Infratil Limited
Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	2020 $000	2019 $000
Dividends received from subsidiary companies		-	186,145
Subvention income		-	-
Operating revenue		42,468	30,265
Total revenue		**42,468**	**216,410**
Directors' fees		1,053	822
Other operating expenses		43,083	29,578
Total operating expenditure	4	44,136	**30,400**
Operating surplus/(loss) before financing, derivatives, realisations and impairments		(1,668)	186,010
Net gain/(loss) on foreign exchange and derivatives		3,105	4,421
Net realisations, revaluations and (impairments)		-	-
Financial income		122,722	62,497
Financial expenses		(69,228)	(66,721)
Net financing expense		53,494	(4,224)
Net surplus before taxation		**54,931**	**186,207**
Taxation expense	6	2,375	(5,155)
Net surplus for the year		**57,306**	**181,052**
Other comprehensive income, after tax			
Fair value movements in relation to executive share scheme		(913)	573
Total other comprehensive income after tax		**(913)**	**573**
Total comprehensive income for the year		**56,393**	**181,625**

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Changes in Equity
For the year ended 31 March 2020

	Notes	Capital $000	Other reserves $000	Retained earnings $000	Total $000
Balance as at 1 April 2019		354,552	912	98,891	454,355
Total comprehensive income for the year					
Net surplus for the year		-	-	57,306	57,306
Other comprehensive income after tax					
Fair value movements in relation to executive share scheme		-	(912)	-	(912)
Total other comprehensive income		-	(912)	-	(912)
Total comprehensive income for the year		**-**	**(912)**	**57,306**	**56,394**
Contributions by and distributions to owners					
Share buyback		(3,725)	-	-	(3,725)
Shares issued		390,874	-	-	390,874
Shares issued under dividend reinvestment plan		5,032	-	-	5,032
Conversion of executive redeemable shares		883	-	-	883
Dividends to equity holders	3	-	-	(113,716)	(113,716)
Total contributions by and distributions to owners		393,063	-	(113,716)	279,347
Balance as at 31 March 2020		747,615	-	42,481	790,096

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

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Financial Position
As at 31 March 2020

	Notes	2020 $000	2019 $000
Cash and cash equivalents		-	-
Prepayments and sundry receivables		1,172	2,065
Advances to subsidiary companies	14	1,645,101	1,151,916
Current assets		1,646,273	**1,153,981**
Deferred tax	6	19,048	14,203
Investments	14	585,529	585,529
Non-current assets		604,577	**599,732**
Total assets		2,250,850	**1,753,713**
Bond interest payable		4,557	5,507
Accounts payable		4,049	4,069
Accruals and other liabilities		272	429
Infrastructure bonds	7	-	148,857
Derivative financial instruments	8	-	1,729
Loans from group companies	14	153,897	153,897
Total current liabilities		162,775	**314,488**
Infrastructure bonds	7	1,061,271	747,169
Perpetual Infratil Infrastructure bonds	7	231,917	231,534
Derivative financial instruments	8	4,791	6,167
Non-current liabilities		1,297,979	**984,870**
Attributable to shareholders of the Company		790,096	454,355
Total equity		790,096	**454,355**
Total equity and liabilities		2,250,850	**1,753,713**

Approved on behalf of the Board on 28 May 2020

Mark Tume

Director

A R Fery

Director

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Cash Flows
For the year ended 31 March 2020

	Notes	2020 $000	2019 $000
Cash flows from operating activities			
Cash was provided from:			
Dividends received from subsidiary companies		-	186,145
Subvention income		-	-
Interest received		122,722	62,497
Operating revenue receipts		43,535	29,297
		166,257	277,939
Cash was dispersed to:			
Interest paid		(67,766)	(64,703)
Payments to suppliers		(44,493)	(31,043)
Taxation (paid) / refunded		(2,462)	(2,750)
		(114,721)	(98,496)
Net cash flows from operating activities	10	**51,536**	**179,443**
Cash flows from investing activities			
Cash was provided from:			
Net movement in subsidiary company loan		-	-
		-	-
Cash was dispersed to:			
Acquisition of shares in subsidiary		-	-
Cash outflow for group company loan		(494,092)	(215,330)
		(494,092)	(215,330)
Net cash flows from investing activities		**(494,092)**	**(215,330)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from issue of shares		396,784	-
Issue of bonds		316,441	246,249
		713,225	246,249
Cash was dispersed to:			
Repayment of bonds		(148,998)	(111,418)
Infrastructure bond issue expenses		(4,230)	(3,867)
Repurchase of shares		(3,725)	-
Dividends paid	3	(113,716)	(95,077)
		(270,669)	(210,362)
Net cash flows from financing activities		**442,556**	**35,887**
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 2020

