009: $24.9 million).

Contingent liabilities and capital commitments

The Group's share of contingent liabilities of associates and jointly controlled entities is disclosed in note 33.

The Group's share of capital commitments and other expenditure commitments of associates and jointly controlled entities is disclosed in note 32.

15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land and buildings at cost $'000	Leasehold improvements at cost $'000	Network systems at cost $'000	Track lease premium at cost $'000	Plant and equipment at cost $'000	Work in progress at cost $'000	Total $'000
Gross Carrying Amount:							
Balance at 1 July 2008	**696,636**	**844,433**	**2,263,573**	**198,355**	**1,927,039**	**157,569**	**6,087,605**
Additions	10,995	139,155	60,605	-	78,498	103,731	392,984
Transfers	13,065	3,722	29,003	-	21,186	(66,976)	-
Disposals	(12,800)	(17)	(1,629,434)	-	(25,239)	(75,735)	(1,743,225)
Acquisitions through business combinations (note 36)	57,133	-	-	-	144,528	-	201,661
Classified as held for sale (note 38)	(417,458)	(6,988)	-	-	(323,634)	(19,017)	(767,097)
Net foreign currency exchange differences	24,959	(262)	(8,566)	-	39,252	(890)	54,493
Other	564	-	-	-	101	-	665
Balance at 30 June 2009	**373,094**	**980,043**	**715,181**	**198,355**	**1,861,731**	**98,682**	**4,227,086**
Additions	4,504	1,235	43,361	-	41,093	83,549	173,742
Transfers	180	70,495	6,907	-	16,877	(94,459)	-
Disposals	-	(195)	(865)	-	(9,224)	-	(10,284)
Disposal through sale of business	(247,077)	(16,989)	-	-	(81,453)	(42,606)	(388,125)
Classified as held for sale (note 38)	(44,806)	(13,348)	-	-	(1,759,208)	(28,390)	(1,845,752)
Net foreign currency exchange differences	(41,999)	(1,336)	(70,841)	-	(19,331)	(3,355)	(136,862)
Other	-	-	-	-	6,733	-	6,733
Balance at 30 June 2010	**43,896**	**1,019,905**	**693,743**	**198,355**	**57,218**	**13,421**	**2,026,538**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated	Land and buildings at cost $'000	Leasehold improvements at cost $'000	Network systems at cost $'000	Track lease premium at cost $'000	Plant and equipment at cost $'000	Work in progress at cost $'000	Total $'000
Accumulated depreciation / amortisation:							
Balance at 1 July 2008	**31,484**	**66,837**	**234,409**	**9,310**	**107,968**	**-**	**450,008**
Transfers	(7)	(289)	-	-	296	-	-
Classified as held for sale (note 38)	(28,725)	(1,220)	-	-	(66,875)	-	(96,820)
Impairment losses charged to profit	-	-	33,986	-	-	-	33,986
Depreciation expense	20,961	37,367	43,689	4,476	91,756	-	198,249
Net foreign currency exchange differences	(235)	9	(1,262)	-	966	-	(522)
Other	1,633	-	-	-	(4,597)	-	(2,964)
Balance at 30 June 2009	**23,732**	**102,690**	**99,638**	**13,786**	**110,707**	**-**	**350,553**
Disposals	-	(172)	(849)	-	(5,006)	-	(6,027)
Transfers	180	190	23	-	(393)	-	-
Disposal through sale of business	(17,740)	(852)	-	-	(24,780)	-	(43,372)
Classified as held for sale (note 38)	(4,684)	(4,275)	-	-	(522,612)	-	(531,571)
Impairment losses charged to profit	-	688	-	-	429,846	-	430,534
Depreciation expense	3,185	42,484	20,497	4,472	29,345	-	99,983
Net foreign currency exchange differences	(2,644)	(106)	(7,316)	-	(4,950)	-	(15,016)
Other	-	-	-	-	6,737	-	6,737
Balance at 30 June 2010	**2,029**	**140,647**	**111,993**	**18,258**	**18,894**	**-**	**291,821**
Net Book Value as at 30 June 2009	**349,362**	**877,353**	**615,543**	**184,569**	**1,751,024**	**98,682**	**3,876,533**
Net Book Value as at 30 June 2010	**41,867**	**879,258**	**581,750**	**180,097**	**38,324**	**13,421**	**1,734,717**

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated	
	2010 $'000	**2009 $'000**
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Land and buildings	3,185	20,961
Leasehold improvements	42,484	37,367
Network systems	20,497	43,689
Track lease premium	4,472	4,476
Plant and equipment	29,345	91,756
	99,983	**198,249**

16. INVESTMENT PROPERTY

	Consolidated	
	2010 $'000	**2009 $'000**
Balance at beginning of Financial Year	174,672	165,228
Net gain from fair value adjustments	-	10,928
Transferred to held for sale (note 38)	-	(93)
Disposals (note 38)	(154,027)	-
Net foreign exchange differences	(20,645)	(1,391)
Balance at end of Financial Year	**-**	**174,672**

The Group's investment property portfolio was held by PD Ports, which was sold on 20 November 2009. Previously, the valuation of the investment property at PD Ports was undertaken by an external firm of chartered surveyors, Knight Frank, on an open market existing use basis.

17. GOODWILL

	Consolidated 2010 $'000	Consolidated 2009 $'000
Gross carrying amount:		
Balance at beginning of Financial Year	726,979	1,369,777
Amounts recognised as part of a prior year business combination	-	8,594
Amounts recognised from business combinations occurring during the year	-	39,442
Derecognised on disposal of subsidiary[1]	(148,049)	(112,878)
Transferred to held for sale (note 38)[2]	(318,630)	(607,141)
Net foreign exchange differences	(43,622)	28,961
Other movements	-	224
Balance at end of Financial Year	**216,678**	**726,979**
Accumulated impairment losses:		
Balance at beginning of Financial Year	(348,416)	-
Impairment losses for the year	(193,000)	(525,549)
Derecognised on disposal of subsidiary[1]	148,049	-
Transferred to held for sale (note 38)[2]	318,630	177,133
Net foreign exchange differences	18,952	-
Balance at end of Financial Year	**(55,785)**	**(348,416)**
Net book value:		
At the beginning of the Financial Year	**378,563**	**1,369,777**
At the end of the Financial Year	**160,893**	**378,563**

1 This amount relates to the sale of PD Ports on 20 November 2009 as part of the recapitalisation of Prime Infrastructure. The goodwill relating to the business was fully impaired at 30 June 2009.
2 This amount relates to the Australian Energy Transmission & Distribution business which has been classified as held for sale as at 30 June 2010.

ALLOCATION OF GOODWILL

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- International Energy Group.
- WestNet Rail.
- Australian Energy Transmission & Distribution (classified as held for sale).
- Euroports – disposed of 33.89% on 28 July 2009 and no longer consolidated. Classified as held for sale as at 30 June 2009.
- PD Ports – sold on 20 November 2009.

17. GOODWILL (CONTINUED)

The carrying amount of goodwill (other than goodwill classified as held for sale) was allocated to the following cash-generating units.

Goodwill balance	IEG $'000	WestNet Rail $'000	AET&D $'000	Total $'000
2010	151,378	9,515	-	160,893
2009	176,048	9,515	193,000	378,563

IMPAIRMENT TESTS OF GOODWILL

Goodwill within the Prime Infrastructure Group relates to IEG, WestNet Rail and AET&D and the cash-generating units applicable within each of these entities. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As a result of the detailed assessment, an impairment charge of $193.0 million was recognised against goodwill (2009: $525.5 million). The impairment charge of goodwill in the current year relates to AET&D and is included within discontinued operations, as the business is classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

INTERNATIONAL ENERGY GROUP

The recoverable amount of this cash-generating unit is determined based on a 'value in use' calculation which uses cash flow projections based on financial budgets approved by management for the 2011 year with a forecast out to June 2050. The length of the forecast reflects the long-life nature of IEG's assets. A discount rate of between 7.41% and 8.47% has been used in the model depending on the jurisdiction (2009: 6.59% to 7.82%). The movement in the goodwill balance in the current Financial Year is due to foreign exchange translation.

A majority of the goodwill within IEG is attributable to the UK businesses. Cash flow projections for assessing potential impairment have been based on forecast connections and inflation based on 2.5%. Cash flow projections also include forecast maintenance capital expenditure.

No impairment charges have been recognised in relation to IEG in the current Financial Year.

WESTNET RAIL

The recoverable amount of this cash-generating unit is determined based on a 'value in use' calculation which uses cash flow projections based on financial budgets approved by management for the 2011 year with long term projections assumed out to the end of the lease period (i.e. 2049). The length of the projections reflects the long-life nature of WestNet Rail's assets. In the current Financial Year, a discount rate of 9.92% (2009: 10.23%) has been used.

Cash flow projections during the budget period have been based on 2011 forecast volumes with appropriate growth assumptions beyond 2011. Inflation of 2.5% (2009: 2.50%) has been included in this analysis. The cash flow projections include forecast maintenance capital expenditure.

No impairment charges have been recognised in relation to WestNet Rail in the current Financial Year (2009: $50.9 million).

AUSTRALIAN ENERGY TRANSMISSION & DEVELOPMENT

The goodwill associated with the AET&D cash-generating unit arose when the business was acquired by Prime Infrastructure as part of the Alinta acquisition. As noted above, the investment in AET&D is currently classified as held for sale.

The recoverable amount of WA Gas Networks and Tasmania Gas Pipeline have been determined using 'value in use' calculations based on approved 2011 financial year budgets and financial projections beyond this date. The WA Gas Networks' projections extend to 2050 whilst the Tasmania Gas Pipeline projection extends to 2073. In the current Financial Year, a discount rate range of 9.04% to 9.83% (2009: 9.29% to 9.95%) has been used for impairment purposes.

Cash flow projections for WA Gas Networks have been calculated assuming a regulatory WACC and tariffs that will apply following the 2010 Access Arrangement reset, updated estimates on new connections and consumption volumes by tariff band and a revised asset management plan. An inflation of rate of 2.5% (2009: 2.50%) has been used.

WestNet Energy, which is the asset management business, has been valued using a 'fair value less cost to sell' methodology consistent with prior periods. In determining this fair value less cost to sell amount, an EBITDA multiple has been used.

AET&D also has equity accounted investments in Multinet Gas Networks and the Dampier Bunbury Natural Gas Pipeline. These investments are valued using fair value less costs to sell using a Regulated Asset Base (RAB) multiple.

17. GOODWILL (CONTINUED)

AUSTRALIAN ENERGY TRANSMISSION & DEVELOPMENT (CONTINUED)

In the current Financial Year, a total impairment charge of $232.8 million (2009: $232.0 million) has been recognised in respect of the AET&D businesses. Of this amount, $193.0 million (2009: $125.6 million) has been charged against goodwill, $23.1 million ($106.4 million) has been written off the equity accounted investments, with the balance of $16.7 million (2009: $nil) being charged against other intangibles and property, plant and equipment. Key reasons for the impairment charges that have been recognised include lower assumed growth forecasts across the Group as a result of the local and global financial conditions, increased operating costs and maintenance costs in certain assets and EBITDA multiples for those assets that were valued using the fair value less costs to sell methodology. In addition, the AET&D businesses are classified as held for sale as at 30 June 2010.

18. OTHER INTANGIBLE ASSETS

	Conservancy rights[1] $'000	Concession arrange-ments[2] $'000	Permits[3] $'000	Software, licenses and other $'000	Easements and contracts[4,5] $'000	$'000
Gross carrying amount:						
Balance at 1 July 2008	**955,626**	**2,775,928**	**43,634**	**58,051**	**93,855**	**3,927,094**
Additions	-	272,771	-	15,552	4,734	293,057
Acquisitions through a business combination (note 36)	-	14,270	-	-	14,409	28,679
Disposals	-	-	-	(15,566)	(165)	(15,731)
Transferred to held for sale (note 38)	-	(769,109)	-	(14,889)	(37,484)	(821,482)
Other	-	(17,504)	-	154	-	(17,350)
Net foreign exchange differences	(8,434)	43,306	8,122	877	1,853	45,724
Balance at 30 June 2009	**947,192**	**2,319,662**	**51,756**	**44,179**	**77,202**	**3,439,991**
Additions	-	33,031	-	1,230	-	34,261
Disposals	(835,243)	(2,352,693)	-	(5,495)	-	(3,193,431)
Transferred to held for sale (note 38)	-	-	(49,272)	(25,677)	(79,070)	(154,019)
Other	-	-	-	(4,844)	-	(4,844)
Transfers	-	-	-	-	1,868	1,868
Net foreign exchange differences	(111,949)	-	(2,484)	(344)	-	(114,777)
Balance at 30 June 2010	**-**	**-**	**-**	**9,049**	**-**	**9,049**
Accumulated amortisation and impairment:						
Balance at 1 July 2008	-	**152,106**	**2,651**	**14,133**	**5,122**	**174,012**
Amortisation expense[6]	-	53,093	1,481	6,153	6,635	67,362
Impairment expense[7]	206,878	22,328	-	-	-	229,206
Disposals	-	-	-	(6,312)	(41)	(6,353)
Transferred to held for sale (note 38)	-	(66,446)	-	(3,437)	(6,558)	(76,441)
Other	-	5,043	-	(77)	-	4,966
Net foreign exchange differences	1,104	111	298	91	104	1,708
Balance at 30 June 2009	**207,982**	**166,235**	**4,430**	**10,551**	**5,262**	**394,460**
Amortisation expense[6]	-	21,172	522	3,542	1,182	26,418
Impairment expense[7]	-	-	-	-	16,000	16,000
Disposals	(183,401)	(187,407)	-	(3,557)	-	(374,365)
Transferred to held for sale (note 38)	-	-	(4,741)	(7,859)	(22,410)	(35,010)
Transfers	-	-	-	34	(34)	-
Net foreign exchange differences	(24,581)	-	(211)	(227)	-	(25,019)
Balance at 30 June 2010	**-**	**-**	**-**	**2,484**	**-**	**2,484**
Net book value:						
As at 30 June 2009	**739,210**	**2,153,427**	**47,326**	**33,628**	**71,940**	**3,045,531**
As at 30 June 2010	**-**	**-**	**-**	**6,565**	**-**	**6,565**

18. OTHER INTANGIBLE ASSETS (CONTINUED)

1 The conservancy right was acquired as part of the acquisition of PD Ports plc in 2006 and was recorded at its fair value. The conservancy asset recognised is not amortised as it is a right in perpetuity with an indefinite life, but is subject to an annual impairment review.

In the prior Financial Year an impairment charge of $206.9 million was recognised. As part of the recapitalisation of Prime Infrastructure that took place on 20 November 2009, PD Ports was sold for nominal proceeds. Refer note 38 for further information.

