Infratil Limited
Statement of Comprehensive Income
For the year ended 31 March 2019

	Notes	2019 $000	2018 $000
Dividends received from subsidiary companies		186,145	80,000
Subvention income		-	10,327
Operating revenue		30,265	27,840
Total revenue		**216,410**	**118,167**
Directors' fees		822	740
Other operating expenses		29,578	27,029
Total operating expenditure	4	30,400	**27,769**
Operating surplus before financing, derivatives, realisations and impairments		186,010	90,398
Net gain/(loss) on foreign exchange and derivatives		4,421	4,349
Net realisations, revaluations and (impairments)		-	-
Financial income		62,497	38,502
Financial expenses		(66,721)	(68,574)
Net financing expense		(4,224)	(30,072)
Net surplus before taxation		**186,207**	**64,675**
Taxation expense	6	(5,155)	(5,610)
Net surplus for the year		**181,052**	**59,065**
Other comprehensive income, after tax			
Fair value movements in relation to executive share scheme		573	(237)
Total other comprehensive income after tax		**573**	**(237)**
Total comprehensive income for the year		**181,625**	**58,828**

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Changes in Equity
For the year ended 31 March 2019

	Notes	Capital $000	Other reserves $000	Retained earnings $000	Total $000
Balance as at 1 April 2018		354,552	339	12,916	367,807
Total comprehensive income for the year					
Net surplus for the year		-	-	181,052	181,052
Other comprehensive income after tax					
Fair value movements in relation to executive share scheme		-	573	-	573
Total other comprehensive income		-	573	-	573
Total comprehensive income for the year		**-**	**573**	**181,052**	**181,625**
Contributions by and distributions to owners					
Share buyback		-	-	-	-
Treasury Stock reissued under dividend reinvestment plan		-	-	-	-
Conversion of executive redeemable shares		-	-	-	-
Dividends to equity holders	3	-	-	(95,077)	(95,077)
Total contributions by and distributions to owners		-	-	(95,077)	(95,077)
Balance at 31 March 2019		354,552	912	98,891	454,355

Statement of Changes in Equity
For the year ended 31 March 2018

	Notes	Capital $000	Other reserves $000	Retained earnings $000	Total $000
Balance as at 1 April 2017		356,962	576	43,459	400,997
Total comprehensive income for the year					
Net surplus for the year		-	-	59,065	59,065
Other comprehensive income after tax					
Fair value movements in relation to executive share scheme		-	(237)	-	(237)
Total other comprehensive income		-	(237)	-	(237)
Total comprehensive income for the year		**-**	**(237)**	**59,065**	**58,828**
Contributions by and distributions to owners					
Share buyback		(2,410)	-	-	(2,410)
Treasury Stock reissued under dividend reinvestment plan		-	-	-	-
Conversion of executive redeemable shares		-	-	-	-
Dividends to equity holders	3	-	-	(89,608)	(89,608)
Total contributions by and distributions to owners		(2,410)	-	(89,608)	(92,018)
Balance at 31 March 2018		354,552	339	12,916	367,807

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Financial Position
As at 31 March 2019

	Notes	2019 $000	2018 $000
Cash and cash equivalents		-	-
Prepayments and sundry receivables		2,065	1,097
Income tax receivable		-	-
Advances to subsidiary companies	14	1,151,916	936,013
Current assets		1,153,981	**937,110**
Deferred tax	6	14,203	16,608
Investments	14	585,529	585,529
Non-current assets		599,732	**602,137**
Total assets		1,753,713	**1,539,247**
Bond interest payable		5,507	5,637
Accounts payable		4,069	2,879
Accrual and other liabilities		429	2,255
Infrastructure bonds	7	148,857	111,202
Derivative financial instruments	8	1,729	1,607
Loans from group companies	14	153,897	153,897
Total current liabilities		314,488	**277,477**
Infrastructure bonds	7	747,169	652,094
Perpetual Infratil Infrastructure bonds	7	231,534	231,152
Derivative financial instruments	8	6,167	10,717
Non-current liabilities		984,870	**893,963**
Attributable to shareholders of the Company		454,355	367,807
Total equity		454,355	**367,807**
Total equity and liabilities		1,753,713	**1,539,247**