(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 Main Board ('NZX') and Australian Securities Exchange ('ASX'), and is an FMC Reporting Entity in terms of Part 7 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. 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 16 Leases ('NZ IFRS 16') from 1 April 2019.

NZ IFRS 16 replaces NZ IAS 17 Leases and removes the classification of leases as either operating leases or finance leases and consequently for the lessee, all leases (other than short term or low value leases) are recognised on the Consolidated Statement of Financial Position. The Company is not party to any lease contracts and therefore 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

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been applied in preparing these financial statements. None of these are expected to 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 businesses and investments in New Zealand, Australia, Europe 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.

(3) Infratil shares and dividends

Ordinary shares (fully paid)	2020 Shares	2019 Shares
Total authorised and issued capital at the beginning of the year	559,278,166	559,278,166
Movements during the year:		
New shares issued	99,992,228	-
New shares issued under dividend reinvestment plan	1,030,793	-
Treasury Stock reissued under dividend reinvestment plan	-	-
Conversion of executive redeemable shares	265,267	-
Share buyback	(887,617)	-
Total authorised and issued capital at the end of the year	659,678,837	559,278,166

During the year the Company issued new shares to support the acquisition of Vodafone New Zealand Limited, raising net proceeds after issue costs of $396.8 million via an institutional placement and an entitlement offer to existing shareholders. All fully paid ordinary shares have equal voting rights, have no par value and share equally in dividends and equity. At 31 March 2020 the Group held 1,662,617 shares as Treasury Stock (2019: 775,000).

Dividends paid on ordinary shares	2020 cents per share	2019 cents per share	2020 $000	2019 $000
Final dividend prior year *(paid 27 June 2019)*	11.00	10.75	72,526	60,122
Interim dividend current year *(paid 13 December 2019)*	6.25	6.25	41,212	34,955
Dividends paid on ordinary shares	17.25	17.00	113,738	95,077

Executive redeemable shares	2020 000	2019 000
Balance at the beginning of the year	433	433
Shares issued	-	-
Shares converted to ordinary shares	(265)	-
Shares cancelled	(168)	-
Balance at end of year	-	433

(4) Other operating expenses

		2020 $000	2019 $000
Fees paid to the Company auditor		209	204
Directors' fees		1,053	822
Administration and other corporate costs		5,931	5,423
Management fee (to related party Morrison & Co Infrastructure Management)	14	36,943	23,951
Total other operating expenses		44,136	30,400

Fees paid to the Company auditor	2020 $000	2019 $000
Audit and review of financial statements	194	204
Other assurance services	15	-
Taxation services	-	-
Other services	-	-
Total fees paid to the Company auditor	209	204

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 assurance services relate to agreed upon procedures.

(5) Net realisations and (impairments)

At 31 March 2020 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. Management also considered the impact of the COVID-19 pandemic and forecasts for deteriorating global macroeconomic conditions as part of this assessment. As a result, the Company did not impair any loans to Infratil Group companies in 2020 (2019: nil). These balances are within the Infratil Wholly Owned Group to entities also controlled either directly or indirectly by Infratil Limited.

(6) Taxation

	2020 $000	2019 $000
Surplus before taxation	54,931	186,207
Taxation on the surplus for the period @ 28%	15,381	52,138
Plus/(less) taxation adjustments:		
Exempt dividends	-	(52,121)
Losses offset within Group	(14,662)	10,140
Timing differences not recognised	(3,085)	-
Over provision in prior years	(92)	190
Other permanent differences	83	(5,192)
Taxation expense	**(2,375)**	**5,155**
Current taxation	2,470	2,750
Deferred taxation	(4,845)	2,405
	(2,375)	**5,155**

There was no income tax recognised in other comprehensive income during the period (2019: nil)

Recognised deferred tax assets and liabilities

	Assets	
	2020 $000	2019 $000
Derivatives	1,341	2,211
Provisions	17,707	-
Tax losses carried forward	-	12,067
Deferred tax assets	19,048	14,278

