

Infratil Limited
Statement of Comprehensive Income
For the year ended 31 March 2021

	Notes	2021 \$000	2020 \$000
Dividends received from subsidiary companies		115,000	-
Subvention income		-	-
Operating revenue		274,267	167,468
Total revenue		389,267	167,468
Directors' fees	4	1,012	1,053
Management and other fees	14	269,786	164,550
Other operating expenses	4	3,957	3,533
Total operating expenditure		274,755	169,136
Operating surplus/(loss) before financing, derivatives, realisations and impairments		114,512	(1,668)
Net gain/(loss) on foreign exchange and derivatives		2,633	3,105
Net realisations, revaluations and (impairments)		-	-
Financial income		124,257	122,722
Financial expenses		(61,520)	(69,228)
Net financing income		62,737	53,494
Net surplus before taxation		179,882	54,931
Taxation expense	6	(5,484)	2,375
Net surplus for the year		174,398	57,306
Other comprehensive income, after tax			
Fair value movements in relation to executive share scheme		-	(913)
Total other comprehensive income after tax		-	(913)
Total comprehensive income for the year		174,398	56,393

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Changes in Equity
For the year ended 31 March 2021

Notes	Capital \$000	Other reserves \$000	Retained earnings \$000	Total \$000
Balance as at 1 April 2020	747,615	-	42,481	790,096
Total comprehensive income for the year				
Net surplus for the year	-	-	174,398	174,398
Other comprehensive income after tax				
Fair value movements in relation to executive share scheme	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	174,398	174,398
Contributions by and distributions to owners				
Share buyback	-	-	-	-
Shares issued	294,127	-	-	294,127
Shares issued under dividend reinvestment plan	-	-	-	-
Conversion of executive redeemable shares	-	-	-	-
Dividends to equity holders	3	-	(117,694)	(117,694)
Total contributions by and distributions to owners	294,127	-	(117,694)	176,433
Balance as at 31 March 2021	1,041,742	-	99,185	1,140,927

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

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 at 31 March 2020	747,615	-	42,481	790,096

The accompanying notes form part of these financial statements.

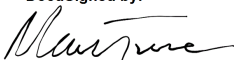
Infratil Limited
Statement of Financial Position
As at 31 March 2021

	Notes	2021 \$000	2020 \$000
Cash and cash equivalents		-	-
Prepayments and sundry receivables		4,987	1,172
Income tax receivable		-	-
Advances to subsidiary companies	14	2,081,057	1,645,101
Current assets		2,086,044	1,646,273
Deferred tax	6	16,537	19,048
Investments	14	585,529	585,529
Non-current assets		602,066	604,577
Total assets		2,688,110	2,250,850
Bond interest payable		4,043	4,557
Accounts payable		5,050	4,049
Accruals and other liabilities		3,086	272
Infrastructure bonds	7	93,842	-
Derivative financial instruments	8	2,158	-
Loans from group companies	14	153,897	153,897
Total current liabilities		262,076	162,775
Infrastructure bonds	7	1,053,190	1,061,271
Perpetual Infratil Infrastructure bonds	7	231,917	231,917
Derivative financial instruments	8	-	4,791
Non-current liabilities		1,285,107	1,297,979
Attributable to shareholders of the Company		1,140,927	790,096
Total equity		1,140,927	790,096
Total equity and liabilities		2,688,110	2,250,850

Approved on behalf of the Board on 18 May 2021

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 Director

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 Director

The accompanying notes form part of these financial statements.