Approved on behalf of the Board on MC a l·è 2019

Director

Director

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Cash Flows
For the year ended 31 March 2019

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Cash was provided from:			
Dividends received from subsidiary companies		186,145	80,000
Subvention income		-	10,327
Interest received		62,497	38,502
GST refund received		-	-
Operating revenue receipts		29,297	27,508
		277,939	156,337
Cash was dispersed to:			
Interest paid		(64,703)	(67,069)
Payments to suppliers		(31,043)	(27,280)
Taxation (paid) / refunded		(2,750)	(3,715)
		(98,496)	(98,064)
Net cash flows from operating activities	10	**179,443**	**58,273**
Cash flows from investing activities			
Cash was provided from:			
Net movement in subsidiary company loan		-	38,164
		-	38,164
Cash was dispersed to:			
Acquisition of shares in subsidiary		-	-
Cash outflow for group company loan		(215,330)	-
		(215,330)	-
Net cash flows from investing activities		**(215,330)**	**38,164**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from issue of shares		-	-
Issue of bonds		246,249	143,413
		246,249	143,413
Cash was dispersed to:			
Repayment of bonds		(111,418)	(147,396)
Infrastructure bond issue expenses		(3,867)	(2,068)
Repurchase of shares		-	(778)
Dividends paid	3	(95,077)	(89,608)
		(210,362)	(239,850)
Net cash flows from financing activities		**35,887**	**(96,437)**
Net cash movement		-	-
Cash balances at beginning of year		-	-
Cash balances at year end		**-**	**-**

Note some cash flows above are directed through an intercompany account. The cashflow statement above has been prepared on the assumption that these transactions are equivalent to cash in order to present the total cashflows of the entity.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 March 2019

(1) Accounting policies

(A) Reporting Entity
Infratil Limited ('the Company') is a company domiciled in New Zealand and registered under the Companies Act 1993. The Company is listed on the NZX and ASX, and is an issuer in terms of the Financial Markets Conduct Act 2013.

(B) Basis of preparation
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-oriented entities. The presentation currency used in the preparation of these financial statements is New Zealand dollars, which is also the Company's functional currency, and is presented in $ thousands unless otherwise stated. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Comparative figures have been restated where appropriate to ensure consistency with the current period.

The financial statements comprise statements of the following: comprehensive income; financial position; changes in equity; cash flows; significant accounting policies; and the notes to those statements are contained on pages 5 to 16 of this report. The financial statements are prepared on the basis of historical cost, except financial derivatives valued in accordance with accounting policy (D).

Accounting estimates and judgements
The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing these financial statements are set out below.

Valuation of investments
Infratil completes an assessment of the carrying value of investments at least annually and considers objective evidence for impairment on each investment taking into account observable data on the investment, the fair value, the status or context of capital markets, its own view of investment value, and its long term intentions. Infratil notes the following matters which are specifically considered in terms of objective evidence of impairment of its investments, and whether there is a significant or prolonged decline from cost, which should be recorded as an impairment, and taken to profit and loss: any known loss events that have occurred since the initial recognition date of the investments, including its long term investment horizon, specific initiatives which reflect the strategic or influential nature of its existing investment position and internal valuations; and the state of financial markets. The assessment also requires judgements about the expected future performance and cash flows of the investment.

Accounting for income taxes
Preparation of the financial statements requires management to make estimates as to, amongst other things, the amount of tax that will ultimately be payable, the availability of losses to be carried forward and the amount of foreign tax credits that it will receive. Actual results may differ from these estimates as a result of reassessment by management and/or taxation authorities.

(C) Taxation
Income tax comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits or deferred tax liabilities will be available within the Company against which the asset can be utilised.

(D) Derivative financial instruments
When appropriate, the Company enters into agreements to manage its interest rate, foreign exchange, operating and investment risks. In accordance with the Company's risk management policies, the Company does not hold or issue derivative financial instruments for speculative purposes. However, certain derivatives do not qualify for hedge accounting and are required to be accounted for at fair value through profit or loss. Derivative financial instruments are recognised initially at fair value at the date they are entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated effective as a hedging instrument, in which event, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

(E) Impairment of assets

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(F) 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. Fees and other costs incurred in arranging debt finance are capitalised and amortised over the term of the relevant debt facility.