2 Concession arrangements included the service concession arrangement at DBCT and key concession arrangements at various European ports. The ports' concessions are usually awarded by Government authorities in that jurisdiction. These concession arrangements allow Euroports to operate and generate revenue from the use of the port. The concession arrangements have an expiration of between 2016 and 2059 and certain concessions have options to extend the arrangement. These arrangements are being amortised over their useful life, with the expense recognised in the Income Statement. In the prior Financial Year, an impairment charge of $22.3 million was recorded against the European ports concession arrangements.

In the current year, Prime Infrastructure has sold 33.9% of its investment in Euroports and has entered into arrangements concerning a 49.9% economic interest in DBCT. Accordingly, Prime Infrastructure no longer controls either of these assets and does not consolidate their results. Refer note 38 for further information.

3 Permits include the separately identifiable asset acquired as part of the acquisition of Cross Sound Cable in the US. The permit is amortised over the life of the main cable attached to the permit being 40 years, and has 34 years remaining. As part of the recapitalisation, Prime Infrastructure is carrying its investment in Cross Sound Cable as held for sale. Refer note 38 for further information.

4 Easement rights relate to the intangible asset that allows the Tasmanian Gas Pipeline business to access the land above the pipeline. As part of the recapitalisation, Prime Infrastructure is carrying its investment in Tasmania Gas Pipeline within AET&D as held for sale.

5 Contracts relate to contracts with external customers that have been purchased as part of a business combination. These are being amortised over the expected period of benefit from these contracts.

6 Amortisation expense is recognised within depreciation, amortisation and impairment charge in the Income Statement.

7 Impairment charges are recognised within loss from discontinued operations in the Income Statement. This impairment charge relates to intangibles held within the AET&D group.

19. TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $'000	2009 $'000
Current:		
Trade payables[1]	74,536	165,421
Distribution payable (note 30)	26,383	-
Interest payable – other parties	11,736	84,131
Payable to other related parties[2]	5,735	12,707
Tax related amounts within the tax-consolidated group (non-interest bearing)	26,175	-
GST and VAT payable	4,190	11,200
Other	11,340	58,730
Non-current:		
Other	-	3,290
Payable to other related parties	16,223	-
	176,318	**335,479**
Disclosed in the Financial Statements as:		
Current trade and other payables	160,095	332,189
Non-current trade and other payables	16,223	3,290
	176,318	**335,479**

1 The average credit period on purchases of goods and services is 30 days. No interest is incurred on trade creditors.
2 Further information relating to loans to related parties is set out in note 39 to the Financial Statements.

20. BORROWINGS

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Unsecured:						
Bank overdrafts	-	-	-	31	-	31
Bank loans[1]	619,494	-	619,494	9,673	764,494	774,167
Subordinated debt[2]	-	-	-	-	79,824	79,824
Hybrid securities[3]	94,842	-	94,842	93,938	677,431	771,369
Guaranteed notes[4]	-	-	-	-	446,726	446,726
	714,336	**-**	**714,336**	**103,642**	**1,968,475**	**2,072,117**
Secured:						
Bank loans[1]	7,314	463,127	470,441	388,868	3,041,325	3,430,193
Guaranteed notes[4]	-	-	-	-	880,000	880,000
Secured bonds[5]	-	119,516	119,516	-	119,368	119,368
Securitised loan notes[6]	-	-	-	-	519,963	519,963
Other	-	-	-	462	-	462
	7,314	**582,643**	**589,957**	**389,330**	**4,560,656**	**4,949,986**
	721,650	**582,643**	**1,304,293**	**492,972**	**6,529,131**	**7,022,103**
Finance leases (note 34)	-	-	-	788	4,144	4,932
Less: capitalised borrowing costs	-	(15,188)	(15,188)	-	(47,330)	(47,330)
	721,650	**567,455**	**1,289,105**	**493,760**	**6,485,945**	**6,979,705**

20. BORROWINGS (CONTINUED)

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
1. BANK LOANS						
Unsecured:						
WestNet Rail Group bank loan facilities[1]	619,494	-	619,494	173	619,494	619,667
WA Gas Networks & WA Network Holdings club facilities[2]	-	-	-	9,500	145,000	154,500
	619,494	**-**	**619,494**	**9,673**	**764,494**	**774,167**
Secured:						
Prime Infrastructure revolving bank facility[3]	-	-	-	-	839,694	839,694
Prime Infrastructure Networks (New Zealand) revolving facility[3]	-	-	-	-	100,579	100,579
Prime Finance (UK) revolving facility[3]	-	-	-	168,719	-	168,719
DBCT bank debt facilities[4]	-	-	-	-	809,900	809,900
IEG bank facility[5]	7,314	463,127	470,441	14,477	536,122	550,599
Cross Sound Cable bank loan facility[6]	-	-	-	418	237,030	237,448
PD Ports group bank loan facilities[7]	-	-	-	205,254	-	205,254
Prime AET&D No.2 Pty Limited[8]	-	-	-	-	518,000	518,000
	7,314	**463,127**	**470,441**	**388,868**	**3,041,325**	**3,430,193**
	626,808	**463,127**	**1,089,935**	**398,541**	**3,805,819**	**4,204,360**

1 WestNet Rail Group facilities comprise the following:
- $550.0 million term facility maturing in June 2011 that is fully drawn (2009: fully drawn).
- $77.0 million revolving facility maturing in June 2011 that is drawn to $69.5 million (2009: $69.5 million).

The facilities are unsecured with an average interest rate including swaps as at 30 June 2010 of 6.59% (2009: 6.49%). Prime Infrastructure has secured commitments from the existing WestNet Rail lenders to refinance $619.0 million debt facilities (out to January 2014) including the repayment of $165.0 million.

2 As at 30 June 2009 WA Gas Networks had bank facilities drawn to $145.0 million. These facilities were unsecured unsubordinated obligations subject to negative pledge covenants. As at 30 June 2010, the AET&D group of assets which includes WA Gas Networks is classified as held for sale.

3 The Prime Infrastructure corporate bank debt facilities were repaid in full in November 2009 as part of the recapitalisation. As part of the recapitalisation, a 3 year $300.0 million corporate facility was established, which remains undrawn at 30 June 2010. In the prior year, the Prime Infrastructure corporate bank debt facilities were drawn to $1,109.0 million.

4 During the current Financial Year as part of the recapitalisation of Prime Infrastructure, Prime Infrastructure entered into arrangements with Brookfield Infrastructure Australia Trust, such that Prime Infrastructure no longer controls DBCT. Accordingly, Prime Infrastructure accounts for its remaining 50.1% economic interest in DBCT as an equity accounted investment and no longer consolidates its share of DBCT's borrowings.

DBCT bank facilities comprise the following:
- $295.0 million term facility maturing in December 2011. The facility was used to fund the Phase 1 expansion of the coal terminal and is guaranteed by FGIC UK Limited. As at 30 June 2009, the facility is drawn to $263.3 million.
- $574.0 million term facility. This facility was entered into in February 2008 to fund the Phase 2/3 expansion of the coal terminal. The facility has an average maturity of February 2012. As at 30 June 2009, the facility is drawn to $538.0 million.
- $40.0 million term facility. This facility was entered into in October 2008 to finance non-expansionary capex requirements in relation to the terminal. The facility matures in October 2011 and as at 30 June 2009 is drawn to $8.6 million.

These facilities have the benefit of the BBI DBCT Deed of Common Provisions and rank pari passu with all other senior secured debt of DBCT Finance Pty Limited. As at 30 June 2009, the average interest rate on the debt is 5.08%.

20. BORROWINGS (CONTINUED)

5 The IEG bank debt facilities comprise the following:

- Senior facilities totalling £237.2 million (2009: £240.6 million) and a £16.0 million (2009: £16.0 million) junior facility in relation to the IEG UK business maturing in January 2013. As at 30 June 2010, the junior facility is fully drawn ($28.2 million) with the senior facilities drawn to $330.2 million (£187.1 million) (2009: £172.9 million).
- Bank facilities totalling £63.5 million that are fully drawn (2009: £67.9 million) in relation to IEG’s Islands businesses with a maturity date of May 2016.
- As at 30 June 2009, a bank facility of £14.5 million in relation to the Power On Connections business. In the current Financial Year, the facility was repaid in full from proceeds from the recapitalisation of Prime Infrastructure that was undertaken in November 2009.

6 As at 30 June 2009 the Cross Sound Cable loan facility comprised amortising term facilities with an available limit of US$193.7 million, drawn to US$192.7 million. The term facilities mature in February 2011 and are secured against the assets of the Cross Sound Cable group. As at 30 June 2010, the Cross Sound Cable group of assets are classified as held for sale.

7 As part of the recapitalisation of Prime Infrastructure in November 2009, the PD Ports group was sold to Brookfield. The PD Ports Group bank debt facilities in the prior year comprised of the following:

- $153.9 million (£75.0 million) term facility maturing in October 2009.
- $51.3 million (£25.0 million) term facility maturing in October 2009.

The As at 30 June 2010, the AET&D group of assets which includes the Prime AET&D No.2 Pty Limited facility is classified as held for sale. The facility is currently fully drawn at $518.0 million and is due to mature in July 2011.

8 As at 30 June 2010, the AET&D group of assets which includes the Prime AET&D No. 2 Pty Limited facility is classified as held for sale. The facility is currently fully drawn at $518.0 million and is due to mature in July 2011.

20. BORROWINGS (CONTINUED)

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
2. UNSECURED DEBT						
WA Network Holdings subordinated debt[1]	-	-	-	-	79,824	79,824

1 As at 30 June 2010, the AET&D group of assets which includes WA Network Holdings is classified as held for sale. Refer to note 38 for further information. As at 30 June 2009, WA Network Holdings had $79.8 million of subordinated debt outstanding, maturing in July 2018. The average interest rate on the debt at 30 June 2009 was 5.83%.

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
3. HYBRID SECURITIES						
Prime Infrastructure Networks (New Zealand) SPARCS[1]	94,842	-	94,842	93,938	-	93,938
BBI EPS[2]	-	-	-	-	677,431	677,431
	94,842	**-**	**94,842**	**93,938**	**677,431**	**771,369**

1 Prime Infrastructure Networks (NZ) Subordinated Prime Adjusting Reset Convertible Securities (SPARCS) comprise a subordinated bond issued by Prime Infrastructure Networks (NZ) Limited (PINNZ) which is convertible in certain circumstances into Stapled Securities of Prime Infrastructure. As at 30 June 2010, 119,005,156 SPARCS were on issue at a face value of NZ$119.0 million (2009: 119,041,816, face value NZ$119.0 million).

The terms of the SPARCS were reset on 17 November 2009. The new interest rate is 10% per annum until the new reset date being 17 November 2010. Thereafter, PINNZ may set reset dates at its absolute discretion. PINNZ may change the interest rate on each reset date. SPARCS may be converted in certain circumstances either at the request of a SPARCS holder or at the option of PINNZ. In the event that SPARCS are to be converted, PINNZ shall determine, at its absolute discretion, whether the SPARCS are to be exchanged for Stapled Securities, redeemed for cash; or converted for a combination of Stapled Securities and cash. During the period to 30 June 2010, a total of 36,660 SPARCS were converted into Prime Infrastructure Stapled Securities (2009: 27,162,293).

Prime Infrastructure Holdings Limited, Prime Infrastructure Trust and Prime Infrastructure Trust 2 have provided a subordinated undertaking to pay all amounts required by PINNZ under the terms of issue of SPARCS to the extent such amounts are not paid by PINNZ. The SPARCS are subordinated debt obligations of PINNZ. In the event or winding up or liquidation, SPARCS are subordinated to, and rank behind the claims of senior creditors of PINNZ.

Subsequent to year end, Prime Infrastructure announced that PINNZ had agreed to redeem all outstanding SPARCS on issue on 17 November 2010. Holders will receive face value plus any accrued interest in cash for each of their SPARCS under the redemption. Refer to note 40 for further information.

2 In August 2007, 778,656,840 BBI EPS Exchangeable Preference Shares (BBI EPS) were issued by Prime AET&D Holdings No.1 Limited (formerly BBI EPS Limited) as part of the Alinta Share Scheme to acquire the Alinta businesses. During the current Financial Year as part of the recapitalisation of Prime Infrastructure the BBI EPS were converted into Prime Infrastructure Stapled Securities. No external liability exists at 30 June 2010.

20. BORROWINGS (CONTINUED)

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
4. GUARANTEED NOTES						
Unsecured:						
Alinta Network Holdings fixed and floating rate notes[1]	-	-	-	-	466,726	466,726
DBCT fixed and floating rate notes[2]	-	-	-	-	880,000	880,000
	-	**-**	**-**	**-**	**1,326,726**	**1,326,726**

1 As at 30 June 2010, the AET&D group, which includes WA Network Holdings is classified as held for sale. In the prior year, WA Network Holdings had the following guaranteed notes on issue:

- $200.0 million fixed rate notes at 5.75% that were maturing in September 2010. The carrying value of these fixed rate notes at 30 June 2010 was $196.7 million.
- $250.0 million floating rate notes at BBSW + 0.26% maturing in September 2012. These notes are unsecured, unsubordinated obligations of WA Network Holdings with the interest and payment obligations guaranteed by Financial Security Assurance Pty Ltd. As at 30 June 2009, the average interest rate on the notes including swaps is 5.69%.

2 During the current Financial Year as part of the recapitalisation of Prime Infrastructure, Prime Infrastructure entered into arrangements with Brookfield Infrastructure Australia Trust, such that Prime Infrastructure no longer controls DBCT. Accordingly, Prime Infrastructure accounts for its remaining 50.1% economic interest in DBCT as an equity accounted investment and no longer consolidates its share of DBCT's borrowings.

As at 30 June 2009, DBCT Finance Pty Limited had the following fixed and floating rate notes on issue:

- $150.0 million fixed rate notes at 6.25% maturing in June 2016.
- $200.0 million floating rate notes at BBSW + 0.25% maturing in June 2016.
- $230.0 million floating rate notes at BBSW + 0.30% maturing in June 2021.
- $100.0 million floating rate notes at BBSW + 0.37% maturing in June 2026.

The above fixed and floating rate notes are guaranteed by Syncora Guarantee Inc.

- $200.0 million floating rate notes at BBSW + 0.29% maturing in December 2022. These notes are guaranteed by FGIC UK Limited.

These fixed and floating rate notes are further secured over:

- units and shares in DBCT Trust and DBCT Management Pty Limited (guarantors)
- fixed and floating charge over all of the assets of the Issuer and Guarantors.
- real property mortgages granted by the Guarantors.

These notes rank pari passu with all other senior secured debt of DBCT Finance Pty Limited. As at 30 June 2009, the average interest rate on the notes including swaps is 6.73%.

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
5. SECURED BONDS						
PINNZ secured bonds[1]	-	**119,516**	**119,516**	-	**119,368**	**119,368**

1 Prime Infrastructure Network (New Zealand) Limited has on issue $119.5 million (NZ$147.1 million) in secured bonds maturing in November 2012 (2009: $119.4 million – NZ$148.35 million). The bonds rank pari passu to Prime Infrastructure's other senior secured debt obligations and have the benefit of the Prime Infrastructure Deed of Common Provisions and Prime Infrastructure Security Trust Deed. As at 30 June 2010, these bonds have a fixed coupon of 9.0% (2009: 8.5%).

