Infratil Limited
Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 $000	2017 $000
Dividends received from subsidiary companies		80,000	60,000
Subvention Income		10,327	-
Operating Revenue		27,840	23,267
Total revenue		**118,167**	**83,267**
Directors' fees		740	664
Other operating expenses		27,029	28,228
Total operating expenditure	4	**27,769**	**28,892**
Operating surplus before financing, derivatives, realisations and impairments		90,398	54,375
Net gain/(loss) on foreign exchange and derivatives		4,349	6,102
Net realisations, revaluations and (impairments)		-	568
Financial income		38,502	56,940
Financial expenses		(68,574)	(69,650)
Net financing expense		(30,072)	(12,710)
Net surplus before taxation		**64,675.0**	**48,335.0**
Taxation expense	6	(5,610.0)	(2,139.0)
Net surplus for the year		**59,065.0**	**46,196.0**
Other comprehensive income, after tax			
Fair value movements in relation to executive share scheme		(237)	43
Total other comprehensive income after tax		**(237)**	**43**
Total comprehensive income for the year		**58,828**	**46,239**

The accompanying notes form part of these financial statements.

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

	Notes	Capital $000	Other reserves $000	Retained $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

Statement of Changes in Equity
For the year ended 31 March 2017

	Notes	Capital $000	Other reserves $000	Retained $000	Total $000
Balance as at 1 April 2016		363,433	533	80,160	444,126
Total comprehensive income for the year					
Net surplus for the year		-	-	46,196	46,196
Other comprehensive income after tax					
Fair value movements in relation to executive share scheme		-	43	-	43
Total other comprehensive income		-	43	-	43
Total comprehensive income for the year		**-**	**43**	**46,196**	**46,239**
Contributions by and distributions to owners					
Share buyback		(7,023)	-	-	(7,023)
Treasury Stock reissued under dividend reinvestment plan		-	-	-	-
Conversion of executive redeemable shares		552	-	-	552
Dividends to equity holders	3	-	-	(82,897)	(82,897)
Total contributions by and distributions to owners		(6,471)	-	(82,897)	(89,368)
					-
Balance at 31 March 2017		356,962	576	43,459	400,997

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Financial Position
As at 31 March 2018

	Notes	2018 $000	2017 $000
Cash and cash equivalents		-	-
Prepayments and sundry receivables		1,097	764
Income tax receivable		-	-
Advances to subsidiary companies	14	936,013	974,409
Current assets		937,110	**975,173**
Deferred tax	6	16,608	18,503
Investments	14	585,529	585,529
Non current assets		602,137	**604,032**
Total assets		1,539,247	**1,579,205**
Bond interest payable		5,637	6,329
Accounts payable		2,879	2,665
Accrual and other liabilities		2,255	339
Infrastructure Bonds	7	111,202	147,177
Derivative financial instruments	8	1,607	-
Loans from group companies	14	153,897	153,897
Total current liabilities		277,477	**310,407**
Infrastructure Bonds	7	652,094	620,359
Perpetual Infratil Infrastructure bonds	7	231,152	230,769
Derivative financial instruments	8	10,717	16,673
Non current liabilities		893,963	**867,801**
Attributable to shareholders of the Company		367,807	400,997
Total equity		367,807	**400,997**
Total equity and liabilities		1,539,247	**1,579,205**

Approved on behalf of the Board on 16 May 2018

Director

Director

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Cash Flows
For the year ended 31 March 2018

	Notes	2018 $000	2017 $000
Cash flows from operating activities			
Cash was provided from:			
Dividends received from subsidiary companies		80,000	60,000
Subvention receipt		10,327	-
Interest received		38,502	56,940
GST refund received		-	-
Operating revenue receipts		27,508	23,289
		156,337	140,229
Cash was dispersed to:			
Interest paid		(67,069)	(67,826)
Payments to suppliers		(27,280)	(29,015)
Taxation (paid) / refunded		(3,715)	(3,532)
		(98,064)	(100,373)
Net cash flows from operating activities	10	**58,273**	**39,856**
Cash flows from investing activities			
Cash was provided from:			
Net movement in subsidiary company loan		38,164	250,638
		38,164	250,638
Cash was dispersed to:			
Acquisition of shares in subsidiary		-	(248,000)
Cash outflow for group company loan		-	-
		-	(248,000)
Net cash flows from investing activities		**38,164**	**2,638**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from issue of shares		-	548
Issue of bonds		143,413	150,000
		143,413	150,548
Cash was dispersed to:			
Repayment of bonds		(147,396)	(100,927)
Infrastructure bond issue expenses		(2,068)	(2,195)
Repurchase of shares		(778)	(7,023)
Dividends paid	3	(89,608)	(82,897)
		(239,850)	(193,042)
Net cash flows from financing activities		**(96,437)**	**(42,494)**
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 2018

(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 Market Conducts 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 15 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) 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 9 Financial Instruments, published in July 2014, replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. 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. NZ IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company's preliminary assessment of adopting NZ IFRS 9 is that it will not have a material impact on the financial statements. However, a limited number of additional disclosures will be required in the notes to 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. NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company's preliminary assessment of adopting NZ IFRS 15 is that it will not have a material impact on the 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.