(G) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss.

(H) Changes in accounting policies

The Company has adopted NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers from 1 April 2018.

NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39 Financial Instruments: Recognition and Measurement, which NZ IFRS 9 replaces. The adoption of this accounting standard has not had a material impact on the financial statements.

NZ IFRS 15 Revenue from Contracts with Customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The adoption of this accounting standard has not had a material impact on the financial statements.

(I) Adoption status of relevant new financial reporting standards and interpretations

The following new standards, amendments to standards and interpretations are issued but not yet effective and have not been applied in preparation of these consolidated financial statements.

NZ IFRS 16 Leases, removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Company's preliminary assessment of adopting NZ IFRS 16 is that it will not have a material impact on the financial statements.

(2) Nature of business

The Company is the ultimate parent company of the Infratil Group, owning infrastructure & utility businesses and investments in New Zealand, Australia and the United States. The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 5 Market Lane, Wellington, New Zealand.

Notes to the Financial Statements
For the year ended 31 March 2019

(3) Infratil shares and dividends

Ordinary shares (fully paid)	2019	2018
Total issued capital at the beginning of the year	559,278,166	560,053,166
Movements in issued and fully paid ordinary shares during the year:		
Share buyback	-	(775,000)
Total issued capital at the end of the year	559,278,166	559,278,166

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity. At 31 March 2019 the Group held 775,000 shares as Treasury Stock.

Dividends paid on ordinary shares	2019 cents per share	2018 cents per share	2019 $000	2018 $000
Final dividend prior year *(paid 14 June 2018)*	10.75	10.00	60,122	56,005
Interim dividend current year *(paid 18 December 2018)*	6.25	6.00	34,955	33,603
Dividends paid on ordinary shares	17.00	16.00	95,077	89,608

Executive redeemable shares	2019 $000	2018 $000
Balance at the beginning of the year	433,000	990,500
Shares issued	-	-
Shares converted to ordinary shares	-	-
Shares cancelled	-	(557,500)
Balance at end of year	433,000	433,000

(4) Other operating expenses

		2019 $000	2018 $000
Fees paid to the Company auditor		204	365
Directors' fees		822	740
Administration and other corporate costs		5,423	5,411
Management fee (to related party Morrison & Co Infrastructure Management)	14	23,951	21,253
Total other operating expenses		30,400	27,769

Fees paid to the Company auditor	2019 $000	2018 $000
Audit and review of financial statements	204	158
Other assurance services	-	-
Taxation services	-	-
Other services	-	207
Total fees paid to the Company auditor	204	365

The audit fee includes the fees for both the annual audit of the Group and Company financial statements and the review of the interim financial statements. Other services relate to due diligence work.

Notes to the Financial Statements
For the year ended 31 March 2019

(5) Net realisations and (impairments)

At 31 March 2019 the Company reviewed the carrying amounts of loans to Infratil Group companies to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount of the asset was estimated by reference to the counterparties' net asset position and ability to repay loans out of operating cash flows in order to determine the extent of any impairment loss. As a result the Company did not impair any loans to Infratil Group companies in 2019 (2018: nil).

(6) Taxation

	2019 $000	2018 $000
Surplus before taxation	186,207	64,675
Taxation on the surplus for the period @ 28%	52,138	18,109
Plus/(less) taxation adjustments:		
Exempt dividends	(52,121)	(22,400)
Losses offset within Group	10,140	8,202
Subvention payment	-	(2,892)
Timing differences not recognised	-	-
Over provision in prior years	190	4,434
Other permanent differences	(5,192)	157
Taxation expense	**5,155**	**5,610**
Current taxation	2,750	3,715
Deferred taxation	2,405	1,895
	5,155	**5,610**

There was no income tax recognised in other comprehensive income during the period (2018: nil)

Recognised deferred tax assets and liabilities

	Assets	
	2019 $000	2018 $000
Derivatives	2,211	3,451
Tax losses carried forward	12,067	13,307
Deferred tax assets	14,278	16,758