20. BORROWINGS (CONTINUED)

	Consolidated					
	2010			2009		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
6. SECURITISED LOAN NOTES						
PD Ports securities loan notes[1]	-	-	-	-	**519,963**	**519,963**

1 As part of the recapitalisation of Prime Infrastructure in November 2009, the PD Ports group was sold to Brookfield. The PD Ports securitised loan notes in the prior year comprised of the following:

- $297.6 million (£145.0 million) "A" rated notes maturing March 2024 with a fixed coupon of 7.13%; and
- $143.7 million (£70.0 million) "BBB" rated notes maturing March 2028 with a fixed coupon of 8.24%.

21. OTHER FINANCIAL LIABILITIES

	Consolidated	
	2010 $'000	2009 $'000
DERIVATIVES		
Current:		
Foreign currency swaps	1,336	2,660
Interest rate swaps	23	51,798
Non-current:		
Foreign currency swaps	2,642	6,365
Interest rate swaps	107,142	197,004
	111,143	**257,827**
OTHER FINANCIAL LIABILITIES		
Current:		
Loan – other[1]	-	60,859
Other[2]	3,500	1,799
Non-current:		
Other[2]	42,217	3,966
	45,717	**66,623**
	156,860	**324,450**
Disclosed in the Financial Statements as:		
Current other financial liabilities	4,859	117,116
Non-current other financial liabilities	152,001	207,334
	156,860	**324,450**

1 This unsecured loan from an external party was repaid on 28 July 2009. As at 30 June 2009, this loan incurred a rate of interest of 9.0%.

2 Other financial liabilities relate to outstanding deferred settlement amounts owing to the previous minority interest holders in Euroports.

22. PROVISIONS

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current:		
Employee benefits	4,791	13,585
Other	1,399	2,664
Non-current:		
Employee benefits	4,315	16,763
Asset retirement obligation	-	31,909
Insurance claim provision	-	1,217
Duty provision	-	15,682
Other provisions	-	1,942
Balance at 30 June 2009	**10,505**	**83,762**
Disclosed in the Financial Statements as:		
Current other financial liabilities	6,190	16,249
Non-current other financial liabilities	4,315	67,513
	10,505	**83,762**

	Asset retirement obligation[1] $'000	Insurance provision $'000	Duty provision $'000	Other provisions $'000
Balance at 1 July 2008	29,422	1,093	10,006	8,449
Additional provisions recognised	206	141	5,676	32,723
Liability acquired as part of a business combination	1,897	-	-	2,990
Payments made in respect of provisions	-	-	-	(3,466)
Reductions arising from remeasurement	-	-	-	(1,007)
Transferred to held for sale[3]	-	-	-	(33,609)
Exchange differences	384	(17)	-	(1,474)
Balance at 30 June 2009	**31,909**	**1,217**	**15,682**	**4,606**
Additional provisions recognised	2,203	-	-	3,286
(Reductions)/increases arising from remeasurement	-	-	(324)	166
Payments made in respect of provisions	-	-	-	(2,756)
Disposals in the current Financial Year[2]	-	(1,073)	-	(1,712)
Transferred to held for sale[3]	(33,987)	-	(15,358)	(1,960)
Exchange differences	(125)	(144)	-	(231)
Balance at 30 June 2010	**-**	**-**	**-**	**1,399**

1 Asset retirement obligations represent the present value of future estimated costs to decommission and restore the environment of certain assets. The present value of the decommissioning costs has been determined using a risk-free discount rate. The assumed costs of decommissioning are based on current best estimates and therefore uncertainty exists as to the actual costs to be incurred. The asset retirement obligation relates to the AET&D and Cross Sound Cable entities and has been classified as held for sale as at 30 June 2010.

2 Disposals in the current year relate to provisions that were previously recognised within PD Ports which was sold on 20 November 2009. For further information refer to note 38.

3 The amounts that are transferred to held for sale represent provisions that are included within AET&D and Cross Sound Cable. For further information refer to note 38.

23. OTHER LIABILITIES

	Consolidated	
	2010 $'000	**2009 $'000**
Current:		
Deferred income[1]	9,236	9,865
Other[2]	24,852	-
Non-current:		
Deferred income[1]	152,947	204,623
Other	623	474
	187,658	**214,962**
Disclosed in the Financial Statements as:		
Current other financial liabilities	34,088	9,865
Non-current other financial liabilities	153,570	205,097
	187,658	**214,962**

1 Deferred income relates primarily to WestNet Rail and consists of cash contributions from third parties to build or upgrade existing network capabilities. The cash payment is recorded on receipt to deferred income and recognised as revenue over the life of the contracted track access arrangement with the contributor.

2 The other current liability of $24.9 million relates to Queensland Rail's contribution to the $71.3 million total assessment for stamp duty from the Western Australia Office of State Revenue in respect of the 2006 acquisition of the ARG Group by WestNet WA Rail Pty Limited. This was paid on 5 February 2010. For further information refer to notes 12 and 33.

24. RETIREMENT BENEFIT PLANS

The Group operates four defined benefit superannuation plans for qualifying employees within its subsidiary IEG. In the prior year, PD Ports also operated three defined benefit plans. However, PD Ports was disposed of on 20 November 2009. Two minor defined benefit plans were also operated within Euroports, however, as disclosed in note 38, the partial disposal of this group has resulted in it being equity accounted. Under the plans, the employees are entitled to retirement benefits varying between 0% and 67% of final salary at retirement. No other post-retirement benefits are provided to these employees.

The defined benefit superannuation plans are funded plans. Superannuation plans compute their obligations in accordance with Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' which prescribes a different measurement basis to that applied in these Financial Statements. The net surplus/ (deficit) determined in the plans' most recent Financial Statements are as follows:

Scheme	Date of last actuary report	Assets as a percentage of liabilities	Net surplus/ deficit	Amount $'000
International Energy Group	1 Jan 2009	106%	Surplus	385
Guernsey Gas Limited	1 July 2006	166%	Surplus	4,968
Jersey Gas Company Limited	1 July 2009	70%	Deficit	(3,138)
Manx Gas Limited	6 April 2007	72%	Deficit	(2,247)

The plan actuaries have recommended that additional contributions beyond the current contribution level be made to eliminate the deficit over a 15 year period (Manx Gas) and a 10 year period (Jersey Gas).

Funding recommendations are made by the actuaries based on their forecast of various matters, including future plan assets performance, interest rates and salary increases.

Additional contributions expected to be made in 2010 for the International Energy Group have increased to 13.5% (2009: 9.3%) and the Trustees have agreed to this increase from 1 January 2010. The Jersey Gas contribution rate has increased to 15.5% (2009: 13.5%) plus $324,744 (£184,000) per year $53,160 (2009: £25,900).

The principal assumptions used for the purposes of actuarial valuations were as follows:

	2010 $'000	2009 $'000
Key assumptions used (expressed as weighted averages)		
Discount rate(s)	5.50	6.30
Expected return on plan assets	5.59	6.30
Expected rate(s) of salary increase	4.90	4.30

It should be noted that the prior year assumptions included PD Ports.

24. RETIREMENT BENEFIT PLANS (CONTINUED)

	Consolidated 2010 $'000	2009 $'000
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	2,773	6,375
Interest cost	2,242	16,561
Expected return on plan assets	(1,868)	(19,314)
Actuarial (gains)/losses recognised in the year	-	(3,513)
Total included in employee benefit expense (continuing and discontinued operations)	**3,147**	**109**
Actuarial gains incurred during the year and recognised in the Income Statement	**-**	**(3,513)**
The amount included in the Statement of Financial Position arising from the Group's obligation in respect of its defined benefit plans is as follows:		
Present value of funded defined benefit obligations	(37,534)	(264,364)
Fair value of plan assets	35,923	237,451
	(1,611)	**(26,913)**
Present value of unfunded defined benefit obligations	-	-
Deficit	**(1,611)**	**(26,913)**
Net actuarial gains not recognised	3,960	61,471
Net asset arising from defined benefit obligations	**2,349**	**34,558**
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligations	(264,364)	(260,851)
Current service cost	(2,773)	(6,375)
Interest cost	(2,242)	(16,561)
Contributions from plan participants	(598)	(599)
Actuarial losses	303	6,233
Liabilities extinguished on settlements	-	7
Disposal of subsidiary[1]	196,505	-
Exchange differences on foreign plans	32,014	2,393
Benefits paid	3,015	9,463
Other	605	1,926
Closing defined benefit obligation	**(37,535)**	**(264,364)**

1 The disposal of subsidiary relates to PD Ports which was sold on 20 November 2009.

24. RETIREMENT BENEFIT PLANS (CONTINUED)

The expense for the year is included in the employee benefits expense in the Statement of Comprehensive Income. Of the expense for the year, $3.1 million (2009: $0.1 million) has been included in the Income Statement as employee benefit expense.

	Consolidated	
	2010 $'000	**2009 $'000**
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	237,451	266,997
Expected return on plan assets	1,868	19,314
Actuarial losses	(4,990)	(40,563)
Exchange differences on foreign plans	(29,023)	(880)
Contributions from the employer	1,805	1,901
Contributions from plan participants	598	2,097
Benefits paid	(3,015)	(9,102)
Disposal of subsidiary	(168,771)	-
Other	-	(2,313)
Closing fair value of plan assets	**35,923**	**237,451**

The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows:

	Expected return		Fair value of plan assets	
	2010 %	**2009 %**	**2010 $'000**	**2009 $'000**
Equity instruments	-	8.2	-	87,428
Debt instruments	-	4.9	-	96,936
Property	-	6.7	-	19,335
Other assets (unitised with profits, policies and bonds)	5.6	5.6	35,923	33,752
Weighted average expected return	**5.6**	**6.3**	**35,923**	**237,451**

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was a loss of $3.1 million (2009: $21.2 million loss).

24. RETIREMENT BENEFIT PLANS (CONTINUED)

The history of experience adjustments is as follows:

	Consolidated			
	2010 $'000	**2009 $'000**	**2008 $'000**	**2007 $'000**
Fair plan of plan assets	35,923	237,451	266,997	321,329
Present value of defined benefit obligations	(37,534)	(264,364)	(260,851)	(280,333)
(Deficit)/surplus	**(1,611)**	**(26,913)**	**6,146**	**40,996**
Experience adjustments on plan liabilities – gains/(losses)	303	6,233	(538)	21,018
Experience adjustments on plan assets – (losses)/gains	(4,990)	(40,563)	(29,439)	9,921

25. CAPITALISED BORROWINGS COSTS

	Consolidated	
	2010 $'000	**2009 $'000**
Borrowing costs capitalised during the Financial Year[1]	**43**	**20,454**
Weighted average capitalisation on funds borrowed generally	**2.34%**	**5.58%**

1 Capitalised borrowing costs were recognised by DBCT. During the current Financial Year as part of the recapitalisation of Prime Infrastructure, Prime Infrastructure entered into arrangements with Brookfield Infrastructure Australia Trust, such that Prime Infrastructure no longer controls DBCT. Accordingly, Prime Infrastructure accounts for its remaining 50.1% economic interest in DBCT as an equity accounted investment and no longer consolidates its share of DBCT's borrowings. Refer note 38 for further information.

26. ISSUED CAPITAL

	Consolidated 2010 $'000	Consolidated 2009 $'000
351,776,795 fully paid ordinary Stapled Securities (2009: 2,591,766,809)	**4,332,865**	**2,811,318**

Consolidated 2010

	Date	Number '000	Issue price ($) per Stapled Security	$'000
Fully paid ordinary Stapled Securities				
Balance at beginning of Financial Year		2,591,767		2,811,318
Conversion of PINNZ SPARCS to Prime Infrastructure Stapled Securities	17 Nov 2009	789	0.0371	29
Equity issued as consideration for transfer of BBI Exchangeable Preference Shares	20 Nov 2009	841,790,304	0.0003	284,838
Securities issued as part of the recapitalisation of Prime Infrastructure	20 Nov 2009	4,433,014,153	0.0003	1,500,000
Return of capital to Stapled Securityholders	25 Nov 2009			(103,671)
Consolidation of Stapled Securities (1:15,000)	25 Nov 2009	(5,277,045,236)		-
Security issue costs				(109,207)
March quarter distribution	30 Apr 2010			(26,383)
June quarter distribution	30 Jun 2010			(26,383)
Tax adjustment	30 Jun 2010			2,324
Balance at end of Financial Year		**351,777**		**4,332,865**

Consolidated 2009

	Date	Number '000	Issue price ($) per Stapled Security	$ '000
Fully paid ordinary Stapled Securities				
Balance at beginning of Financial Year		2,375,741		2,790,483
Conversion of PINNZ SPARCS to Prime Infrastructure Stapled Securities	18 May 2009	205,219	0.098	20,194
Conversion of PINNZ SPARCS to Prime Infrastructure Stapled Securities	20 May 2009	10,807	0.098	1,063
Equity component of PINNZ SPARCS				(422)
Balance at end of Financial Year		**2,591,767**		**2,811,318**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Group does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary Stapled Securities

Ordinary Stapled Securities entitle the holder to vote, to participate in dividends/distributions, and the proceeds on winding up the Group in proportion to the number of and amounts paid on the Stapled Securities held.

27. RESERVES

	Consolidated 2010 $'000	Consolidated 2009 $'000
Foreign currency translation reserve	(69,230)	(82,112)
Other reserve	26,159	2,124
General reserve	(27,774)	-
Hedging reserve	(106,772)	(77,622)
	(177,617)	**(157,610)**

	Consolidated 2010 $'000	Consolidated 2009 $'000
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at the beginning of the Financial Year	(82,112)	(98,619)
Gain recognised on disposal of foreign subsidiary	(15,752)	(10,192)
Transferred to equity relating to non-current assets classified as held for sale	1,673	(7,505)
Translation of foreign operations	26,024	34,204
Share of reserves of associates	937	-
	(69,230)	**(82,112)**

Exchange differences relating to the translation from New Zealand dollars, Great British pounds, Euros and United States dollars being the functional currency of Prime Infrastructure's foreign controlled entities in New Zealand, United Kingdom, Channel Islands (Guernsey & Jersey), Europe and United States into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated 2010 $'000	Consolidated 2009 $'000
OTHER RESERVE		
Balance at the beginning of the Financial Year	2,124	13,822
Recognised in the current financial year	24,035	(11,698)
	26,159	**2,124**

Other reserve represents the amortisation to present value of related party loans that are not currently interest bearing. The majority of these loans have been discounted using a rate of between 5.86% and 6.94%.