(3) Infratil shares and dividends

Ordinary shares (fully paid)	2018	2017
Total issued capital at the beginning of the year	560,053,166	562,325,645
Movements in issued and fully paid ordinary shares during the year:		
Share buyback	(775,000)	(2,510,000)
Treasury Stock reissued under dividend reinvestment plan	-	-
Conversion of executive redeemable shares	-	237,521
Total issued capital at the end of the year	559,278,166	560,053,166

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity. At 31 March 2018 the Group held 775,000 shares as Treasury Stock. 7,010,000 shares held as Treasury stock in the prior year were cancelled on 29 March 2017.

Dividends paid on ordinary shares	2018 cents per share	2017 cents per share	2018 $000	2017 $000
Final dividend prior year *(paid 15 June 2017)*	10.00	9.00	56,005	50,608
Interim dividend current year *(paid 15 December 2017)*	6.00	5.75	33,603	32,289
Dividends paid on ordinary shares	16.00	14.75	89,608	82,897

Executive redeemable shares	2018 $000	2017 $000
Balance at the beginning of the year	990,500	827,500
Shares issued	-	528,000
Shares converted to ordinary shares	-	(237,521)
Shares cancelled	(557,500)	(127,479)
Balance at end of year	433,000	990,500

During the year no shares were forfeited by executives leaving the Group (2017: nil).

(4) Other operating expenses

		2018 $000	2017 $000
Fees paid to the Company auditor		365	175
Directors' fees		740	664
Administration and other corporate costs		5,411	7,563
Management fee (to related party Morrison & Co Infrastructure Management)	15	21,253	20,490
Total other operating expenses		27,769	28,892

Fees paid to the Company auditor	2018 $000	2017 $000
Audit and review of financial statements	158	175
Other assurance services	-	-
Taxation services	-	-
Other services	207	-
Total fees paid to the Company auditor	365	175

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

(5) Net realisations and (impairments)

At 31 March 2018 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 2018 (2017: nil).

(6) Taxation

	2018 $000	2017 $000
Surplus before taxation	64,675	48,335
Taxation on the surplus for the period @ 28%	18,109	13,534
Plus/(less) taxation adjustments:		
Exempt dividends	(22,400)	(16,800)
Losses offset within Group	8,202	-
Subvention payment	(2,892)	-
Timing differences not recognised	-	16
Over provision in prior years	4,434	4,755
Other permanent differences	157	634
Taxation expense	**5,610**	**2,139**
Current taxation	3,715	4,053
Deferred taxation	1,895	(1,914)
	5,610	**2,139**

There was no income tax recognised in other comprehensive income during the period (2017: nil)

Recognised deferred tax assets and liabilities

	Assets	
	2018 $000	2017 $000
Derivatives	3,451	4,668
Tax losses carried forward	13,307	14,100
Deferred tax assets	16,758	18,768
	Liabilities	
	2018 $000	2017 $000
Other items	(150)	(265)
Deferred tax liabilities	(150)	(265)
	Net Assets/(Liabilities)	
Derivatives	3,451	4,668
Tax losses carried forward	13,307	14,100
Other items	(150)	(265)
Net deferred tax assets/(liabilities)	16,608	18,503

Changes in temporary differences affecting tax expense

	Tax Expense		Other Comprehensive Income	
	2018 $000	2017 $000	2018 $000	2017 $000
Derivatives	(1,217)	(1,709)	-	-
Tax losses carried forward	(793)	3,729	-	-
Other items	115	34	-	-
	(1,895)	1,914	-	-

(7) Infrastructure Bonds

	2018 $000	2017 $000
Balance at the beginning of the year	998,305	949,771
Issued during the year	143,413	150,000
Exchanged during the year	(32,739)	(49,517)
Matured during the year	(114,657)	(50,483)
Purchased by Infratil during the year	-	(1,489)
Bond issue costs capitalised during the year	(2,069)	(2,195)
Bond issue costs amortised during the year	2,195	2,218
Balance at the end of the year	994,448	998,305
Current	111,202	147,177
Non-current fixed coupon	652,094	620,359
Non-current perpetual variable coupon	231,152	230,769
Balance at the end of the year	994,448	998,305
Repayment terms and interest rates:		
IFT160 maturing in June 2017, 8.50% p.a. fixed coupon rate	-	66,285
IFT170 maturing in November 2017, 8.00% p.a. fixed coupon rate	-	81,112
IFT180 maturing in November 2018, 6.85% p.a. fixed coupon rate	111,418	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	-
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	-
IFTHA Perpetual Infratil infrastructure bonds	231,917	231,917
less: Bond issue costs capitalised and amortised over term	(7,098)	(7,225)
Balance at the end of the year	994,448	998,305

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 231,916,000 (31 March 2017: 231,916,000) 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 2018 the coupon was fixed at 3.50% per annum (2017: 3.63%). 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 (2017: 1,489,000) 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 2018 the Infratil Infrastructure bonds (including PIIBs) had a fair value of $989.6 million (2017: $943.8 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 2025.