	Liabilities	
	2019 $000	2018 $000
Other items	(75)	(150)
Deferred tax liabilities	(75)	(150)

	Net Assets/(Liabilities)	
	2019 $000	2018 $000
Property, plant and equipment		
Investment property		
Derivatives	2,211	3,451
Tax losses carried forward	12,067	13,307
Other items	(75)	(150)
Net deferred tax assets/(liabilities)	14,203	16,608

Changes in temporary differences affecting tax expense

	Tax Expense		Other Comprehensive Income	
	2019 $000	2018 $000	2019 $000	2018 $000
Derivatives	(1,240)	(1,217)	-	-
Tax losses carried forward	(1,240)	(793)	-	-
Other items	75	115	-	-
	(2,405)	(1,895)	-	-

(7) Infrastructure Bonds

	2019 $000	2018 $000
Balance at the beginning of the year	994,448	998,305
Issued during the year	246,249	143,413
Exchanged during the year	(51,050)	(32,739)
Matured during the year	(60,367)	(114,657)
Purchased by Infratil during the year	-	-
Bond issue costs capitalised during the year	(3,867)	(2,069)
Bond issue costs amortised during the year	2,147	2,195
Balance at the end of the year	1,127,560	994,448
Current	148,857	111,202
Non-current fixed coupon	747,169	652,094
Non-current perpetual variable coupon	231,534	231,152
Balance at the end of the year	1,127,560	994,448
Repayment terms and interest rates:		
IFT180 Maturing in November 2018, 6.85% p.a. fixed coupon rate	-	111,418
IFT200 Maturing in November 2019, 6.75% p.a. fixed coupon rate	68,500	68,500
IFT090 Maturing in February 2020, 8.50% p.a. fixed coupon rate	80,498	80,498
IFT220 Maturing in June 2021, 4.90% p.a. fixed coupon rate	93,883	93,883
IFT190 Maturing in June 2022, 6.85% p.a. fixed coupon rate	93,696	93,696
IFT240 Maturing in December 2022, 5.65% p.a. fixed coupon rate	100,000	100,000
IFT210 Maturing in September 2023, 5.25% p.a. fixed coupon rate	122,104	122,104
IFT230 Maturing in June 2024, 5.50% p.a. fixed coupon rate	56,117	56,117
IFT250 Maturing in June 2025, 6.15% p.a fixed coupon rate	43,413	43,413
IFT260 Maturing in December 2024, 4.75% p.a. fixed coupon rate	100,000	-
IFT270 Maturing in December 2028, 4.85% p.a. fixed coupon rate	146,249	-
IFTHA Perpetual Infratil infrastructure bonds	231,917	231,917
less: Bond issue costs capitalised and amortised over term	(8,817)	(7,098)
Balance at the end of the year	1,127,560	994,448

Fixed coupon

The fixed coupon bonds the Company has on issue are at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. 25 days prior to the maturity date of the IFT090 series, Infratil can elect to convert all of the bonds in that series to equity by issuing the number of shares calculated by dividing the $1.00 face value by 98% of the market price of an Infratil share. The market price is the average price weighted by volume of all trades of ordinary shares over the 10 business days up to the fifth business day before the maturity date.

Perpetual Infratil infrastructure bonds ('PIIBs')

The Company has 231,916,600 (31 March 2018: 231,916,600) PIIBs on issue at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. For the period to 15 November 2019 the coupon was fixed at 3.55% per annum (2018: 3.50%). Thereafter the rate will be reset annually at 1.5% per annum over the then one year bank rate for quarterly payments, unless Infratil's gearing ratio exceeds certain thresholds, in which case the margin increases. These infrastructure bonds have no fixed maturity date. No PIIBs (2018: nil) were repurchased by Infratil Limited during the period.

Throughout the period the Company complied with all debt covenant requirements as imposed by the bond trustee.

At 31 March 2019 the Infratil Infrastructure bonds (including PIIBs) had a fair value of $1,104.4 million (31 March 2018: $989.6 million).