Infratil Limited
Statement of Cash Flows
For the year ended 31 March 2021

	Notes	2021 \$000	2020 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Dividends received from subsidiary companies		115,000	-
Subvention income		-	-
Interest received		124,257	122,722
Operating revenue receipts		274,238	168,535
		513,495	291,257
<i>Cash was dispersed to:</i>			
Interest paid		(59,918)	(67,766)
Payments to suppliers		(274,727)	(169,493)
Taxation (paid) / refunded		(2,974)	(2,462)
		(337,619)	(239,721)
Net cash flows from operating activities	10	175,876	51,536
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Net movement in subsidiary company loan		-	-
		-	-
<i>Cash was dispersed to:</i>			
Acquisition of shares in subsidiary		-	-
Cash outflow for group company loan		(435,956)	(494,092)
		(435,956)	(494,092)
Net cash flows from investing activities		(435,956)	(494,092)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Proceeds from issue of shares		294,127	396,784
Issue of bonds		84,678	316,441
		378,805	713,225
<i>Cash was dispersed to:</i>			
Repayment of bonds		-	(148,998)
Infrastructure bond issue expenses		(1,031)	(4,230)
Repurchase of shares		-	(3,725)
Dividends paid	3	(117,694)	(113,716)
		(118,725)	(270,669)
Net cash flows from financing activities		260,080	442,556
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 cash flow statement above has been prepared on the assumption that these transactions are equivalent to cash in order to present the total cash flows of the entity.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements For the year ended 31 March 2021

(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.

(a) 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.

(b) 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.

Notes to the Financial Statements For the year ended 31 March 2021

(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 Company has early adopted amendments to NZ IAS 1 Presentation of Financial Statements for the year ended 31 March 2021. The amendments clarify the classification of liabilities as current or non-current.

(I) New standards, amendments and pronouncements not yet adopted by the Group

There are no new standards that are not yet effective that would be expected to have a material impact on the Group, in the current or future reporting periods, and foreseeable future transactions.

(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)

	2021 Shares	2020 Shares
Total authorised and issued capital at the beginning of the year	659,678,837	559,278,166
<i>Movements during the year:</i>		
New shares issued	63,273,696	99,992,228
New shares issued under dividend reinvestment plan	-	1,030,793
Conversion of executive redeemable shares	-	265,267
Share buyback	-	(887,617)
Total authorised and issued capital at the end of the year	722,952,533	659,678,837

During the period the Company issued new shares to provide additional balance sheet flexibility and to fund growth investments across Infratil's existing portfolio companies and take advantage of new opportunities that may arise, raising \$294.2 million via an institutional placement and share purchase plan for existing shareholders. During the comparative period the Company issued new shares to support the acquisition of a 49.9% share of Vodafone New Zealand Limited, raising net proceeds after issue costs of \$390.9 million via an institutional placement and an entitlement offer to existing shareholders. All fully paid ordinary shares have equal voting rights and share equally in dividends and equity. At 31 March 2021 the Group held 1,662,617 shares as Treasury Stock (2020: 1,662,617).

Notes to the Financial Statements
For the year ended 31 March 2021

Dividends paid on ordinary shares	2021 cents per share	2020 cents per share	2021 \$000	2020 \$000
Final dividend prior year (<i>paid 5 June 2020</i>)	11.00	11.00	72,565	72,526
Interim dividend current year (<i>paid 15 December 2020</i>)	6.25	6.25	45,185	41,212
Dividends paid on ordinary shares	17.25	17.25	117,750	113,738

Executive redeemable shares	2021 000	2020 000
Balance at the beginning of the year	-	433
Shares issued	-	-
Shares converted to ordinary shares	-	(265)
Shares cancelled	-	(168)
Balance at end of year	-	-

(4) Other operating expenses

	2021 \$000	2020 \$000
Fees paid to the Company auditor	256	209
Directors' fees	1,012	1,053
Administration and other corporate costs	3,701	3,324
Total other operating expenses	4,969	4,586

Fees paid to the Company auditor	2021 \$000	2020 \$000
Audit and review of financial statements	237	194
Other assurance services	19	15
Taxation services	-	-
Other services	-	-
Total fees paid to the Company auditor	256	209

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 2021 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. As a result, the Company did not impair any loans to Infratil Group companies in 2021 (2020: nil). These balances are within the Infratil Wholly Owned Group to entities also controlled either directly or indirectly by Infratil Limited.

Notes to the Financial Statements
For the year ended 31 March 2021

(6) Taxation

	2021 \$000	2020 \$000
Surplus before taxation	179,882	54,931
Taxation on the surplus for the period @ 28%	50,367	15,381
<i>Plus/(less) taxation adjustments:</i>		
Exempt dividends	(32,200)	-
Losses offset within Group	(17,540)	(14,662)
Timing differences not recognised	-	(3,085)
Over provision in prior years	4,741	(92)
Other permanent differences	116	83
Taxation expense	5,484	(2,375)
Current taxation	2,973	2,470
Deferred taxation	2,511	(4,845)
	5,484	(2,375)

There was no income tax recognised in other comprehensive income during the period (2020: nil).