2018	Accounts payable, accruals and other liabilities	Infrastructure bonds	Perpetual Infratil Infrastructure bonds	Derivative financial instruments	Total
	$000	$000	$000	$000	$000
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
6-12 month	-	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
2017					
Balance sheet	163,235	767,536	230,769	16,673	1,178,213
Contractual cash flows	163,235	939,488	292,601	17,715	1,413,039
6 months or less	163,235	90,510	4,209	3,200	261,154
6-12 month	-	101,729	4,209	3,219	109,157
1 to 2 years	-	148,169	8,419	5,474	162,062
2 to 5 years	-	309,662	25,256	5,822	340,740
5 years +	-	289,418	250,508	-	539,926

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.

	2018 $000	2017 $000
At balance date the face value of interest rate contracts outstanding were:		
Interest rate swaps in place at year end	145,000	145,000
Fair value of interest rate swaps	(12,324)	(16,673)
The termination dates for the interest rate swaps are as follows:		
Between 0 to 1 year	50,000	-
Between 1 to 2 years	50,000	50,000
Between 2 to 5 years	45,000	95,000
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.

	2018 $000	2017 $000
Profit or loss		
100 bp increase	939	2,386
100 bp decrease	(1,023)	(2,526)

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 2018, 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 2018 of $989.6 million (2017: $943.8 million) compared to a carrying value of $994.4 million (2017: $998.3 million).

	2018 $000	2017 $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	12,324	16,673
	12,324	16,673
Split as follows:		
Current	1,607	-
Non-current	10,717	16,673
	12,324	16,673

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 external 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 $12.3 million at 31 March 2018 (2017: $16.7 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 2018 (2017: 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 the Company bought back 775,000 shares (2017: 2,510,000).

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 2018	Holding 2017	Principal activity	Country of incorporation
New Zealand				
Infratil 1998 Limited	100%	100%	Investment	New Zealand
Infratil 2016 Limited	100%	100%	Investment	New Zealand
Infratil Australia Limited	100%	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

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

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

	2018 $000	2017 $000
Net surplus for the year	59,065	46,196
Less items classified as investing activity:		
Loss/(profit) on investment realisations and impairments	-	(568)
Add items not involving cash flows:		
Movement in financial derivatives taken to the profit or loss	(4,349)	(6,092)
Unsettled share buybacks	(1,636)	-
Amortisation of deferred bond issue costs	2,195	2,217
Movements in working capital		
Change in receivables	(332)	22
Change in trade payables	215	190
Change in accruals and other liabilities	1,220	(706)
Change in taxation and deferred tax	1,895	(1,403)
Net cash inflow from operating activities	**58,273**	**39,856**

(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 42,091 shares were transferred to employees under the scheme (2017: 44,557 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 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 2014 Scheme was 23 December 2017. The performance hurdles for the 2014 Scheme were not met and, accordingly, the shares did not vest. On 17 December 2016, the 2013 Executive Scheme matured having met certain share performance thresholds. Pursuant to this and the Trust Deed, the Company converted 237,521 Executive Shares into Infratil Ordinary Shares on 22 December 2016.

(12) Commitments

There are no outstanding commitments (2017: 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	2018 $000	2017 $000	2018 $000	2017 $000
Advances				
Infratil Finance	38,428	56,852	935,680	973,844
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:

	2018 $000	2017 $000
Management fees	21,253	20,490
Directors fees	110	100
Financial management, accounting, treasury, compliance and administrative services	1,250	1,250
Investment banking services	1,160	1,289
Total management and other fees	23,773	23,129

At 31 March 2018 amounts owing to MCIM of $2,160k (excluding GST) are included in trade creditors (2017: $1,872k).

(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 and the United States.

(17) Events after balance date

Dividend
On 16 May 2018, the Directors approved a fully imputed final dividend of 10.75 cents per share to holders of fully paid ordinary shares to be paid on 18 June 2018.

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

Directory

Directors

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

Company Secretary

Nick Lough

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Manager

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Share Registrar - New Zealand

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Auditor

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10 Customhouse Quay
PO Box 996
Wellington

Bankers

Bank of New Zealand
Level 4
80 Queen Street
Auckland

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 15:

i. present fairly in all material respects the company's financial position as at 31 March 2018 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 2018;

— the statements of comprehensive income, statement of 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.

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 2018