27. RESERVES (CONTINUED)

	Consolidated 2010 $'000	Consolidated 2009 $'000
GENERAL RESERVE		
Balance at the beginning of the Financial Year	-	220
Recognised in the current Financial Year	(13,601)	(701)
Transferred to equity relating to non-current assets classified as held for sale	-	481
Share of reserves of associate	(23,045)	-
Gain recognised on disposal of subsidiary	8,872	-
	(27,774)	**-**

The general reserve includes $40.4 million which represents Prime Infrastructure's proportionate share of Euroports general reserve as at 30 June 2010. This reserve relates primarily to the acquisition of minority interests in Euroports. In the prior year, the Euroports business was classified as held for sale. In addition, the general reserve includes $12.6 million relating to the goodwill on acquisition of the minority interests in WestNet Rail that was completed in the current Financial Year.

	Consolidated 2010 $'000	Consolidated 2009 $'000
HEDGING RESERVE		
Balance at the beginning of the Financial Year	(77,622)	70,213
(Loss) / gain recognised:		
Interest rate swaps	(23,033)	(217,998)
Share of reserves of associates	(39,135)	(9,603)
Gain recognised on disposal of subsidiary	(28,792)	15,403
Deferred tax arising on hedges	9,938	73,043
Transferred to equity relating to non-current assets classified as held for sale	23,901	38,875
Transferred to profit or loss	27,971	(47,555)
	(106,772)	**(77,622)**

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

Gains and losses transferred from equity into profit or loss during the period are included in the following line items in the Income Statement:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Net hedge (loss)/gain	**(27,971)**	**47,555**

28. ACCUMULATED LOSSES

	Consolidated 2010 $'000	Consolidated 2009 $'000
Balance at the beginning of the Financial Year	(999,366)	13,926
Net loss attributable to members of the parent entity	(959,457)	(953,899)
Distribution provided for or paid (note 30)	-	(59,393)
Balance at the end of the Financial Year	**(1,958,823)**	**(999,366)**

29. LOSS PER SECURITY

	Consolidated 2010 cents per Security	Consolidated 2009 cents per Security (restated)	Consolidated 2009 cents per Security (as previously reported)
Basic and diluted profit / (loss) per Stapled Security:			
From continuing operations	15.0	(158,770.8)	(9.5)
From discontinued operations	(463.3)	(437,135.5)	(30.2)
Total basic and diluted loss per Stapled Security	**(448.3)**	**(595,906.3)**	**(39.7)**

The prior year cents per Stapled Security has been restated for the impact of the consolidation of Stapled Securities as disclosed below.

The loss and weighted average number of ordinary securities used in the calculation of basic and diluted loss per security are as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
Loss attributable to ordinary Stapled security holders	**(959,457)**	**(953,899)**
Profit/(loss) from continuing operations attributable to ordinary Stapled Securityholders	**32,094**	**(254,152)**

	2010 No. '000	2009 No. '000
Weighted average number of ordinary Stapled Securities for the purposes of basic and diluted loss per Stapled Security	**214,025**	**160**

The weighted average number of Securities has changed significantly from the prior year due to the consolidation of Stapled Securities that took place on 25 November 2009. This consolidation of Stapled Securities following the conversion of BBI Exchangeable Preference Shares was on a 1:15,000 basis. The impact of the consolidation has been factored into the calculation of the weighted average number of ordinary Securities as if the recapitalisation had taken place at the beginning of the year.

29. LOSS PER SECURITY (CONTINUED)

Loss used in the calculation of total basic and diluted loss per Security and basic and diluted loss per Security from continuing operations reconciles to net loss in the Income Statement as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
Net loss attributable to ordinary security holders	(959,457)	(953,899)
Loss used in the calculation of basic and diluted Earnings per Security	(959,457)	(953,899)
Adjustments to exclude loss for the year from discontinued operations	991,552	699,747
Profit / (loss) used in the calculation of basic and diluted Earnings Per Security from continuing operations	**32,095**	**(254,152)**

The Group has on issue hybrid securities in the form of SPARCS. These may be convertible to equity under specific circumstances. They have not been included in the calculation of dilutive loss per security as they have an anti-dilutive impact.

30. DISTRIBUTIONS

	2010		2009	
	Cents per Security	**$'000**	**Cents per Security**	**$'000**
RECOGNISED AMOUNTS PER FULLY PAID STAPLED SECURITY				
Paid from retained earnings:				
Distribution paid 18 September 2008	-	-	2.50	59,393
		-		**59,393**
Paid from contributed equity:				
Capital Distribution paid 25 November 2009	4.00	103,671	-	-
March quarter distribution paid 31 May 2010	7.50	26,383	-	-
June quarter distribution declared 30 June 2010	7.50	26,383	-	-
		156,437		**-**
		156,437		**59,393**

As part of the recapitalisation that Prime Infrastructure undertook on 20 November 2009, a Capital Distribution in an aggregate amount of $103.7 million ($0.04 per Security) was made to registered Securityholders as at the Capital Distribution record date (being 16 November 2009).

On 30 December 2009, Prime Infrastructure announced that it expected to commence the payment of quarterly distributions of approximately 7.5 cents per Stapled Security (i.e. annualised distributions of 30 cents per Stapled Security) with the first such distribution to be made in respect of the quarter ending 31 March 2010. The first quarter distribution was paid on 31 May 2010.

On 17 June 2010, Prime Infrastructure announced a record date of 30 June 2010 for the June quarter distribution with an expected payment date on or about 31 August 2010. This distribution has been recognised as a liability as at 30 June 2010 (refer note 19).

On 23 August 2010, Prime Infrastructure announced that the Distribution in respect of the quarter ending 30 September 2010 will be 7.5 cents per Stapled Security. The Record Date for this distribution will be 30 September 2010 and the distribution will be paid on or about 30 November 2010.

In the prior Financial Year, Prime Infrastructure paid a final distribution of 2.50 cents per Stapled Security in September 2008.

31. PARENT ENTITY DISCLOSURES

	2010 $'000	2009 $'000
(a) FINANCIAL POSITION		
Assets		
Current assets	156,056	124,309
Non-current assets	1,972,918	2,461,596
Total assets	**2,128,974**	**2,585,905**
Liabilities		
Current liabilities	(225,635)	(211,967)
Non-current liabilities	(2,501,223)	(2,145,708)
Total liabilities	**(2,726,858)**	**(2,357,675)**
Equity		
Issued capital	163,401	44,051
Other reserves	1,341,576	1,108,757
Retained earnings	(2,102,861)	(924,578)
Total equity	**(597,884)**	**228,230**
(b) FINANCIAL PERFORMANCE		
Loss for the year	(1,178,284)	(904,638)
Other comprehensive income	232,821	-
	(945,463)	**(904,638)**
(c) SHARE CAPITAL		
351,776,795 fully paid ordinary Stapled Securities (2009: 2,591,766,809)	**163,401**	**44,051**

31. PARENT ENTITY DISCLOSURES (CONTINUED)

	Date	Number '000	Issue price ($) per Stapled Security	$'000
		Company 2010		
(c) SHARE CAPITAL (CONTINUED)				
Fully paid ordinary shares				
Balance at beginning of Financial Year		2,591,767		44,051
Conversion of PINNZ SPARCS to Prime Infrastructure Stapled Securities	17 Nov 2009	789	0.0025	2
Equity issued as consideration for transfer of BBI Exchangeable Preference Shares	20 Nov 2009	841,790,304	0.000024	19,939
Securities issued as part of the recapitalisation of Prime Infrastructure	20 Nov 2009	4,433,014,153	0.000024	105,000
Consolidation of Stapled Securities (1:15,000)	25 Nov 2009	(5,277,045,236)		
Security issue costs				(7,915)
Tax adjustment				2,324
Balance at end of Financial Year		**351,777**		**163,401**

	Date	Number '000	Issue price ($) per Stapled Security	$'000
		Company 2009		
Fully paid ordinary shares				
Balance at beginning of Financial Year		2,375,741		41,802
Conversion of PINNZ SPARCS to Prime Infrastructure Stapled Securities	18 May 2009	205,219	0.010	2,136
Conversion of PINNZ SPARCS to Prime Infrastructure Stapled Securities	20 May 2009	10,807	0.010	113
Balance at end of Financial Year		**2,591,767**		**44,051**

(d) GUARANTEES

Refer to note 33 for guarantees that relate to Prime Infrastructure Holdings Limited, the parent entity.

(e) CONTINGENT LIABILITIES

Refer to note 33 for contingent liabilities that relate to Prime Infrastructure Holdings Limited, the parent entity.

32. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2010 $'000	**2009 $'000**
(a) CAPITAL EXPENDITURE COMMITMENTS		
Plant and equipment		
Not longer than one year	884	11,461
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
	884	**11,461**
Intangible assets		
Not longer than one year	8,351	31,204
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
	8,351	**31,204**
Acquisition of minority interests		
Not longer than one year	-	130,400
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
	-	**130,400**
Share of associates' capital expenditure commitments		
Not longer than one year	25,473	88,451
Longer than one year and not longer than five years	1,405	39,900
Longer than five years	-	-
	26,878	**128,351**
(b) OTHER EXPENDITURE COMMITMENTS		
Network systems and information technology		
Not longer than one year	14,834	18,381
Longer than one year and not longer than five years	67,058	22,200
Longer than five years	11,693	8,809
	93,585	**49,390**
Other commitments – maintenance contracts		
Not longer than one year	2,122	374
Longer than one year and not longer than five years	6,672	703
Longer than five years	3,273	-
	12,067	**1,077**

32. COMMITMENTS FOR EXPENDITURE (CONTINUED)

	Consolidated	
	2010 $'000	**2009 $'000**
Management charges payable under the Babcock & Brown Infrastructure Management Agreement[1]		
Not longer than one year	-	7,900
Longer than one year and not longer than five years	-	31,600
Longer than five years	-	126,400
	-	**165,900**
Share of associates' other expenditure commitments		
Not longer than one year	10,135	22,094
Longer than one year and not longer than five years	983	44,350
Longer than five years	-	26,157
	11,118	**92,601**

1 As at 30 June 2009, Prime Infrastructure was a managed fund of Babcock & Brown Infrastructure Limited. As announced on 26 August 2009, Prime Infrastructure agreed terms of separation with Babcock & Brown and the internalisation of its management. As a result of this internalisation, no future management charges are payable as at 30 June 2010.

(c) LEASE COMMITMENTS

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 34 to the Financial Statements.

NOTES TO THE STATEMENTS

for the Financial Year ended 30 June 2010

33. CONTINGENT LIABILITIES

	Consolidated 2010 $'000	Consolidated 2009 $'000
Contingent liabilities:		
Responsible entity incentive fee for the year ended 30 June 2005[1]	-	7,106
Disputes with taxation authorities[2]	-	145,300
Dispute with the Office of State Revenue[3]	46,493	-
Letters of credit[4]	-	13,552
Bank and other guarantees[5]	23,211	45,547
Acquisition earn-outs[6]	4,926	8,694
Claim by contractor[7]	-	26,800
Claim by Customs and Excise[8]	-	4,347
Other	185	-
Contingent assets:		
Claim by contractor[7]	-	26,800
Acquisition earn-outs[6]	4,926	8,694
Insurance/litigation proceeds in respect of incident at DBCT[9]	-	11,766
Letters of credit[3]	-	823
DBCT revenue[10]	7,784	8,636
Other	282	328

1 Previously, pursuant to the governing documents of the Group and the Management Agreements, Prime Infrastructure may have become liable for the payment of the third installment of the Responsible Entity Incentive Fee calculated for the year ended 2005. With the termination of the Management Agreement, Prime Infrastructure is no longer potentially liable to incur this liability.

2 Prime Infrastructure operates in many countries, each with separate taxation authorities and differing regulations which results in significant complexity. Prime Infrastructure is involved in discussions with taxation authorities in numerous jurisdictions at any given time.

In the prior year, Prime Infrastructure was involved in a dispute with the Australian Taxation Office (ATO) and had recognised a contingent liability of $145.3 million. The dispute with the ATO involved the deductibility of certain payments made in relation to the long term lease of DBCT. On 20 August 2010, Prime Infrastructure and the ATO agreed to a settlement of the issues in dispute. This agreement resulted in the refund of $38.4 million of the deposit paid by Prime Infrastructure plus interest estimated at $4.6 million and the loss of $37.8 million of deferred tax assets for tax losses previously recognised, together with an agreed retrospective and prospective tax treatment of the items that were in dispute. As a result of this settlement, the dispute is no longer recognised as a contingent liability.

3 On 6 January 2010, WestNet Rail Holdings Pty Limited, a wholly-owned subsidiary of the Company received an assessment notice from the Western Australian Office of State Revenue in the amount of $71.3 million, being stamp duty assessed in respect of the 2006 acquisition of the ARG Group by WestNet WA Rail Pty Limited. Prime Infrastructure believes the assessment is incorrect at law and intends to vigorously challenge it. Notwithstanding Prime Infrastructure's objection to the assessment, payment of $46.4 million (being Prime Infrastructure's share) was made on 5 February 2010 in accordance with the assessment.

WestNet WA Rail Pty Limited, the immediate parent of WestNet Rail Holdings No.1 Pty Limited, and also wholly owned by the Company, exercised its contractual rights of indemnity against Queensland Rail as acquirer of the above rail ARG Group business in 2006 to recover approximately $24.9 million and to use that amount to partially fund the potential liability of WestNet Rail Holdings No.1 Pty Limited under the assessment. Accordingly, if it is ultimately determined that WestNet Rail Holdings No.1 Pty Limited is liable for the stamp duty, the net duty required to be funded by the Company would be $46.4 million. This amount has been included above as a contingent liability.

4 As at 30 June 2010, no letters of credit were provided by entities within the Group's continuing operations (2009: $13.6 million). Cross Sound Cable, a business held for sale by Prime has provided letters of credit of $7.0 million as at 30 June 2010. The Group has received letters of credit totaling $0.4 million (2009: $0.8 million).

5 As at 30 June 2010, the Group, including its associates, had bank and customs guarantees outstanding to third parties totaling $23.2 million (2009: $45.5 million). These guarantees are supported by cash on deposit with banks.

6 An acquisition earn-out is payable to the vendor of Rauma Stevedoring in the situation where Euroports Finland receives a binding option right to operate in a proposed new container terminal in Europe for between 15 and 30 years. The amount payable would be $7.5 million (2009: $8.7 million. The movement between 2009 and 2010 is related to movements in foreign exchange) and would be recognised as an asset. Prime's proportionate share of this is $4.9 million (2009: $5.7 million. The movement between 2009 and 2010 is related to movements in foreign exchange).

7 A contractor was engaged by DBCT Management Pty Limited to perform marine works and mechanical, structural and electrical work for the offshore outloading component of the 7X Expansion Project at DBCT. The contractor claimed additional amounts were owed under its contract, which was disputed by DBCT Management Pty Limited. During the current Financial Year, a full and final settlement was agreed and therefore no contingent asset exists at 30 June 2010.

8 A claim was received by the Ministry of Finance/Regional Director of Customs and Excise (Antwerp, Belgium) against two subsidiaries of Euroports Belgium, being Westerlund Distribution NV and Westerlund Corporation NV for allegedly failing to pay customs duties and excise due on goods in 2004. During the current Financial Year, a full and final settlement was agreed with the Customs and Excise and therefore no contingent asset exists at 30 June 2010.