	Liabilities	
	2020 $000	2019 $000
Other items	-	(75)
Deferred tax liabilities	-	(75)

	Net Assets/(Liabilities)	
	2020	2019
	$000	$000
Property, plant and equipment		
Investment property		
Derivatives	1,341	2,211
Provisions	17,707	-
Tax losses carried forward	-	12,067
Other items	-	(75)
Net deferred tax assets/(liabilities)	19,048	14,203

Changes in temporary differences affecting tax expense

	Tax Expense		Other Comprehensive Income	
	2020 $000	2019 $000	2020 $000	2019 $000
Derivatives	(870)	(1,240)	-	-
Employee benefits	-	-	-	-
Customer base assets	-	-	-	-
Provisions	17,707	-	-	-
Tax losses carried forward	(12,067)	(1,240)	-	-
Other items	75	75	-	-
	4,845	(2,405)	-	-

(7) Infrastructure Bonds

	2020 $000	2019 $000
Balance at the beginning of the year	1,127,560	994,448
Issued during the year	316,441	246,249
Exchanged during the year	(29,326)	(51,050)
Matured during the year	(119,671)	(60,367)
Purchased by Infratil during the year	-	-
Bond issue costs capitalised during the year	(4,230)	(3,867)
Bond issue costs amortised during the year	2,414	2,147
Balance at the end of the year	1,293,188	1,127,560
Current	-	148,857
Non-current fixed coupon	939,636	747,169
Non-current variable coupon	121,635	-
Non-current perpetual variable coupon	231,917	231,534
Balance at the end of the year	1,293,188	1,127,560
Repayment terms and interest rates:		
IFT200 Maturing in November 2019, 6.75% p.a. fixed coupon rate	-	68,500
IFT090 Maturing in February 2020, 8.50% p.a. fixed coupon rate	-	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
IFT260 Maturing in December 2024, 4.75% p.a. fixed coupon rate	100,000	100,000
IFT250 Maturing in June 2025, 6.15% p.a fixed coupon rate	43,413	43,413
IFT300 Maturing in March 2026, 3.35% p.a. fixed coupon rate	36,976	-
IFT 280 Maturing in December 2026, 3.35% p.a. fixed coupon rate	156,279	-
IFT270 Maturing in December 2028, 4.85% p.a. fixed coupon rate until 15 December 2023	146,249	146,249
IFTHC Maturing in December 2029, 3.50% p.a. variable coupon rate reset annually from 15 December 2020	123,186	-
IFTHA Perpetual Infratil infrastructure bonds	231,917	231,917
less: issue costs capitalised and amortised over term	(10,632)	(8,817)
Balance at the end of the year	1,293,188	1,127,560

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.

Perpetual Infratil infrastructure bonds ('PIIBs')

The Company has 231,916,600 (31 March 2019: 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 2020 the coupon will be fixed at 2.67% per annum (2019: 3.55%). Thereafter the rate will be reset annually at 1.50% 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 (2019: nil) were repurchased by Infratil Limited during the period.

IFTHC bonds

The Company has 123,186,000 (31 March 2019: nil) IFTHCs on issue at a face value of $1.00 per bond. Interest is payable quarterly on the bonds. For the period to 15 December 2020 the coupon is fixed at 3.50% per annum (March 2019: nil). Thereafter the rate will be reset annually at 2.50% per annum over the then one year bank rate for quarterly payments.

IF270 bonds

The interest rate of the IFT270 bonds is fixed for the first five years and then reset on 15 December 2023 for a further five years. The interest rate for the IFT270 bonds for the period from (but excluding) 15 December 2023 until the maturity date will be the sum of the five year swap rate on 15 December 2023 plus a margin of 2.50% per annum.

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

At 31 March 2020 the Infratil Infrastructure bonds (including PIIBs) had a fair value of $1,161.5 (31 March 2019: $1,104.4 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 maturity in the year 2029.