(8) Financial instruments

The Company has exposure to the following risks due to its business activities and financial policies:

- Credit risk
- Liquidity risk
- Market risk (interest rates and foreign exchange)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also has a function of reviewing management practices in relation to identification and management of significant business risk areas and regulatory compliance. The Company has developed a comprehensive, enterprise wide risk management framework. Management and Board participate in the identification, assessment and monitoring of new and existing risks. Particular attention is given to strategic risks that could affect the Company.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company is exposed to credit risk in the normal course of business including those arising from financial derivatives and transactions (including cash balances) with financial institutions. The Company has adopted a policy of only dealing with credit-worthy counterparties, as a means of mitigating the risk of financial loss from defaults. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and other organisations in the relevant industry. The Company's exposure and the credit ratings of counterparties are monitored. The carrying amounts of financial assets recognised in the Statement of Financial Position best represent the Company's maximum exposure to credit risk at the reporting date. No security is held on these amounts.

Liquidity risk

Liquidity risk is the risk that assets held by the Company cannot readily be converted to cash to meet the Company's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due and make value investments, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The tables below analyses the financial liabilities into relevant maturity groupings based on the earliest possible contractual maturity date at the year end date. The amounts in the tables below are contractual undiscounted cash flows, which include interest through to maturity. Perpetual Infratil Infrastructure Bond cash flows have been determined by reference to the longest dated Infratil Bond, maturing in the year 2028.

2019	Accounts payable, accruals and other liabilities	Infrastructure bonds	Perpetual Infratil Infrastructure bonds	Derivative financial instruments	Total
	$000	$000	$000	$000	$000
Balance sheet	163,902	896,026	231,534	7,896	1,299,358
Contractual cash flows	163,902	1,122,247	311,846	7,896	1,605,890
6 months or less	163,902	26,072	4,117	2,568	196,659
6 to 12 months	-	172,481	4,117	1,539	178,136
1 to 2 years	-	40,678	8,233	2,386	51,298
2 to 5 years	-	496,606	24,699	1,403	522,708
5 years +	-	386,410	270,680	-	657,090
2018					
Balance sheet	164,668	763,296	231,152	12,324	1,171,440
Contractual cash flows	164,668	936,511	290,428	13,622	1,405,229
6 months or less	164,668	23,967	4,059	4,124	196,818
6 to 12 months	-	132,522	4,059	3,547	140,128
1 to 2 years	-	186,710	8,117	3,321	198,148
2 to 5 years	-	359,114	24,351	2,630	386,095
5 years +	-	234,198	249,842	-	484,040

Market risk

Interest rates

Interest rate risk is the risk of interest rate volatility negatively affecting the Company's interest expense cash flow and earnings. The Company mitigates this risk by issuing borrowings at fixed interest rates or entering into Interest Rate Swaps to convert floating rate exposures to fixed rate exposure. Borrowings issued at fixed rates expose the Company to fair value interest rate risk which is managed by the interest rate profile and hedging.

	2019 $000	2018 $000
At balance date the face value of interest rate contracts outstanding were:		
Interest rate swaps in place at year end	95,000	145,000
Fair value of interest rate swaps	(7,896)	(12,324)
The termination dates for the interest rate swaps are as follows:		
Between 0 to 1 year	50,000	50,000
Between 1 to 2 years	45,000	50,000
Between 2 to 5 years	-	45,000
Over 5 years	-	-

Interest rate sensitivity analysis

The following table shows the impact on post-tax profit and equity of a movement in bank interest rates of 100 basis points higher/lower with all other variables held constant.

	2019 $000	2018 $000
Profit or loss		
100 bp increase	248	939
100 bp decrease	(210)	(1,023)

There would be no material effect on equity.

Foreign currency

The Company has exposure to currency risk on the value of its assets and liabilities denominated in foreign currencies, future investment obligations and future income. Foreign currency obligations and income are recognised as soon as the flow of funds is likely to occur. Decisions on buying forward cover for likely foreign currency investments is subject to the Company’s expectation of the fair value of the relevant exchange rate.

Foreign exchange sensitivity analysis

At 31 March 2019, if the New Zealand dollar had weakened/strengthened by 10 percent against foreign currencies, with all other variables held consistent, post-tax profit would not have been materially different. There would have been no material impact on balance sheet components.

Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements is their fair value, with the exception of bond debt held at amortised cost which have a fair value at 31 March 2019 of $1,104.4 million (2018: $989.6 million) compared to a carrying value of $1,127.6 million (2018: $994.4 million).

	2019 $000	2018 $000
Assets		
Derivative financial instruments - foreign exchange	-	-
Derivative financial instruments - interest rate	-	-
	-	-
Split as follows:		
Current	-	-
Non-current	-	-
	-	-
Liabilities		
Derivative financial instruments - foreign exchange	-	-
Derivative financial instruments - interest rate	7,896	12,324
	7,896	12,324
Split as follows:		
Current	1,729	1,607
Non-current	6,167	10,717
	7,896	12,324

Notes to the Financial Statements
For the year ended 31 March 2019

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

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:
• forward price curve (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
• discount rates.

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

All financial instruments measured at fair value in the statement of financial position are valued either directly (that is, using external available inputs) or indirectly (that is, derived from externally available inputs) and are classified as level 2 under NZ IFRS 7.

Valuation Input	*Source*
Interest rate forward price curve	Published market swap rates
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument.

Fair value hierarchy
The analysis of financial instruments carried at fair value, by valuation method is below. The different levels have been defined as follows:

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

The Company has interest rate swap derivatives that are classified as Level 2 and have a fair value liability of $7.9 million at 31 March 2019 (2018: $12.3 million).

There were no transfers between derivative financial instrument assets or liabilities classified as level 1 or level 2, and level 3 of the fair value hierarchy during the year ended 31 March 2019 (2018: none).

Capital management
The key factors in determining the Company's optimal capital structure are:
• Nature of its activities
• Quality and dependability of earnings/cash flows
• Capital needs over the forecast period
• Available sources of capital and relative cost

There were no changes to the Company's approach to capital management during the year.

The Company's capital includes share capital, reserves, and retained earnings. From time to time the Company purchases its own shares on the market with the timing of these purchases dependent on market prices, an assessment of value for shareholders and an available window to trade on the NZX. Primarily the shares are intended to be held as treasury stock and may be reissued under the Dividend Reinvestment Plan or cancelled. During the year no shares were bought back by the the Company (2018: 775,000).

The Company seeks to ensure that no more than 25% of its debt is maturing in any one year period, and to spread the maturities of its facilities. The Company manages its interest rate profile so as to minimise net value volatility. This means having interest costs fixed for extended terms. At times when long rates appear to be unsustainably high, the profile may be shortened, and when rates are low the profile may be lengthened.

(9) Investment in subsidiaries and associates

The significant investments of the Company and their activities are summarised below:

Subsidiaries	Holding 2019	Holding 2018	Principal activity	Country of incorporation
New Zealand				
Infratil 1998 Limited	100%	100%	Investment	New Zealand
Infratil 2016 Limited	100%	100%	Investment	New Zealand
Infratil 2018 Limited	100%	-	Investment	New Zealand
Infratil Energy Limited	100%	100%	Investment	New Zealand
Infratil Finance Limited	100%	100%	Finance	New Zealand
Infratil Gas Limited	100%	100%	Investment	New Zealand
Infratil Infrastructure Property Limited	100%	100%	Investment	New Zealand
Infratil Investments Limited	100%	100%	Investment	New Zealand
Infratil No 1 Limited	100%	100%	Investment	New Zealand
Infratil No 5 Limited	100%	100%	Investment	New Zealand
Infratil Outdoor Media Limited	100%	100%	Investment	New Zealand
Infratil PPP Limited	100%	100%	Investment	New Zealand
Infratil Renewables Limited	100%	100%	Investment	New Zealand
Infratil RV Limited	100%	100%	Investment	New Zealand
Infratil Ventures II Limited	100%	100%	Investment	New Zealand
Infratil Ventures Limited	100%	100%	Investment	New Zealand
NZ Airports Limited	100%	100%	Investment	New Zealand
Swift Transport Limited	100%	100%	Investment	New Zealand
Infratil Australia Limited	100%	100%	Investment	New Zealand

The financial year-end of all the significant subsidiaries is 31 March.