33. CONTINGENT LIABILITIES (CONTINUED)

9 On 15 February 2004, one of the dedicated reclaiming machines (RL1) at DBCT collapsed due to failure of a weld. DBCT Management Pty Limited and Prime Infrastructure both had material damage and business interruption insurance in place. During the current Financial Year, this claim was fully settled by the insurers and therefore no contingent asset exists at 30 June 2010.

10 DBCT is entitled to commence earning revenue on its expansion of DBCT from the first day of the month following commissioning of an expansion. DBCT is currently invoicing its customers on the basis of an Annual Revenue Requirement (ARR) approved by the QCA based on forecast costs and forecast economic parameters. Once the total costs for each phase of the project have been finalised, which based on current estimates will exceed the approved forecast costs, these will be submitted to the QCA which, if approved, would result in a catch up of revenue being due to DBCT. This revenue would be backdated to the first day of the month following commissioning. The amount due, should all costs be approved, has been calculated as $15.5 million as at 30 June 2010. Prime Infrastructure has disclosed $7.8 million as a contingent asset as at 30 June 2010 being its 50.1% proportionate share.

11 Tas Gas Networks Pty Limited has entered into a Deed of Settlement with the Tasmanian Government indemnifying the Government against any losses or damages on the constructed gas network for a period of 10 years. The extent to which an outflow or cash will be required cannot be determined in relation to this indemnity.

12 On 31 August 2007, Prime Infrastructure was part of a consortium that acquired the Alinta Limited business. As part of this transaction, Prime Infrastructure is party to the Amended Umbrella Agreement (amended 30 August 2007) and Participation Deed. The interaction of these two agreements is that Prime Infrastructure is responsible in its proportionate percentage for any unallocated liabilities which do not relate specifically to a consortium business. Any known liabilities in relation to unallocated liabilities have been recognised as at 30 June 2010.

13 Prior to Prime Infrastructure's acquisition of certain Alinta Limited businesses in 2007, Alinta Limited and Alinta 2000 Limited agreed to guarantee the obligations of various companies within the Alinta group. Following the Scheme of Arrangement under which a consortium including Prime Infrastructure acquired the Alinta businesses, Prime Infrastructure acquired the guaranteeing entities, while some of the subsidiaries being guaranteed were acquired by Alinta Energy Limited (formerly Babcock & Brown Power).

Whilst Alinta Limited and Alinta 2000 Limited are guaranteeing obligations of an Alinta Energy subsidiary, as part of the consortium arrangements relating to the acquisition of Alinta Limited, Alinta Energy has agreed to indemnify Prime Infrastructure against, among other things all losses sustained to the extent that such losses relate to Alinta Energy's assets. Accordingly, to the extent that Prime Infrastructure sustains any losses pursuant to the guarantee, Alinta Energy has agreed to indemnify Prime Infrastructure for such loss.

14 An associate of Prime Infrastructure has established an environmental provision of $2.3 million at 30 June 2010 (30 June 2009: $1.1 million) to address remediation issues with four projects. The associate is subject to a variety of federal, state and local laws that regulate permitted activities relating to air and water quality, waste disposal and other environmental matters. After consideration of provisions established, Prime Infrastructure believes that costs for environmental remediation and ongoing compliance with these laws will not have a material adverse impact on the Group.

However, there can be no assurances that future events, such as changes in existing laws, new laws or the development of new facts or conditions will not cause significant costs to be incurred.

15 The Group is defendant in various lawsuits arising from the day-to-day operations of its businesses. Although no assurance can be given, the Directors believe, based on experience to date, that the ultimate resolution of such matters will not have a material adverse impact on the Prime Infrastructure business, cash flows, financial position or results of operations.

34. LEASES

DISCLOSURE FOR LESSEES

Finance leases

Leasing arrangements

Finance leases relate to equipment and motor vehicles with a lease term of between one and five years held by Euroports and PD Ports. The Group has options to purchase the equipment and motor vehicles for a nominal amount at the conclusion of the lease agreements.

	Minimum future lease payments		Present value of minimum future lease payments	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Not later than one year	-	1,256	-	788
Later than one year and not later than five years	-	4,331	-	3,395
Later than five years	-	1,217	-	749
Minimum lease payments[1]	**-**	**6,804**	**-**	**4,932**
Less future finance charges	-	(1,872)	-	-
Present value of minimum lease payments	**-**	**4,932**	**-**	**4,932**
Disclosed in the Financial Statements as:				
Current borrowings (note 20)			-	788
Non-current borrowings (note 20)			-	4,144
			-	**4,932**

1 Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

Leasing arrangements

Operating leases consist of rental of office space with varying lease terms, motor vehicles and miscellaneous office equipment. All office space rentals include market review clauses and options to renew. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

	Consolidated	
	2010 $'000	**2009 $'000**
Non-cancellable operating lease payments		
Not longer than one year	2,075	8,180
Longer than one year and not longer than five years	8,436	20,631
Longer than five years	19,178	72,321
	29,689	**101,132**
Share of associates' operating lease commitments		
Non-cancellable operating lease payments		
Not longer than one year	13,552	1,182
Longer than one year and not longer than five years	46,795	3,486
Longer than five years	199,571	7,773
	259,918	**12,441**

34. LEASES (CONTINUED)

DISCLOSURE FOR LESSEES (CONTINUED)

Operating leases (continued)

Leasing arrangements (continued)

In respect of non-cancellable operating leases, the following liabilities have been recognised:

	Consolidated	
	2010 $'000	**2009 $'000**
Lease incentives		
Current	-	538
Non-current	623	3,290
	623	**3,828**

In the prior year, PD Ports which was sold in the current Financial Year had operating lease revenue relating to investment properties. A number of the rental contracts included options for renewal and market review clauses. The lesses do not have an option to purchase the properties at the expiry of the lease periods.

	Consolidated	
	2010 $'000	**2009 $'000**
Non-cancellable operating lease receivables		
Not longer than one year	-	14,682
Longer than one year and not longer than five years	-	51,112
Longer than five years	-	273,081
	-	**338,875**
Share of associates' operating lease receivables		
Not longer than one year	2,006	-
Longer than one year and not longer than five years	4,837	-
Longer than five years	4,163	-
	11,006	**-**

35. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity:			
Prime Infrastructure Holdings Limited[10] (formerly Babcock & Brown Infrastructure Limited)	Australia		
Subsidiaries:			
Prime Infrastructure Trust (formerly Babcock & Brown Infrastructure Trust)	Australia	100	100
Prime Infrastructure Trust 2 (formerly BBI SPARCS Trust)	Australia	100	100
Prime Infrastructure Employment Pty Limited[10]	Australia	100	100
Prime BFK Trust[1]	Australia	100	-
ARL2B Partnership[1]	Australia	100	-
BBI Energy Trust	Australia	100	100
Prime NGPL Trust (formerly BBI NGPL Trust)	Australia	100	100
Prime TC Holdings Pty Limited (formerly Pipecat Holdings Pty Limited) [10]	Australia	100	100
Prime Infrastructure Finance Pty Limited (formerly BBI Finance Pty Limited) [10]	Australia	100	100
Prime Energy Partnership Pty Limited (formerly BBI Energy Partnership Pty Limited) [10]	Australia	100	100
Prime Energy (Redbank) Pty Limited (formerly BBI Energy (Redbank) Pty Limited) [10]	Australia	100	100
Prime Energy (Wind) Pty Limited (formerly BBI Energy (Wind) Pty Limited) [10]	Australia	100	100
Australian Company Number 108 247 123 Pty Limited[10]	Australia	100	100
Australian Company Number 108 247 098 Pty Limited[10]	Australia	100	100
DBCT Management Pty Limited[2, 10]	Australia	100	100
DBCT Finance Pty Limited[2, 10]	Australia	100	100
DBCT Trust[2]	Australia	100	100
DBCT Investor Services Pty Limited[2, 10]	Australia	100	100
Prime Networks (Australia) Pty Limited (formerly BBI Networks (Australia) Pty Limited) [10]	Australia	100	100
Prime Networks (Australia) No.2 Pty Limited (formerly BBI Networks (Australia) No.2 Pty Limited) [10]	Australia	100	100
Prime Infrastructure Networks (New Zealand) Limited (formerly BBI Networks (New Zealand) Limited)	New Zealand	100	100
Prime Infrastructure Networks (New Zealand) No.2 Limited (formerly BBI Networks (New Zealand) No.2 Limited)	New Zealand	100	100
Prime Infrastructure Networks (New Zealand) No.3 Limited (formerly BBI Networks (New Zealand) No.3 Limited)	New Zealand	100	100
Tas Gas Holdings Pty Limited (formerly BBI PAG Pty Limited) [10]	Australia	100	100
Prime TGN Pty Limited (formerly BBI TGN Pty Limited) [10]	Australia	100	100
BBI PES Pty Limited[10]	Australia	100	100
Tas Gas Retail Pty Limited[10]	Australia	100	100
Tas Gas Networks Pty Limited[10]	Australia	100	100
Prime IEG Australia Holdings Pty Limited (formerly BBI IEG Australia Holdings Pty Limited) [10]	Australia	100	100
Prime IEG Australia No.1 Pty Limited (formerly BBI IEG Australia No.1 Pty Limited) [10]	Australia	100	100

35. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Prime IEG Australia No.2 Pty Limited (formerly BBI IEG Australia No.2 Pty Limited) [10]	Australia	100	100
IEG Infrastructure Limited (formerly BBI Networks (UK) No.1 Limited)	United Kingdom	100	100
IEG Finance Limited (formerly BBI Networks (UK) No.2 Limited)	United Kingdom	100	100
IEG Guernsey Limited (formerly BBI (Guernsey) Limited)	Guernsey	100	100
International Energy Group Limited (formerly BBI (Channel Islands) Holdings Limited)	Guernsey	100	100
Channel Islands Gas Group Limited	Guernsey	100	100
Guernsey Gas Limited	Guernsey	100	100
Jersey Gas Company Limited	Jersey	100	100
Kosangas (Guernsey) Limited	Guernsey	100	100
Kosangas (Jersey) Limited	Jersey	100	100
Manx Gas Limited	Isle of Man	100	100
The Gas Supply Company Limited	Guernsey	100	100
The Gas Transportation Company Limited	Guernsey	100	100
GTC Pipelines Limited	United Kingdom	100	100
GTC Utility Construction Limited	United Kingdom	100	100
Utility Grid Installations Limited	United Kingdom	100	100
GPL Investments Limited	United Kingdom	100	100
The Electricity Network Company Limited	United Kingdom	100	100
Power On Connections Limited	United Kingdom	100	100
Power On Investments Limited	United Kingdom	100	100
Prime Port Holdings Pty Limited (formerly BBI Port Holdings Pty Limited) [10]	Australia	100	100
Prime Finance UK Limited (formerly BBI Finance UK Limited)	United Kingdom	100	100
BBI Port Acquisitions (UK) Limited[3]	United Kingdom	-	100
PD Ports Limited[3]	United Kingdom	-	100
PD Ports Group Limited[3]	United Kingdom	-	100
PD Portco Limited[3]	United Kingdom	-	100
PD Teesport Limited[3]	United Kingdom	-	100
PD Group Management Limited[3]	United Kingdom	-	100
PD Port Services Limited[3]	United Kingdom	-	100
PD Logistics Limited[3]	United Kingdom	-	100
Tees & Hartlepool Pilotage Limited[3]	United Kingdom	-	100
THPA Group Services Limited[3]	United Kingdom	-	100
THPA Finance Limited[3]	Cayman Islands	-	100
Ports Holdings Limited[3]	United Kingdom	-	100
PD Ports Hull Limited[3]	United Kingdom	-	100
PD Freight Management Limited[3]	United Kingdom	-	100
PD Shipping & Inspection Services Limited[3]	United Kingdom	-	100
PD Ports Properties Limited[3]	United Kingdom	-	100
Prime CSC Holdings Pty Limited (formerly BBI CSC Holdings Pty Limited) [10]	Australia	100	100
CSCC US Holdings LLC (formerly BBI US Holdings LLC)[4]	United States of America	100	100

35. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
CSCC Holdings LLC (formerly BBI CSC Holdings LLC)[4]	United States of America	100	100
CSCC LLC (formerly BBI CSC LLC)[4]	United States of America	100	100
CSC Operations LLC[4]	United States of America	100	100
Cross-Sound Cable Company LLC[4]	United States of America	100	100
Cross-Sound Cable Company (New York) LLC[4]	United States of America	100	100
CSCC TBC Holdings LLC (formerly BBI TBC Holdings LLC)[4]	United States of America	100	100
CSCC TBC LLC (formerly BBI TBC LLC)[4]	United States of America	100	100
TBC Operations LLC[4]	United States of America	100	100
Prime Rail Holdings Pty Limited (formerly BBI Rail Holdings Pty Limited) [10]	Australia	100	100
Babcock & Brown WA Rail Trust	Australia	100	96
Prime WA Rail TC Pty Limited (formerly Babcock & Brown WA Rail Holdings Pty Limited)[5, 10]	Australia	100	-
Prime MI TC Pty Limited[5]	Australia	100	-
MI Trust[6]	Australia	100	96
WestNet WA Rail Pty Limited (formerly Babcock & Brown WA Rail Pty Limited)[6]	Australia	100	96
WestNet Rail Holdings No.1 Pty Limited[6, 10]	Australia	100	96
WestNet Rail Holdings No.2 Pty Limited[6, 10]	Australia	100	96
WestNet Rail Employment Pty Limited[6, 10]	Australia	100	96
WestNet Rail Pty Limited[6, 10]	Australia	100	96
WestNet Rail NarrowGauge Pty Limited[6, 10]	Australia	100	96
WestNet Rail StandardGauge Pty Limited[6, 10]	Australia	100	96
Prime US Holdings Pty Limited (formerly BBI US Holdings Pty Limited) [10]	Australia	100	100
BBI US Holdings II Corp.[7]	United States of America	-	100
Prime GP (Aust) Holdings I Pty Limited (formerly BBI GP (Aust) Holdings I Pty Limited) [10]	Australia	100	100
Prime GP (Aust) Holdings II Pty Limited (formerly BBI GP (Aust) Holdings II Pty Limited) [10]	Australia	100	100
Prime GP (Aust) Pty Limited (formerly BBI GP (Aust) Pty Limited) [10]	Australia	100	100
Prime US Investments Pty Limited (formerly BBI US Investments Pty Limited) [10]	Australia	100	100
ACN 134 741 567 Pty Limited (formerly Prime Infrastructure Holdings Pty Limited) [10]	Australia	100	100
Prime Europe Holdings Pty Limited (formerly BBI Europe Holdings Pty Limited) [10]	Australia	100	100
Prime Infrastructure Europe Holdings (Malta I) Limited (formerly BBI Europe Holdings (Malta I) Limited)	Malta	100	100
Prime Infrastructure Europe Holdings (Malta II) Limited (formerly BBI Europe Holdings (Malta II) Limited)	Malta	100	100
Euroports Holdings S.à.r.l[8]	Luxembourg	66.1	100
Euroports Port Acquisitions Luxembourg S.à.r.l (formerly BBI Port Acquisitions Luxembourg S.à.r.l)[8,9]	Luxembourg	66.1	51
Euroports Benelux S.A. (formerly Benelux Port Holdings S.A)[8,9]	Luxembourg	66.1	75
BBI Spain Port Holdings S.L[8]	Spain	66.1	100
Babcock & Brown Warehouse Italy S.p.A[8]	Italy	66.1	100

35. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Euroports Containers Meerhout NV (formerly Water Container Transport NV)[8,9]	Belgium	66.1	51
Stecy NV[8,9]	Belgium	66.1	51
Euroports TPS Port Spain S.L (formerly BBIPAL TPS Port Spain S.L)[8,9]	Spain	66.1	51
Wickla Management SA (Soparfi) Lux[8,9]	Luxembourg	66.1	75
Euroports Belgium NV (formerly Manuport Group NV)[8,9]	Belgium	66.1	75
Manuport Logistics NV[8,9]	Belgium	66.1	75
Manuport Services NV[8,9]	Belgium	66.1	75
Euroports Terminals Ghent NV (formerly Manuport Gent NV)[8,9]	Belgium	66.1	75
Euroports Storage Antwerp NV (formerly Manuport Storage Antwerpen) NV[8,9]	Belgium	66.1	75
Euroports Containers 524 NV (formerly Manuport Container Terminal NV)[8,9]	Belgium	60	68.1
CTB Magemon[8,9]	Belgium	49.5	56.3
BBI Italian Port Holdings S.r.l[8]	Italy	66.1	100
Estate S.p.A (formerly TRI (Estate) S.p.A)[8]	Italy	52.7	79.9
Terminal Rinfuse Italia S.p.A[8]	Italy	52.7	79.9
Terminal Rinfuse Marghera S.p.A[8]	Italy	52.7	79.9
Euroports Finland Oy	Finland	66.1	100
Oy Rauma Stevedoring Limited[8]	Finland	66.1	100
Oy Botnia Shipping Ab[8]	Finland	66.1	100
Oy Timberpak Ab[8]	Finland	50	75
SHRU Holdings GmbH & Co KG[8]	Germany	33	50
SHRU Holdings Verwaltungs GmbH[8]	Germany	33	50
BPH Westerlund Holdings NV[8,9]	Belgium	66.1	75
Westerlund Group NV[8,9]	Belgium	66.1	75
Euroports Terminals Leftbank NV (formerly Westerlund Corporation NV)[8,9]	Belgium	66.1	75
Westerlund Distribution NV[8,9]	Belgium	66.1	75
Westerlund Bulk Terminals NV[8,9]	Belgium	66.1	75
Westerlund Stevedoring NV[8,9]	Belgium	66.1	75
Finnwest NV[5,8]	Belgium	66.1	-
Euroports France SAS (formerly Westerlund France SAS)[8,9]	France	66.1	75
Euroports Terminaux France SAS (formerly Westerlund Terminal France SAS)[8,9]	France	66.1	75
Changsu Westerlund Warehousing Co, Ltd[8,9]	China	50	56.3
Prime AET&D Holdings No.1 Pty Limited (formerly BBI EPS Limited)	Australia	100	100
Prime AET&D Holdings No.2 Pty Limited (formerly BBI EPS Cat Pty Limited)	Australia	100	100
Prime AET&D Holdings No.3 Pty Limited (formerly BBI Pipe Cat Pty Limited)[4]	Australia	100	100
Prime AET&D Holdings No.4 Pty Limited (formerly BB Space Cat Holdings Pty Limited)[4]	Australia	100	100
Prime WestNet Holdings Pty Limited (formerly ES & L Pty Limited)[4]	Australia	100	100

35. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
WestNet WA Infrastructure Holdings Limited[4]	Australia	100	100
WestNet Infrastructure Group Limited[4]	Australia	100	100
Tasmanian Gas Pipeline Pty Limited (formerly BBI TGP Pty Limited)[4]	Australia	100	100
WestNet Energy Pty Limited[4]	Australia	100	100
WNG Finance Pty Limited (formerly Alinta Finance Pty Limited)[4]	Australia	100	100
Alinta DBNGP Pty Limited[4]	Australia	100	100
WA Network Holdings Pty Limited[4]	Australia	74.1	74.1
WA Gas Networks Pty Limited[4]	Australia	74.1	74.1
ANetworks Pty Limited[4]	Australia	100	100
WestNet Energy Services Pty Limited[4]	Australia	100	100
WestNet Energy AET&D Holdings No.1 Pty Limited[4]	Australia	100	100
WestNet Energy AET&D Holdings No.2 Pty Limited[4]	Australia	100	100

1 This entity was established during the current Financial Year.

2 As part of the recapitalisation of Prime Infrastructure that was completed on 20 November 2009, Prime Infrastructure no longer controls DBCT and accounts for its 50.1% economic interest as an equity accounted investment.

3 Prime Infrastructure sold its investment in the PD Ports' group of companies on 20 November 2009.

4 As part of the recapitalisation of Prime Infrastructure that was completed on 20 November 2009, the AET&D group and Cross Sound Cable were classified as held for sale.

5 This company was acquired during the Financial Year.

6 As part of the recapitalisation of Prime Infrastructure that was undertaken in November 2009, Prime Infrastructure Rail Holdings acquired the remaining 4% of the WestNet Rail group.

7 This company was wound up on 19 April 2010.

8 As disclosed in note 38, on 28 July 2009 Prime Infrastructure had agreed revised terms to the Share Subscription Agreement which resulted in the partial disposal of its investment in Euroports. As a result of the Shareholders Agreement in place, Prime Infrastructure no longer has control of the Euroports group and therefore equity accounts its investment in Euroports.

9 During the year the minority interests in this company were acquired.

10 These companies are members of the Prime Infrastructure Holdings Limited tax-consolidated group. Prime Infrastructure Holdings Limited is the head entity in the tax-consolidated group.

36. ACQUISITION OF BUSINESSES

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
2010:				
Nil				
2009:				
CTB Magemon[1]	Port and logistic operations	30 June 2008	100	1,420
Alinta 2000 Limited[1]	Gas distribution, asset operation and asset maintenance	31 August 2007	100	(835)
Oy Rauma Stevedoring Limited & Botnia Shipping Ab[1]	Port operations	11 October 2007	100	(270)
SHRU GmbH[1]	Port operations	22 November 2007	50	(386)
Westerlund Group NV[1]	Port operations	20 December 2007	100	1,939
Other miscellaneous acquisitions	Various	Various	Various	1,727
				3,595

1 Adjustment to purchase price provisionally recorded in 2008.

EUROPORTS ACQUISITION

During the Financial Year ended 30 June 2008, Prime Infrastructure undertook a number of acquisitions in the European port sector. In accordance with AASB 3 'Business Combinations', the acquisitions were only accounted for provisionally at 30 June 2008 and additional costs were incurred and various fair value adjustments were recognised in 2009. This resulted in a decrease in goodwill of $49.1 million.

ALINTA 2000 LIMITED ACQUISITION

On 31 August 2007, Prime Infrastructure, through Prime WestNet Holdings Pty Limited (formerly ES&L Pty Limited), acquired five businesses that were previously owned by Alinta. These businesses included:

- Western Australia operations and maintenance business (100%)
- Tasmanian Gas Pipeline (100%)
- WA Gas Networks (74.1%)
- Dampier to Bunbury Natural Gas Pipeline (up to 20%)
- Multinet Gas Network (20.1%)

In accordance with AASB 3 'Business Combinations', the acquisition was only accounted for provisionally at 30 June 2008 and additional costs have been incurred and various fair value adjustments have been recognised in 2009. This has resulted in an increase in goodwill of $56.3 million.

37. SEGMENT INFORMATION

The Group has adopted 'AASB 8 Operating Segments' and 'AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Management and the Board of Directors in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical). As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was based on Transport Infrastructure and Energy, Transmission & Distribution. However, information reported by Prime Infrastructure's Executive Management to Prime Infrastructure's Board of Directors and internally, for the purposes of resource allocation and assessment of performance, is more specifically focused on the individual assets within the following sectors:

- Utilities – businesses which earn a regulated return on a regulated or notionally stipulated asset base;
- Fee for Service – businesses which have open access systems, which can be regulated via the imposition of price ceilings and floors, or are unregulated; and
- Corporate and assets held for sale.

Prime Infrastructure's assets are categorised as follows:

Utilities		Fee for Service		Corporate and held for sale	
Asset	**Currency**	**Asset**	**Currency**	**Asset**	**Currency**
DBCT[1]	AUD	WestNet Rail	AUD	Corporate	AUD
Powerco	NZD	Euroports[1]	EUR	AET&D[2]	AUD
IEG Connections[3]	GBP	NGPL	USD	Cross Sound Cable[2]	USD
		IEG Distribution[3]	GBP	PD Ports (disposed 20 November 2009)	GBP
		Tas Gas Networks	AUD	Gascan (disposed 18 May 2009)	EUR

1 On 20 November 2009, arrangements were entered into whereby Brookfield Infrastructure Australia Trust obtained an economic interest of 49.9% in DBCT. Prime Infrastructure also disposed of 33.89% of the economic interest in Euroports on 28 July 2009. As Prime Infrastructure no longer controls these assets they are equity accounted. The results of these assets have been included within discontinued operations up until the point their respective transactions occurred.

2 The Australian Energy Transmission & Distribution and Cross Sound Cable businesses were classified as held for sale from 20 November 2009.

3 IEG's operations comprise both a Utility component, being its gas and electricity distribution business located in the United Kingdom, and Fee for Service component, comprising the Channel Islands distribution business and Power On Connections business.

Information regarding these segments is presented in the following tables. For Prime Infrastructure's equity accounted investments, amounts reported represent Prime Infrastructure's proportionate interest. The amounts reported will not necessarily be the same reported as measured in accordance with Accounting Standards.

Amounts reported for the prior year have been restated to conform with the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

37. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's proportional revenue by reportable operating segment:

	Prime's Interest	2010 FC'000	2010 $'000	2009 FC'000	2009 $'000
Revenue – Utilities					
Dalrymple Bay Coal Terminal[1,3]	50.1%	248,398	248,398	265,236	265,236
Powerco[3]	42%	152,291	121,480	294,157	244,695
IEG Connections	100%	33,493	59,969	29,629	64,208
Total Revenue - Utilities			**429,847**		**574,139**
Revenue – Fee for Service					
WestNet Rail	100%	223,083	223,083	210,685	210,685
Euroports[2, 3]	66.1%	342,407	540,611	401,759	743,768
Natural Gas Pipeline Company of America[3]	26.4%	217,557	246,625	243,937	326,250
IEG Distribution	100%	60,802	107,023	64,230	139,338
Tas Gas Networks	100%	22,607	22,607	18,724	18,724
Total Revenue – Fee for Service			**1,139,949**		**1,438,765**
Revenue – Corporate and assets held for sale					
Australian Energy, Transmission & Distribution	100%	220,962	220,962	273,665	273,665
Cross Sound Cable	100%	22,531	25,564	22,215	30,259
PD Ports[4]	-	49,360	93,606	121,567	264,090
Gascan[5]	-	-	-	13,062	28,925
Corporate and eliminations[6,7]	100%	(5,029)	(5,029)	2,360	2,360
Total Revenue – Corporate and assets held for sale			**335,103**		**599,299**
Total reportable segment revenue			**1,904,899**		**2,612,203**
Add: investment revenue			103,811		111,800
Less: revenue of non-controlled assets			(940,594)		(152,157)
Less: revenue of discontinued operations			(541,248)		(1,993,437)
Less: items classified as other income			(27,637)		(49,387)
Revenue from continuing operations			**499,231**		**529,022**

1 Prime Infrastracture's economic interest reduced from 100% to 50.1% on 20 November 2009.
2 Prime Infrastructure's equity interest declined from 100% to 66.1% on 28 July 2009.
3 The revenue and EBITDA shown for these assets represents Prime's proportionate share of revenue and EBITDA for the year ended 30 June 2010. Whilst Prime Infrastructure equity accounts these businesses, the Executive Management and Board of Directors monitor the performance of these assets based on Prime Infrastructure's proportionate share of reported results.
4 PD Ports was sold on 20 November 2009.
5 Gascan was sold on 18 May 2009.
6 Included within Corporate is a non-cash gain of $392.5 million relating to the conversion of BBI Exchangeable Preference Shares into Prime Infrastructure Stapled Securities, which occurred on 20 November 2009.
7 Consists of unallocated revenue and eliminations of inter-segment revenue.

The Group's measure of profit or loss of its reportable operating segments is its proportionate interest of their EBITDA. The following is an analysis of Prime's proportionate interest in EBITDA by reportable operating segment for the years under review:

37. SEGMENT INFORMATION (CONTINUED)

	Prime's Interest	2010 FC'000	2010 $'000	2009 FC'000	2009 $'000
EBITDA – Utilities					
Dalrymple Bay Coal Terminal[1]	50.1%	154,249	154,249	153,696	153,696
Powerco	42%	90,612	72,314	176,676	147,400
IEG Connections	100%	24,325	43,554	20,677	44,808
Total EBITDA – Utilities			**270,117**		**345,904**
EBITDA – Fee for Service					
WestNet Rail	100%	109,777	109,777	103,631	103,631
Euroports[2]	66.1%	50,397	80,222	50,928	94,210
Natural Gas Pipeline Company of America	26.4%	161,468	183,078	179,224	239,705
IEG Distribution	100%	11,456	19,518	13,170	28,352
TasGas Networks	100%	6,624	6,624	2,975	2,975
Total EBITDA – Fee for Service			**399,219**		**468,873**
EBITDA – Corporate and assets held for sale					
Australian Energy, Transmission & Distribution	100%	114,637	114,637	74,173	74,173
Cross Sound Cable	100%	16,094	18,276	15,918	21,570
PD Ports[3]	-	16,451	31,072	32,606	71,403
Gascan[4]	-	-	-	6,032	13,159
Corporate[5]	100%	(43,564)	(43,564)	(29,468)	(29,468)
Total EBITDA – Corporate and assets held for sale			**120,421**		**150,837**
Total reportable segment EBITDA			**789,757**		**965,614**
Less: EBITDA of non-controlled assets[6]			(559,007)		(231,765)
Less: net finance expense			(225,668)		(569,889)
Less: depreciation, amortisation and impairment expenses			(842,115)		(1,161,426)
Less: net hedge expense			(38,588)		(227,033)
Less: net foreign exchange loss			(44,259)		(27,224)
Add: items not included in EBITDA			286,883		2,281
Add: net (loss)/gain on disposal of operations and investments			(309,214)		102,990
Loss before income tax from continuing and discontinued operations for the year			**(942,211)**		**(1,146,452)**
Income tax (expense)/benefit from continuing and discontinued operations			(6,386)		169,322
Loss for the year			**(948,597)**		**(977,130)**

1 Prime Infrastructure's economic interest reduced from 100% to 50.1% on 20 November 2009.
2 Prime Infrastructure's equity interest declined from 100% to 66.1% on 28 July 2009.
3 PD Ports was disposed on 20 November 2009.
4 Gascan was disposed on 18 May 2009.
5 The add back of EBITDA relates to equity accounted investments that were controlled for part of the current period.
6 Included within other gains and losses not recognised in EBITDA is the gain of $392.5 million relating to the conversion of BBI Exchangeable Preference Shares into Prime Infrastructure Stapled Securities, offset by impairments of related party loans of $95.7 million.

37. SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES

For the purpose of monitoring segment performance and allocating resources between segments, Prime Infrastructure's Executive Management and Board of Directors monitor the assets and liabilities of the Group, including investments accounted for using the equity method, attributable to each segment.

For the purpose of monitoring segment performance by Prime Infrastructure's Executive Management and Board of Directors, all liabilities apart from current and deferred tax liabilities and intercompany loans are allocated to reportable segments.

Other includes the assets and liabilities held by corporate entities within the Prime Infrastructure group.

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the years under review:

		Assets		Liabilities	
	Prime's Interest	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Utilities					
Dalrymple Bay Coal Terminal[1,2]	50.1%	110,448	2,544,731	-	1,983,804
Powerco[2]	42%	30,653	33,457	-	-
IEG Connections	100%	476,335	507,784	407,973	397,080
Fee for Service					
WestNet Rail	100%	1,266,606	1,255,368	797,744	878,383
Euroports[1,2]	66.1%	30,846	2,310,034	-	1,898,174
Natural Gas Pipeline Company of America[2]	26.4%	225,655	348,739	-	-
IEG Distribution	100%	275,860	300,260	234,974	277,751
TasGas Networks	100%	211,259	207,161	43,811	50,558
Corporate and assets held for sale					
Held for sale assets[3]	100%	1,913,118	2,569,341	1,958,130	1,921,297
PD Ports[4]	-	-	1,423,697	-	1,135,506
Corporate and other[5]	100%	1,534,969	1,012,090	397,964	2,249,736
Consolidated total assets and liabilities		**6,075,749**	**12,512,662**	**3,840,596**	**10,792,289**

1 DBCT and Euroports were wholly-owned subsidiaries at 30 June 2009 and were therefore consolidated in the assets and liabilities of the Group.
2 Represents carrying value of Prime Infrastructure's equity accounted investment.
3 Represents Cross Sound Cable and AET&D, which are held for sale as at 30 June 2010.
4 PD Ports was disposed of on 20 November 2009.
5 Unallocated assets and liabilities include the assets and liabilities of the corporate entities such as cash at bank, intercompany loans with associates and tax balances.

37. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group operates in four principal geographical areas – Australia, North America, Europe and New Zealand. The Group's EBITDA (Prime Infrastructure's proportionate share) before corporate expenses and total assets (on a statutory basis) are detailed below:

	Revenue (Proportional		EBITDA (Proportional)		Total assets (Statutory)	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australia	710,021	770,670	341,723	305,007	4,777,622	6,113,372
North America	272,189	356,509	201,354	261,275	484,433	1,176,035
Europe	801,209	1,240,329	174,366	251,932	783,041	4,790,058
New Zealand	121,480	244,695	72,314	147,400	30,653	433,197
Total	**1,904,899**	**2,612,203**	**789,757**	**965,614**	**6,075,749**	**12,512,662**

38. DISCONTINUED OPERATIONS

EUROPORTS GROUP

On 28 July 2009, Prime Infrastructure announced that it had agreed revised terms to the Share Subscription Agreement pursuant to which a consortium of investors consisting of Antin Infrastructure Partners (Antin IP) and Arcus European Infrastructure Fund I (Arcus) agreed to invest in Euroports Holdings S.á.r.l (Euroports).

The agreed price under the Amended Share Subscription Agreement for the 40% interest was €141.5 million ($243.3 million). The agreed price included equity contribution, interest-bearing loans and non-share equity interests (debt). Furthermore, included within the 33.89% interest acquired to date is a convertible bond held by Antin IP (€8.05m), which if converted, would result in additional equity of 5.97% being issued. As at 30 June 2010 and to the date of this report, the bond had not been converted.

The amended Share Subscription Agreement includes a share equalisation process in years 2012 and 2013 based on the performance of Euroports through that time. Depending on Euroports performance, the aggregate equity owned by Antin IP and Arcus will be adjusted from the potential up-front 40% (including conversion of the convertible bond) holdings to an amended holding of between 34% and 65% (to be held between Antin IP and Arcus on the same proportional basis as the up-front holding assuming Antin IP converts its convertible bond into equity).

The net proceeds received from the share subscription agreement were used to repay $60.2 million of financial liabilities (€35.0m). A loss of $82.6 million was recognised on this disposal. An impairment of $111.1 million was recognised on the anticipated outcome in respect of the Share Equalisation Adjustment mechanism.

In addition, the Euroports group was classified as held for sale in the comparative Financial Year.

DALRYMPLE BAY COAL TERMINAL

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Prime Infrastructure Trust issued Convertible Notes to Brookfield Infrastructure Australia Trust for $295.4 million and entered into a number of agreements which conferred a 49.9% economic interest in DBCT to Brookfield Infrastructure Australia Trust.

Under the Convertible Note arrangements entered into with Brookfield Infrastructure Australia Trust, Prime Infrastructure remained responsible for the outcome of the subsequently settled tax dispute with the ATO regarding payments made at DBCT. This dispute was resolved subsequent to year end (refer note 33 and 41). An immaterial amount is expected to be paid to Brookfield Infrastructure Australia Trust once cash has been received from the ATO. Prime Infrastructure is also responsible for taxes, duties or other government imposed levies arising from Brookfield or its assignees electing to convert under the terms of the Convertible Notes, into shares and units in the relevant DBCT entities, and for other consent related costs (with the latter capped at $17.6 million).

In accordance with Accounting Standards, Prime Infrastructure is deemed to have joint control of Dalrymple Bay Coal Terminal, and therefore equity accounts its investment from the date at which control was lost (20 November 2009). The net proceeds of $295.4 million received from this transaction were used to repay Corporate debt within the Group. The transaction resulted in a gain of $20.5 million being recognised which is included within discontinued operations.

38. DISCONTINUED OPERATIONS (CONTINUED)

PD PORTS

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Brookfield acquired 100% of Prime Infrastructure's interests in PD Ports for nominal proceeds. As part of this transaction, Brookfield repaid the £100.0 million ($181.0 million) in term and acquisition facilities within PD Ports and the termination costs of associated swaps. This transaction resulted in Prime Infrastructure recognising a loss of $247.2 million which is included within discontinued operations.

HELD FOR SALE ASSETS: AUSTRALIAN ENERGY TRANSMISSION & DISTRIBUTION GROUP AND CROSS SOUND CABLE

As part of the recapitalisation of Prime Infrastructure which was completed on 20 November 2009, Prime Infrastructure announced that it would classify its interests in AET&D and Cross Sound Cable as held for sale. Prime Infrastructure and Brookfield Asset Management will both use reasonable endeavours to effect a sale of the assets as soon as practicable. Prime Infrastructure has issued an option to the former BEPPA holders to receive any proceeds in relation to the disposal of the AET&D assets, whilst a twelve month option (with an option in favour of Brookfield for a further two periods of twelve months each) has been issued to Brookfield to acquire Cross Sound Cable.

Prime Infrastructure has written down its investment in AET&D to nil value and this has resulted in an impairment of $662.6 million being recognised in the current financial year. This has been disclosed within discontinued operations.

2009:

Powerco New Zealand

On 26 February 2009, Prime Infrastructure sold 58% of its Powerco New Zealand operations to Queensland Investment Corporation. The net equity realised for the 58% equity interest amounted to NZ$421.2 million. The transaction excluded Powerco Tasmania (Tas Gas group), which remained within the Prime Infrastructure group. The net proceeds received from the sale were applied to reduce Prime Infrastructure corporate debt as well as fund the acquisition of a further stake in WestNet Rail and repay the associated mezzanine debt commitments. A profit of NZ$143.3 million ($123.7 million) was recognised on the disposal. Prime Infrastructure accounts for its remaining 42% investment in Powerco New Zealand as an equity accounted investment (refer note 14).

Disposal of Gascan business

On 18 May 2009, International Energy Group, a wholly-owned subsidiary of Prime Infrastructure completed a Sale and Purchase Agreement for the sale of its wholly-owned subsidiary Gases Combustiveis S.A. The net proceeds from the disposal amounted to £40.1 million ($83.0 million) and were used to pay down asset level debt within IEG. A loss of $20.6 million was recognised on this disposal.

38. DISCONTINUED OPERATIONS (CONTINUED)

	Consolidated	
	2010 $'000	2009 $'000
Profit from discontinued operations:		
Revenue	544,927	2,005,282
Other income	15,561	74,670
Total income	**560,578**	**2,079,952**
Share of profits from associates and jointly controlled entities accounted for using the equity method	10,388	4,383
Employee benefit expense	(79,444)	(312,489)
Transmission and direct costs	(152,292)	(805,141)
Depreciation, amortisation and impairment expense	(713,297)	(999,672)
Finance costs	(168,950)	(379,985)
Net hedge loss	(58,238)	(114,137)
Operating and management charges	(64,743)	(339,740)
Other expenses	(235)	(46,159)
Total expense	**(1,226,811)**	**(2,992,940)**
Loss before income tax expense	**(666,233)**	**(912,988)**
Attributable income tax (expense)/benefit (note 7)	(5,446)	85,676
Loss after income tax	**(671,679)**	**(827,312)**
Loss on disposal of business (note 41(c))	(329,831)	(20,649)
Profit on disposal of business (note 41(c))	20,618	123,692
Loss from discontinued operations	**(980,892)**	**(724,269)**
Cash flows from discontinued operations:		
Net cash flows from operating activities	81,785	298,281
Net cash flows from investing activities	(203,612)	(529,501)
Net cash flows from financing activities	23,941	249,178
Net cash flows	**(97,886)**	**17,958**

38. DISCONTINUED OPERATIONS (CONTINUED)

The major classes of assets and liabilities comprising the businesses classified as held for sale are AET&D and Cross Sound Cable (30 June 2010) and Euroports (30 June 2009) are as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
CURRENT ASSETS		
Cash and cash equivalents (note 41(a))	96,100	86,192
Trade and other receivables	38,663	161,326
Other financial assets	4,960	2,052
Inventories	1,040	1,946
Current tax receivables	12,061	1,219
Other current assets	5,867	39,451
Total	**158,691**	**292,186**
NON-CURRENT ASSETS		
Trade and other receivables	-	2,555
Other financial assets	-	3,165
Cash held on restricted deposit	1,028	22,535
Investments accounted for using the equity method (note 14)	260,000	14,399
Property, plant and equipment (note 15)	1,314,181	670,277
Investment property (note 16)	-	93
Goodwill (note 17)	-	430,008
Other intangible assets (note 18)	119,009	745,041
Deferred tax assets	39,001	41,785
Other non-current assets	21,208	1,690
Total	**1,754,427**	**1,931,548**
Total assets classified as held for sale	**1,913,118**	**2,223,734**

38. DISCONTINUED OPERATIONS (CONTINUED)

	Consolidated	
	2010 $'000	2009 $'000
CURRENT LIABILITIES		
Trade and other payables	(70,788)	(164,946)
Borrowings	(745,656)	(374,361)
Other financial liabilities	(55,698)	(9,986)
Current tax payable	-	(6,159)
Provisions	(14,860)	(62,421)
Other current liabilities	(928)	(42,052)
Total	**(887,930)**	**(659,925)**
NON-CURRENT LIABILITIES		
Trade and other payables	(2,813)	(779)
Borrowings	(703,879)	(775,723)
Other financial liabilities	(22,751)	(56,491)
Deferred tax liability	(280,958)	(368,416)
Provisions	(52,410)	(7,487)
Other non-current liabilities	(7,389)	(38,334)
Total	**(1,070,200)**	**(1,247,230)**
Total liabilities associated with assets held for sale	**(1,958,130)**	**(1,907,155)**
Net (liabilities) / assets classified as held for sale	**(45,012)**	**316,579**

39. RELATED PARTY DISCLOSURES

(a) EQUITY INTERESTS IN RELATED PARTIES

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 35 to the Financial Statements.

Equity interests in associates and joint ventures

In the current Financial Year Prime Infrastructure sold 33.89% of its investment in Euroports and entered into arrangements regarding a 49.9% economic interest in Dalrymple Bay Coal Terminal. In the prior year Prime Infrastructure sold 58% of its Powerco New Zealand operations. Further information in relation to equity interests in associates and joint ventures is disclosed in note 14 to the Financial Statements.

(b) TRANSACTIONS WITH OTHER RELATED PARTIES

Other related parties include:

– the parent entity
– entities with significant influence over Prime Infrastructure
– associates
– joint ventures in which the entity is a venturer
– subsidiaries
– other related parties.

Amounts receivable from and payable to related parties are disclosed in notes 9, 10, and 19 to the Financial Statements. All loans advanced to and payable to related parties are unsecured. Interest is charged on certain loans at a variable rate based on the BBSW plus a margin. During the current year, Prime Infrastructure Holdings Limited (the Company) received interest of $132,588,611 (2009: $153,466,000) from its intercompany loans with its wholly owned subsidiaries.

An impairment charge on intercompany loans from wholly-owned subsidiaries of $1,032,082 (2009: 611,311,943) was recognised in the current Financial Year. This impairment charge eliminates fully on consolidation. An impairment charge on loans to an associate of $95,657,953 million has been recognised in the current Financial Year (2009: nil). In the prior year an impairment on investment in subsidiaries of $354,961,010 was recognised.

Transactions and balances between the Company and its subsidiaries were eliminated in full in the preparation of consolidated Financial Statements of the Group.

Transactions involving the parent entity:

As at 30 June 2010, Prime Infrastructure Holdings Limited has recognised a net payable of $179,395,689 (2009: $165,311,714) from the members of the tax-consolidated group for the transfer of current and prior year tax losses.

Transactions involving other related parties:

During the current Financial Year Prime Infrastructure cancelled the management agreement with its former external manager, Babcock & Brown Infrastructure Management Pty Limited (a subsidiary of Babcock & Brown). As a result, Babcock & Brown Limited and its subsidiaries were no longer considered to be a related party from 20 November 2009.

The key components of the management agreement prior to cancellation included:

– no Incentive Fee was payable until the earlier of sustained trading at $1.00 per Stapled Security, with such value being adjusted where further Prime Infrastructure securities are issued or three years from the date of change. If the return for a relevant period is less than the benchmark return, the deficit is carried forward for three years.
– the Base Fee was restructured and had two components:
    - the Responsible Entity Fee, being a fee for the services of the Responsible Entity, was set at $1.0 million per annum indexed for CPI from 1 July 2008.
    - the Manager Base Fee, being the remainder of the Base Fee.