Recognised deferred tax assets and liabilities

	Assets	
	2021 \$000	2020 \$000
Derivatives	604	1,341
Provisions	-	-
Tax losses carried forward	15,933	17,707
Deferred tax assets	16,537	19,048
	Liabilities	
	2021 \$000	2020 \$000
Other items	-	-
Deferred tax liabilities	-	-
	Net Assets/(Liabilities)	
	2021 \$000	2020 \$000
Derivatives	604	1,341
Provisions	-	-
Tax losses carried forward	15,933	17,707
Other items	-	-
Net deferred tax assets/(liabilities)	16,537	19,048

Changes in temporary differences affecting tax expense

	Tax Expense		Other Comprehensive Income	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Derivatives	(737)	(870)	-	-
Employee benefits	-	-	-	-
Customer base assets	-	-	-	-
Provisions	-	-	-	-
Tax losses carried forward	(1,774)	5,640	-	-
Other items	-	75	-	-
	(2,511)	4,845	-	-

Notes to the Financial Statements
For the year ended 31 March 2021

(7) Infrastructure Bonds

	2021 \$000	2020 \$000
Balance at the beginning of the year	1,293,188	1,127,560
Issued during the year	84,678	316,441
Exchanged during the year	-	(29,326)
Matured during the year	-	(119,671)
Purchased by Infratil during the year	-	-
Bond issue costs capitalised during the year	(1,031)	(4,230)
Bond issue costs amortised during the year	2,163	2,414
Issue premium amortised during the year	(49)	-
Balance at the end of the year	1,378,949	1,293,188
Current	93,842	-
Non-current fixed coupon	931,395	939,636
Non-current variable coupon	121,795	121,635
Non-current perpetual variable coupon	231,917	231,917
Balance at the end of the year	1,378,949	1,293,188
<i>Repayment terms and interest rates:</i>		
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	120,269	36,976
IFT280 Maturing in December 2026, 3.35% p.a. fixed coupon rate	156,279	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, 2.75% p.a. variable coupon rate reset annually from 15 December 2021	123,186	123,186
IFTHA Perpetual Infratil infrastructure bonds	231,917	231,917
less: issue costs capitalised and amortised over term	(9,500)	(10,632)
add: issue premium capitalised and amortised over term	1,336	-
Balance at the end of the year	1,378,949	1,293,188

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 2020: 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 2021 the coupon will be fixed at 1.71% per annum (2020: 2.67%). Thereafter the rate will be reset annually at 1.50% per annum over the then one year swap 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 (2020: nil) were repurchased by Infratil Limited during the period.

IFTHC bonds

The Company has 123,186,000 (31 March 2020: 123,186,000) 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 2021 the coupon is fixed at 2.75% per annum (2020: 3.50%). Thereafter the rate will be reset annually at 2.50% per annum over the then one year swap rate for quarterly payments.

IFT270 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 2021 the Infratil Infrastructure bonds (including PIIBs) had a fair value of \$1,336.5 million (31 March 2020: \$1,161.5 million).

Notes to the Financial Statements For the year ended 31 March 2021

(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.

	Accounts payable, accruals and other liabilities	Infrastructure bonds	Perpetual Infratil Infrastructure bonds	Derivative financial instruments	Total
	\$000	\$000	\$000	\$000	\$000
2021					
Balance sheet	162,033	1,151,075	231,917	2,158	1,547,183
Contractual cash flows	162,033	1,362,111	266,452	2,158	1,792,754
6 months or less	162,033	119,206	1,983	1,442	284,664
6 to 12 months	-	24,365	1,983	716	27,064
1 to 2 years	-	235,697	3,966	-	239,663
2 to 5 years	-	521,648	11,897	-	533,545
5 years +	-	461,195	246,623	-	707,818
2020					
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

Notes to the Financial Statements For the year ended 31 March 2021

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 a portion of 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.