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

	2019 $000	2018 $000
Net surplus for the year	181,052	59,065
Less items classified as investing activity:		
Loss/(profit) on investment realisations and impairments	-	-
Add items not involving cash flows:		
Movement in financial derivatives taken to the profit or loss	(4,427)	(4,349)
Unsettled share buybacks	-	(1,636)
Capitalisation of intercompany interest and charges	-	-
Amortisation of deferred bond issue costs	2,147	2,195
Movements in working capital		
Change in receivables	(968)	(332)
Change in trade payables	1,190	215
Change in accruals and other liabilities	(1,956)	1,220
Change in deferred tax	2,405	1,895
Net cash inflow from operating activities	**179,443**	**58,273**

(11) Share Scheme

Infratil Staff Share Purchase Scheme

In 2008 Infratil commenced a staff share purchase scheme ('the Staff Share Scheme'). Under the Staff Share Scheme participating employees have a beneficial title to the ordinary shares, which are held by a trustee company. Staff are provided a loan in respect of the shares which is repayable over a period of three years. Upon repayment of the loan and three years' service by the participating employee, the ordinary shares will transfer from the trustee company to the participating employee, and the shares become unrestricted. Other than in exceptional circumstances, the length of the retention period before the shares vest is three years during which time the ordinary shares cannot be sold or disposed of.

During the year 47,770 shares were transferred to employees under the scheme (2018: 42,091 shares).

Infratil Executive Redeemable Share Scheme

From time to time selected key eligible executives and senior managers of Infratil and certain of its subsidiaries are invited to participate in the Infratil Executive Redeemable Share Scheme ('Executive Scheme') to acquire Executive Redeemable Shares ('Executive Shares'). The Executive Shares have certain rights and conditions and cannot be traded and do not convert to ordinary shares until those conditions have been met. The Executive Shares confer no rights to receive dividends or other distributions or to vote. Executive Shares may be issued which will convert to ordinary shares after three years (other than in defined circumstances) provided that the issue price has been fully paid and vesting conditions have been met. The vesting conditions include share performance hurdles with minimum future share price targets which need to be achieved over the specified period. The number of shares that "vest" (or LTI bonus paid) is based on the share price performance over the relevant period of the Infratil ordinary shares. If the executive is still employed by the Group at the end of the specified period, provided the share performance hurdles are met the executive receives a long term incentive bonus ('LTI') which must be used to repay the outstanding issue price of the Executive Shares and the Executive Shares are then converted to fully paid ordinary shares of Infratil.

No new Infratil Executive Redeemable Shares were granted during the current or prior year. On 17 June 2016, 528,000 Infratil Executive Redeemable Shares were granted at a price of $3.3107, the volume weighted average market price over the 20 business days immediately preceding the date on which the shares were issued to each executive. One cent per Executive Share was paid up in cash by the executive with the balance of the issue price payable when the executive becomes eligible to receive the long term incentive bonus. The Determination Date for the 2016 Scheme is 17 June 2019.

(12) Commitments

There are no outstanding commitments (2018: nil).

(13) Contingent liabilities

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

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

The Company has agreed to guarantee certain obligations of Infratil Trustee Limited, a related party, that is the Trustee to the Infratil Staff Share Scheme. The amount of the guarantee is limited to the loans provided to the employees.

(14) Related parties

Certain Infratil Directors have relevant interests in a number of companies with which Infratil has transactions in the normal course of business. A number of key management personnel are also Directors of Group subsidiary companies and associates.

Morrison & Co Infrastructure Management Limited ('MCIM') is the management company for the Company and receives management fees in accordance with the applicable management agreement. MCIM is owned by H.R.L. Morrison & Co Group Limited Partnership ('MCO'). Mr M Bogoievski is a director of Infratil and is a director and Chief Executive Officer of MCO. Entities associated with Mr Bogoievski also have beneficial interests in MCO.

Note 9 identifies significant entities in which the Company has an interest. All of these are related parties of the Company. The Company has the following significant loans and investments to/from/in its subsidiaries:

	Interest income/(expense)		Intercompany	
Related Party	2019 $000	2018 $000	2019 $000	2018 $000
Advances				
Infratil Finance	62,489	38,428	1,151,010	935,680
Aotea Energy Holdings Limited	-	-	(153,897)	(153,897)
Investments in				
Infratil Investments Limited			87,665	87,665
Infratil 1998 Limited			12,000	12,000
Infratil Finance Limited			153,897	153,897
Infratil No. 1 Limited			78,023	78,023
Infratil PPP Limited			5,942	5,942
Infratil No. 5 Limited			248,001	248,001
				.