39. RELATED PARTY DISCLOSURES (CONTINUED)

(b) TRANSACTIONS WITH OTHER RELATED PARTIES (CONTINUED)

Transactions involving other related parties (continued):

The Responsible Entity Fee and Manager Base Fee make up the Total Base Fee, which is calculated in accordance with the following formula:

- 0.1% for the first $400.0 million of market capitalisation;
- 1.0% of market capitalisation between $400.0 million and $2.0 billion; and
- 0.75% of market capitalisation above $2.0 billion.

The Total Base Fee for the 2009 Financial Year and 2010 Financial Year (until cancellation) was calculated as set out above.

As part of the separation from Babcock & Brown, Prime Infrastructure Trust paid a fee of $5.28 million for a subsidiary of Babcock & Brown to remain as the Trustee of the Trust for a period of up to 31 August 2012. This arrangement was subsequently cancelled on 19 November 2010.

During the year, the following amounts were paid/payable to Babcock & Brown Limited (or a related entity of Babcock & Brown). All amounts were based on commercial terms.

	2010 $	2009 $
Paid / payable by the Prime Infrastructure Group:		
Base fee including present value of fee for providing services to the Responsible Entity to Prime Infrastructure Trust	5,777,340	994,544
Management service fee	4,146,215	15,809,729
Financial advisory fee in connection with the disposal of assets	-	9,112,501
Financial advisory fee in connection with refinancing activities	-	846,342
Reimbursement of costs in connection with the disposal of assets[1]	-	4,248,285
Reimbursement of costs in connection with the acquisition of assets[1]	-	2,042,186
Reimbursement of costs in connection with failed bids[1]	-	632,430
Accounting services paid by Cross Sound Cable	-	221,947
Reimbursement of operating costs	3,879,828	-
Purchase of assets	92,500	-

1 These amounts relate to the reimbursement of costs incurred by Babcock & Brown in relation to acquisitions, disposals or refinancing activities performed on behalf of Prime Infrastructure. These expenses are charged to Prime Infrastructure at cost.

39. RELATED PARTY DISCLOSURES (CONTINUED)

(b) TRANSACTIONS WITH OTHER RELATED PARTIES (CONTINUED)

Transactions involving other related parties (continued):

During the year, the following transactions were made with associates. All amounts were based on commercial terms.

	2010 $	2009 $
Received / receivable from associates:		
Interest received from associates[1]	90,125,600	81,423,606
Unwinding of unrealised discount on loans to associates	657,055	-
Dividends received from associates	26,482,612	23,518,550
Return of capital from associates[2]	10,703,440	44,014,000
Revenue recognised in relation to contractual capital projects	31,207,589	45,426,574
Maintenance revenue recognised in relation to contractual maintenance work	-	35,771,000
Service fees charged to associate entities[3]	1,568,011	-
Fees received in relation to employee secondment to associate	123,862	-
Fees received for services provided to subsidiary of associate	40,193	-
Paid / payable to associates:		
Transaction facilitation fee[4]	18,500,000	-
Asset management service fees paid to associates[5]	4,248,948	-
Director fees paid to Brookfield	257,526	
Reimbursement of costs payable to associates	1,575	-

1 Interest received from associates represents interest Prime Infrastructure received on its loans to DBCT Management, Myria Holdings Inc, Euroports S.á.r.l and Powerco New Zealand Holdings Limited. In the prior year, interest from associates only related to interest on loans with Myria Holdings Inc and Powerco New Zealand Holdings Limited.

2 During the current and prior year, Prime Infrastructure received funds from Myria Holdings Inc. in the form of a return of capital.

3 Prime Infrastructure continues to provide certain management services to Dalrymple Bay Coal Terminal based on an arms length basis.

4 As disclosed in the Product Disclosure Statement of the Prime Infrastructure recapitalisation, Prime Infrastructure agreed to pay Brookfield a transaction facilitation fee inclusive of out of pocket expenses and other costs up to a maximum of $18,500,000 on the successful recapitalisation.

5 As disclosed in the Product Disclosure Statement of the Prime Infrastructure recapitalisation, Brookfield provides certain asset management services to the AET&D businesses and Cross Sound Cable. These services include providing strategic advice, overseeing the sales process, supervising operations, making recommendations regarding financing, prepare operational plans.

The asset management agreements have a term of 3 years, but will terminate early should the associated sale options expire and may be extended by the mutual agreement of Prime Infrastructure and Brookfield.

In relation to AET&D, Brookfield is entitled to a fee of $5.0 million per annum asset management fee, payable quarterly in advance and a transaction fee payable at the time of sale of any part of the AET&D business to a third party, equal to 1% of the enterprise value of that part of the business, payable out of the proceeds of any such sale.

In relation to Cross Sound Cable, Brookfield is entitled to a base asset management fee equal to the distributable cash generated by the Cross Sound Cable operations during the applicable month and the transaction fee will be equal to 1% of the aggregate enterprise value of Cross Sound Cable based on its sale price.

As part of the successful recapitalisation of Prime Infrastructure, Brookfield Infrastructure Australia Trust agreed to subscribe for convertible notes for $295.4 million and enter into a number of other arrangements with Prime Infrastructure which confer on Brookfield Infrastructure Australia Trust a 49.9% economic interest in Dalrymple Bay Coal Terminal. In addition, Brookfield acquired all of Prime Infrastructure's interests in PD Ports for nominal proceeds.

(c) PARENT ENTITY

The parent entity in the Group is Prime Infrastructure Holdings Limited.

40. SUBSEQUENT EVENTS

New coal export terminal:

On 12 July 2010, Prime Infrastructure announced that DBCT Management Pty Limited, an entity that the Group has a 50.1% economic interest in, had been appointed by the Queensland Government owned North Queensland Bulk Ports (NQBP) as one of two preferred proponents for the development of new coal export terminal facilities at Dudgeon Point in the Port of Hay Point, Queensland.

Settlement of NGPL rate case:

On 30 July 2010, Prime Infrastructure announced that the pending Natural Gas Pipeline of America (NGPL) Summary of Stipulation and Agreement (Settlement) had been approved and became binding by FERC. FERC determined that the proposed Settlement was fair and reasonable and in the public interest, and accordingly, approved the Settlement under its regulations.

This Settlement includes a staged implementation of reductions in service charges commencing from 1 July 2010 with the first full year impact occurring in the 2012 Calendar year and sets out rate and tariff moratoriums to 1 April 2016. This provides greater certainty over NGPL's operating cash flows for the next six years.

Whilst the Settlement is now final and binding, there is a 30 day period in which persons may seek to object to the Settlement.

Prime Infrastructure ultimately has a 26.4% equity interest in NGPL.

Settlement with the Australian Taxation Office:

On 23 August 2010 Prime Infrastructure announced it had settled its dispute with the ATO regarding the deductibility of certain payments relating to DBCT. The settlement relates to payments agreed in 2001 to be made over the term of the initial lease of DBCT (2002 to 2051). In 2007 Prime Infrastructure entered into an arrangement with the ATO under which it paid 50% of the disputed amount of primary tax and interest. These payments totalled $60.6 million.

Under the agreed settlement, Prime Infrastructure will:

- receive approximately $43 million in cash back from the ATO;
- recognise a reduction in deferred tax assets relating to carried forward tax losses of approximately $38 million; and
- recognise an immaterial reduction in potential future deductions for the payments to be made over the remaining initial lease term at DBCT.

The settlement agreement resolves all matters in dispute between Prime Infrastructure and the ATO in relation to DBCT.

SPARCS Redemption:

On 23 August 2010, Prime Infrastructure's wholly owned subsidiary, Prime Infrastructure Networks (New Zealand) Limited (PINNZ), agreed to redeem all outstanding Prime Infrastructure NZ SPARCS (SPARCS) under clause 9.1(a) of the SPARCS Trust Deed on 17 November 2010, which is the next Reset Date (as that term is defined in the Trust Deed.) Holders of SPARCS will receive face value plus any accrued interest in cash for each of their SPARCS under the redemption.

Distributions:

On 23 August 2010, Prime Infrastructure announced that the Distribution in respect of the quarter ending 30 September 2010 will be 7.5 cents per Stapled Security. The Record Date for this distribution will be 30 September 2010 and the distribution will be paid on or about 30 November 2010.

Prime Infrastructure also announced, subject to certain conditions, including regulatory and other approvals, to make an in-specie distribution of shares in Prime AET&D Holdings No. 1 Pty Limited, formerly known as BBI EPS Limited (AET&D Holdings) to the Prime Infrastructure Securityholders. The in-specie distribution is being effected to reinforce the quarantined nature of AET&D and to simplify Prime Infrastructure's corporate structure. The shares of AET&D Holdings have no value to whoever holds them, whether it is Prime Infrastructure or its Securityholders.

Merger with Brookfield Infrastructure:

On 23 August 2010, Prime Infrastructure and Brookfield Infrastructure Partners L.P. (NYSE: BIP; TSX: BIP.UN) announced that they have entered into a definitive merger agreement to create a leading global infrastructure company, in a transaction with an estimated value of approximately $1.6 billion. Under the terms of the transaction, Prime Infrastructure security holders will receive 0.24 Brookfield Infrastructure units (BIP Units) for each Prime Infrastructure Stapled Security held, representing a headline price of approximately $4.60 per Prime Infrastructure Stapled Security. The transaction will be conducted by way of a scheme of arrangement and a concurrent takeover bid, both of which are subject to various regulatory approvals and conditions. The transaction, if successful, is expected to complete in December 2010.

41. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the Financial Year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010 $'000	2009 $'000
Cash and cash equivalents	430,752	257,873
Bank overdraft	-	(31)
Cash included as held for sale (note 38)	96,100	86,192
	526,852	**344,034**

41. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) BUSINESSES ACQUIRED

	Consolidated	
	2010 $'000	2009 $'000
CONSIDERATION		
Purchase consideration	-	3,595
FAIR VALUE OF NET ASSETS ACQUIRED		
Current assets:		
Cash	-	26,691
Receivables	-	(31,381)
Inventories	-	7
Other	-	2,873
Non-current assets:		
Property, plant and equipment	-	201,661
Intangibles and other assets	-	44,407
Total assets acquired	**-**	**244,258**
Current liabilities:		
Payables	-	24,296
Non-current liabilities:		
Interest bearing liabilities and other liabilities	-	239,573
Total liabilities acquired	**-**	**263,869**
Net assets acquired	**-**	**(19,611)**
Minority interests acquired	-	14,612
	-	**(4,999)**
Goodwill on acquisition capitalised	-	8,594
	-	**3,595**
Net cash outflow on acquisition:		
Total purchase consideration	-	3,595
Less cash and cash equivalent balances acquired	-	(315)
Earn-outs/deferred settlements paid	-	101,832
Purchase of minority interest in WestNet Rail	-	80,308
	-	**185,420**

41. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(c) BUSINESSES DISPOSED

	Consolidated	
	2010 $'000	**2009 $'000**
CONSIDERATION		
Cash and cash equivalents	295,400	423,737
Loans from associates	-	143,325
Equity accounted investment	-	12,947
	295,400	**580,009**
Net assets disposed	**(729,096)**	**(481,275)**
Transfer of reserves	79,319	4,309
Minority interests	45,164	-
(Loss)/gain on disposal (note 38)	**(309,213)**	**103,043**
Net Cash inflow on disposal of subsidiary:		
Consideration received in cash and cash equivalents	295,400	423,737
Less cash and cash equivalents disposed of	(166,029)	(7,855)
	129,371	**415,882**

(d) NON-CASH FINANCING AND INVESTING ACTIVITIES

During the current Financial Year, 778,656,840 BEPPA with a face value of $1.00 each were converted into 841,790,304 Prime Infrastructure Stapled Securities. In addition, 36,660 SPARCS with a face value of NZ$1.00 each were converted into 789 Prime Infrastructure Stapled Securities.

During the prior year ended 30 June 2009, 27,162,293 SPARCS with a face value of NZ$1.00 each were converted into 216.0 million Prime Infrastructure Stapled Securities.

41. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(e) FINANCING FACILITIES

	2010 $'000	2009 $'000
FINANCING FACILITIES AVAILABLE TO THE GROUP		
Bank loans and commercial paper/standby facility:		
- amount used	1,304,293	4,204,360
- amount unused	395,957	964,286
	1,700,250	**5,168,646**

The financing facilities available to the Group disclosed above only relate to the continuing operations of the Group.

(f) CASH BALANCES NOT AVAILABLE FOR USE

As disclosed in note 13 to the Financial Statements, the restricted cash can only be used as a reserve for servicing the debt under certain financing arrangements. These restricted cash balances have not been included in the year end cash balances for the purposes of the Statement of Cash Flows. In addition, cash of $38.3 million (2009: $41.1 million) is attributable to the consortium that acquired the Alinta assets. Prime AET&D Holdings No.1 Pty Limited is entitled to 17.5% of this cash balance. The balance of this amount has been recorded as a liability within discontinued operations.

(g) RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2010 $'000	2009 $'000
Loss for the year	(948,597)	(977,130)
Loss on sale or disposal of non-current assets	1,962	3,718
Gain on revaluation of investment property	-	(10,928)
Loss/(gain) on disposal of businesses/investments	309,214	(103,043)
Movement in fair value through profit or loss on derivatives	(19,303)	227,033
Share of jointly controlled venture entities' loss/(profit) after tax	174,667	(11,211)
Depreciation, amortisation and impairment of non-current assets	936,846	1,161,426
Amortisation of capitalised borrowing costs	17,639	26,749
Foreign exchange loss	67,750	24,849
Unwinding of unrealised discount on intercompany payables	(123)	1,019
Gain on conversion of BEPPA to Prime Infrastructure Staples Securities	(392,519)	-
Other adjustments	(51,619)	(90,659)
Movement in tax balances	2,723	(254,776)
CHANGES IN NET ASSETS AND LIABILITIES, NET OF EFFECTS FROM ACQUISITION AND DISPOSAL OF BUSINESSES		
(Increase) / decrease in assets:		
Current receivables	(20,854)	95,258
Current inventories	1,708	1,266
Other	(1,012)	(14,534)
Increase / (decrease) in liabilities:		
Current payables	(34,132)	34,094
Current provisions	(1,198)	20,322
Other liabilities and deferred income	(83,658)	98,341
Net cash (used in) / provided by operating activities	**(40,506)**	**231,794**

42. ADDITIONAL COMPANY INFORMATION

Prime Infrastructure is a listed Stapled Security. The Company and the Trusts were incorporated in Australia and are operating in Australia, New Zealand, Europe and the United States of America.

Registered office

Level 26
135 King Street
Sydney, New South Wales 2000

Telephone: (02) 9692 2800

Principal place of business

Level 26
135 King Street
Sydney, New South Wales 2000

Telephone: (02) 9692 2800

The entity's principal activities are the acquisition, management and operation of essential infrastructure services in two distinct asset classes: Fee for Service and Utilities with geographic coverage on a global basis within OECD countries.