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

Interest rate swaps in place at year end
Fair value of interest rate swaps

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

Between 0 to 1 year
Between 1 to 2 years
Between 2 to 5 years
Over 5 years

	2021 \$000	2020 \$000
Interest rate swaps in place at year end	45,000	45,000
Fair value of interest rate swaps	(2,158)	(4,791)
	45,000	-
	-	45,000
	-	-
	-	-

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.

Profit or loss

100 bp increase
100 bp decrease

	2021 \$000	2020 \$000
100 bp increase	2,322	960
100 bp decrease	(2,320)	(946)

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 2021, 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 2021 of \$1,336.5 million (31 March 2020: \$1,161.5 million) compared to a carrying value of \$1,378.9 million (31 March 2020: \$1,293.2 million).

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

Split as follows:

Current
Non-current

	2021 \$000	2020 \$000
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	2,158	4,791
	2,158	4,791
Split as follows:		
Current	2,158	-
Non-current	-	4,791
	2,158	4,791

Notes to the Financial Statements For the year ended 31 March 2021

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

Interest rate forward price curve
Discount rate for valuing interest rate derivatives

Source

Published market swap rates
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 \$2.2 million at 31 March 2021 (2020: \$4.8 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 2021 (2020: nil).

Capital management

The key factors in determining the Company's optimal capital structure are:

- Nature of its activities
- Quality and dependability of earnings/cash flows
- Capital needs over the forecast period
- Available sources of capital and relative cost

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

The Company's capital includes share capital, reserves, and retained earnings. From time to time the Company purchases its own shares on the market with the timing of these purchases dependent on market prices, an assessment of value for shareholders and an available window to trade on the NZX. Primarily the shares are intended to be held as treasury stock and may be reissued under the Dividend Reinvestment Plan or cancelled. During the year no shares were bought back by the Company (2020: 887,617).

The Company seeks to ensure that no more than 20% 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.

Notes to the Financial Statements For the year ended 31 March 2021

(9) Investment in subsidiaries and associates

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

Subsidiaries	Holding 2021	Holding 2020	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%	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 HC Limited	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

	2021 \$000	2020 \$000
Net surplus for the year	174,398	57,306
<i>Less items classified as investing activity:</i>		
Loss/(profit) on investment realisations and impairments	-	-
<i>Add items not involving cash flows:</i>		
Movement in financial derivatives taken to the profit or loss	(2,633)	(3,105)
Unsettled share buybacks	-	-
Capitalisation of intercompany interest and charges	-	-
Amortisation of deferred bond issue costs & issue premium	2,114	2,414
<i>Movements in working capital</i>		
Change in receivables	(3,815)	893
Change in trade payables	1,001	(20)
Change in accruals and other liabilities	2,300	(1,107)
Change in deferred tax and tax receivable	2,511	(4,845)
Net cash inflow from operating activities	175,876	51,536

Notes to the Financial Statements For the year ended 31 March 2021

(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 no shares were transferred to employees under the scheme (2020: 42,566 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 met pursuant to the Trust Deed were cancelled and therefore not converted to ordinary shares.

(12) Commitments

There are no outstanding commitments (2020: 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.

Notes to the Financial Statements For the year ended 31 March 2021

(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 Bogoievski was a director of Infratil until 31 March 2021 and is a director and Chief Executive Officer of MCO. Mr Boyes assumed the role of Infratil Chief Executive Officer from 1 April 2021. Entities associated with Mr Bogoievski and Mr Boyes also have a beneficial interest 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:

Related Party	Interest income/(expense)		Intercompany (loan)/advance/investment at carrying value	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
<i>Advances</i>				
Infratil Finance	124,256	122,714	2,081,057	1,645,101
Aotea Energy Holdings Limited	-	-	(153,897)	(153,897)
<i>Investments in</i>				
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:

		2021 \$000	2020 \$000
Management fees	15	45,074	36,943
International Portfolio Incentive fee	16	223,100	125,000
Directors fees		-	112
Financial management, accounting, treasury, compliance and administrative services		1,612	1,250
Investment banking services		-	1,245
Total management and other fees		269,786	164,550

At 31 March 2021 amounts owing to MCIM of \$4,483k (excluding GST) are included in accounts payable (2020: \$2,806k).