Management and other fees paid by the Company to MCIM, MCO or its related parties during the year were:

	2019 $000	2018 $000
Management fees	23,951	21,253
Directors fees	104	110
Financial management, accounting, treasury, compliance and administrative services	1,258	1,250
Investment banking services	1,225	1,160
Total management and other fees	26,538	23,773

At 31 March 2019 amounts owing to MCIM of $3,150k (excluding GST) are included in trade creditors (2018: $2,160k).

(15) Management fee to Morrison & Co Infrastructure Management Limited ('MCIM')

The management fee to MCIM comprises a number of different components:

A New Zealand base management fee is paid on the "New Zealand Company Value" at the rates of 1.125% per annum on New Zealand Company value up to $50 million. 1.0% per annum on the New Zealand Company Value between $50 million and $150 million, and 0.80% per annum on the New Zealand Company Value above $150 million. The New Zealand Company Value is:
• the Company's market capitalisation as defined in the management agreement (i.e. the aggregated market value of the Company's listed securities, being ordinary shares, partly paid shares, infrastructure bonds and warrants):
• plus the Company and its wholly owned subsidiaries' net debt (excluding listed debt securities and the book value of the debt in any non-Australasian investments):
• minus the cost price of any non-Australasian investments: and
• plus/minus an adjustment for foreign exchange gains or losses related to non-New Zealand investments.
An international fund management fee is paid at the rate of 1.50% per annum on:
• the cost price of any non-Australasian investments: plus
• the book value of the debt in any wholly owned non-Australasian investments.
An international fund incentive fee is payable at the rate of 20% of gains on the international (including Australian) assets in excess of 12% per annum post tax.

(16) Segment analysis

During the year, the Company operated in predominantly one business segment, that of investments.

Geographical segments
The Company operated in one geographical area, that of New Zealand. Certain subsidiaries of the Company invest in Australia and the United States.

(17) Events after balance date

Acquisition of Vodafone New Zealand
On 14 May 2019, Infratil announced the 49.9% acquisition of Vodafone New Zealand Limited ('Vodafone NZ'). A consortium comprising Infratil and Brookfield Asset Management Inc. ('Brookfield') have executed a conditional agreement to acquire Vodafone NZ from Vodafone Group Plc for an enterprise value of $3.4 billion. The $3.4 billion purchase price is to be funded via a $1,029 million equity contribution from each of Infratil and Brookfield, with the balance funded from Vodafone NZ level debt and a portion of equity reserved for the Vodafone NZ executive team.

Infratil's equity contribution is expected to be funded via a fully underwritten equity raising of up to NZ$400 million, with the remainder to be funded through a combination of NZ$400 million of debt from a committed acquisition debt facility and the use of existing debt facility headroom.

Completion is conditional on Overseas Investment Office approvals and Commerce Commission clearance. Infratil anticipates that these conditions will be satisfied by August, and completion will occur by 31 August 2019.

Dividend
On 16 May 2019, the Directors approved a partially imputed final dividend of 11.0 cents per share to holders of fully paid ordinary shares to be paid on 27 June 2019.

There have been no other significant events subsequent to balance date.

Directory

Directors
Mark Tume (Chairman)
Marko Bogoievski
Alison Gerry
Kirsty Mactaggart
Humphry Rolleston
Peter Springford
Paul Gough

Company Secretary
Nick Lough

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Manager
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Auditor
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Wellington

Independent Auditor's Report

To the shareholders of Infratil Limited

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Infratil Limited (the company) on pages 1 to 16:

i. present fairly in all material respects the company's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 31 March 2019;

— the statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the company in relation to other assurance engagements and due diligence services. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We have determined that there are no key audit matters to communicate in our report.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor’s report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor’s report.

The engagement partner on the audit resulting in this independent auditor's report is Ross Buckley.

For and on behalf of

KPMG

KPMG
Wellington

16 May 2019