2020	Accounts payable, accruals and other liabilities	Infrastructure bonds	Perpetual Infratil Infrastructure bonds	Derivative financial instruments	Total
	$000	$000	$000	$000	$000
Balance sheet	158,218	1,065,828	231,917	4,791	1,460,754
Contractual cash flows	158,218	1,324,493	292,032	4,791	1,779,534
6 months or less	158,218	25,732	3,096	1,319	188,365
6 to 12 months	-	25,732	3,096	1,418	30,246
1 to 2 years	-	141,705	6,192	2,054	149,951
2 to 5 years	-	567,931	18,577	-	586,507
5 years +	-	563,394	261,071	-	824,465
2019					
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

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.

	2020 $000	2019 $000
At balance date the face value of interest rate contracts outstanding were:		
Interest rate swaps in place at year end	45,000	95,000
Fair value of interest rate swaps	(4,791)	(7,896)
The termination dates for the interest rate swaps are as follows:		
Between 0 to 1 year	-	50,000
Between 1 to 2 years	45,000	-
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.

	2020 $000	2019 $000
Profit or loss		
100 bp increase	960	248
100 bp decrease	(946)	(210)

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 2020, 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 2020 of $1,161.5 million (31 March 2019: $1,104.4 million) compared to a carrying value of $1,293.2 million (31 March 2019: $1,127.6 million).

	2020 $000	2019 $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	4,791	7,896
	4,791	7,896
Split as follows:		
Current	-	1,729
Non-current	4,791	6,167
	4,791	7,896

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 $4.8 million at 31 March 2020 (2019: $7.9 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 2020 (2019: 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 887,617 shares were bought back by the the Company (2019: none).

The Company seeks to ensure that no more than 25% of its Infrastructure bonds mature 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 2020	Holding 2019	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%	100%	Investment	New Zealand
Infratil 2019 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

	2020 $000	2019 $000
Net surplus for the year	57,306	181,052
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	(3,105)	(4,427)
Unsettled share buybacks	-	-
Capitalisation of intercompany interest and charges	-	-
Amortisation of deferred bond issue costs	2,414	2,147
Movements in working capital		
Change in receivables	893	(968)
Change in trade payables	(20)	1,190
Change in accruals and other liabilities	(1,107)	(1,956)
Change in deferred tax and tax receivable	(4,845)	2,405
Net cash inflow from operating activities	**51,536**	**179,443**

(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 42,566 shares were transferred to employees under the scheme (2019: 47,770 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 31 May 2019, Infratil accelerated the entitlements of executives of Snapper Services Limited (Snapper) under the 2016 Infratil Executive Share Scheme pursuant to the Infratil Limited Executive Share Scheme Trust Deed dated 22 August 2008 (Trust Deed), to allow those executives the benefit of that Scheme on completion of the sale of Snapper. As a consequence of this, on 4 June 2019 Infratil converted 54,504 Executive Shares into Ordinary Shares.

On 17 June 2019, the 2016 Infratil Executive Redeemable Share Scheme matured having met certain share performance thresholds. Pursuant to this and the Infratil Limited Executive Share Scheme Trust Deed dated 22 August 2008 (the Trust Deed), on 19 July 2019 the Company converted 210,763 Executive Redeemable Shares into Ordinary Shares.

The remaining 167,733 Executive Redeemable Shares for which the performance hurdle was not meet pursuant to the Trust Deed were cancelled and therefore not converted to ordinary shares.

(12) Commitments

There are no outstanding commitments (2019: 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	2020 $000	2019 $000	2020 $000	2019 $000
Advances				
Infratil Finance	122,714	62,489	1,645,101	1,151,010
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			78,024	78,024
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:

	2020 $000	2019 $000
Management fees	36,943	23,951
Directors fees	112	104
Financial management, accounting, treasury, compliance and administrative services	1,250	1,258
Investment banking services	1,245	1,225
Total management and other fees	39,550	26,538

At 31 March 2020 amounts owing to MCIM of $2,806k (excluding GST) are included in trade creditors (2019: $3,150k).

(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.

(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, Europe and the United States.

(17) Events after balance date

Dividend
On 28 May 2020, 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 15 June 2020.

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

Independent Auditor's Report

To the shareholders of Infratil Limited

Report on the audit of 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 2020 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 2020;

— 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 not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

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:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/

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

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

For and on behalf of

KPMG
Wellington

28 May 2020

Directory

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Mark Tume (Chairman)
Marko Bogoievski
Alison Gerry
Paul Gough
Kirsty Mactaggart
Catherine Savage
Peter Springford

Company Secretary

Nick Lough

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