Notes to the Financial Statements For the year ended 31 March 2021

(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) International Portfolio Incentive Fee

International Investments are eligible for International Portfolio incentive fees ('Incentive fees') under the Management Agreement between MCIM and Infratil. The Agreement allows for incentives to be payable for performance in excess of a minimum hurdle of 12% per annum in three separate areas:

- Initial Incentive Fees;
- Annual Incentive Fees; and,
- Realised Incentive Fees.

To the extent that there are assets that meet these criterion, independent valuations are performed on the respective International Investments to determine whether any Incentive Fees are payable.

International Portfolio Initial Incentive Fee

International Investments become eligible for the Initial Incentive Fee assessment on the third balance date (31 March) that they have been held continuously by the Company. All International Investments that are acquired in any one financial year are grouped together for the purposes of the Initial Incentive Fee, and an Initial Incentive Fee is payable at 20% of the outperformance of those assets against a benchmark of 12% p.a. after tax, compounding.

There were no International Investments eligible for the International Portfolio Initial Incentive Fee as at 31 March 2021. (31 March 2020: None).

International Portfolio Annual Incentive Fee

Thereafter International Investments are grouped together, and an Annual Incentive Fee is payable at 20% of the outperformance of those assets against the higher of, a benchmark of 12% p.a. after tax, relative to the most recent 31 March valuation, or cost.

The Company's investments in CDC Data Centres, Longroad Energy, RetireAustralia, Tilt Renewables and ASIP are eligible for the International Portfolio Annual Incentive fee assessment as at 31 March 2021 (31 March 2020: ASIP, RetireAustralia, CDC Data Centres, Longroad Energy and Tilt Renewables).

Based on independent valuations obtained as at 31 March 2021, an Annual Incentive Fee of \$223.1 million is payable to MCIM (31 March 2020: \$125.0 million).

International Portfolio Realised Incentive Fee

Realised Incentive Fees are payable on the realised gains from the sale or other realisation of International Investments at 20% of the outperformance (since the last valuation date) against the higher of, a benchmark of 12% p.a. after tax, relative to the most recent 31 March valuation, or cost. No Realised Incentive Fees were payable as at 31 March 2020 or 31 March 2021.

International Portfolio Incentive Fees

	2021 \$000	2020 \$000
ASIP	1,600	(800)
CDC Data Centres	140,200	105,500
Longroad Energy	(8,000)	6,100
RetireAustralia	3,200	(18,000)
Tilt Renewables	86,100	32,200
	223,100	125,000

All Incentive fees accrued in 2021 relate to the Annual Incentive Fee assessment (2020: all fees relate to the Annual Incentive Fee assessment).

Payment of Annual Incentive Fees

Any Annual Incentive Fee calculated in respect of a Financial Year is earned and paid in three annual instalments, with the second and third instalments only being earned and payable if, at each relevant assessment date, the fair value of the relevant asset (including distributions, if any) exceeds the greater of fair value or cost as at the 31 March for which the Incentive Fee was first calculated.

Notes to the Financial Statements For the year ended 31 March 2021

(17) 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.

(18) Events after balance date

Dividend

On 18 May 2021, the Directors approved a partially imputed final dividend of 11.5 cents per share to holders of fully paid ordinary shares to be paid on 22 June 2021.

Acquisition of Pacific Radiology Group

On 29 April 2021 Infratil announced that it had executed a conditional agreement to acquire between 50.1% and 60% of Pacific Radiology Group Limited ("Pacific Radiology"), a comprehensive Diagnostic Imaging business in New Zealand, from existing Doctor shareholders. Infratil confirmed on 13 May 2021 that the acquisition is now unconditional and that completion of the acquisition is expected to occur on 31 May 2021, for total consideration of approximately \$312 million to \$344 million.



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 17:

- present fairly in all material respects the company's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2021;
- 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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 Brent Manning.

For and on behalf of

KPMG
Wellington

18 May 2021

**Notes to the Financial Statements
For the year ended 31 March 2021**

Directory

Directors

Mark Tume (Chairman)
Jason Boyes
Alison Gerry
Paul Gough
Kirsty Mactaggart
Catherine Savage
Peter Springford

Company Secretary

Nick Lough

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Manager

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