INFRATIL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Audited 2016 $000	Audited 2015 $000
Dividends received from subsidiary companies		-	190,000
Subvention Income		22,000	-
Operating Revenue		31,396	19,233
Total revenue		**53,396**	**209,233**
Directors' fees		665	610
Other operating expenses		31,456	23,546
Total operating expenditure	4	**32,121**	**24,156**
Operating profit before derivatives, realisations and impairments		**21,275**	**185,077**
Net (loss)/gain on foreign exchange & interest rate derivatives		(3,444)	(5,066)
Net realisations and (impairments)		450	132
Results from operating activities		**18,281**	**180,143**
Financial income		60,108	70,017
Financial expenses		(75,220)	(76,915)
Net financing expense		**(15,112)**	**(6,898)**
Surplus before taxation		**3,169**	**173,245**
Taxation expense	6	(8,476)	(3,054)
Net (loss)/surplus for the year		**(5,307)**	**170,191**
Other comprehensive income after tax			
Fair value movements in relation to executive share scheme		(88)	164
Other comprehensive income for the year net of income tax		**(88)**	**164**
Total comprehensive income for the year		**(5,395)**	**170,355**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

Audited	Note	Capital $000	Other reserves $000	Retained earnings $000	Total $000
Balance as at 1 April 2015		362,387	621	195,878	558,886
Total comprehensive income for the year					
Net surplus for the year		-	-	(5,307)	(5,307)
Other comprehensive income after tax					
Fair value movements in relation to executive share scheme		-	(88)	-	(88)
Total other comprehensive income		-	(88)	-	(88)
Total comprehensive income for the year		**-**	**(88)**	**(5,307)**	**(5,395)**
Contributions by and distributions to owners					
Share buyback		-	-	-	-
Treasury Stock reissued under dividend reinvestment plan		-	-	-	-
Conversion of executive redeemable shares		1,046	-	-	1,046
Dividends to equity holders	3	-	-	(110,411)	(110,411)
Total contributions by and distributions to owners		1,046	-	(110,411)	(109,365)
		363,433	533	80,160	444,126
Balance at 31 March 2016		363,433	533	80,160	444,126

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

Audited	Note	Capital	Other reserves	Retained earnings	Total
Balance as at 1 April 2014		361,913	457	174,512	536,882
Total comprehensive income for the year					
Net surplus for the year		-	-	170,191	170,191
Other comprehensive income after tax					
Fair value movements in relation to executive share scheme		-	164	-	164
Total other comprehensive income		-	164	-	164
Total comprehensive income for the year		**-**	**164**	**170,191**	**170,355**
Contributions by and distributions to owners					
Share buyback		-	-	-	-
Treasury Stock reissued under dividend reinvestment plan		-	-	-	-
Conversion of executive redeemable shares		474	-	-	474
Dividends to equity holders	3	-	-	(148,825)	(148,825)
Total contributions by and distributions to owners		474	-	(148,825)	(148,351)
Balance at 31 March 2015		362,387	621	195,878	558,886

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	Audited 2016 $000	Audited 2015 $000
Cash and cash equivalents		-	4
Prepayments and sundry receivables		787	6,679
Income tax receivable		521	521
Advances to subsidiary companies	14	1,225,004	1,360,237
Current assets		**1,226,312**	**1,367,441**
Deferred tax	6	16,589	20,061
Investments	14	337,528	337,528
Non current assets		**354,117**	**357,589**
Total assets		**1,580,429**	**1,725,030**
Bond interest payable		6,718	8,046
Accounts payable		2,475	2,148
Accrual and other liabilities		668	826
Infrastructure Bonds	7	100,000	152,836
Loans from group companies	14	153,897	153,897
Total current liabilities		**263,758**	**317,753**
Infrastructure Bonds	7	616,863	596,117
Perpetual Infratil Infrastructure bonds	7	232,908	232,944
Derivative financial instruments	8	22,774	19,330
Non current liabilities		**872,545**	**848,391**
Attributable to shareholders of the Company		444,126	558,886
Total equity		**444,126**	**558,886**
Total equity and liabilities		**1,580,429**	**1,725,030**

Approved on behalf of the Board on 17 May 2016

Director | Director

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Audited 2016 $000	Audited 2015 $000
Cash flows from operating activities			
Cash was provided from:			
Dividends received from subsidiary companies		-	190,000
Subvention receipt		22,000	-
Interest received		60,108	70,017
GST refund received		5,570	-
Operating revenue receipts		31,717	19,325
		119,395	279,342
Cash was dispersed to:			
Interest paid		(74,430)	(75,087)
Payments to suppliers		(31,957)	(28,325)
Taxation (paid) / refunded		(5,003)	(5,990)
		(111,390)	(109,402)
Net cash flows from operating activities	10	**8,005**	**169,940**
Cash flows from investing activities			
Cash was provided from:			
Repayment of subsidiary company loan		387,512	352,092
		387,512	352,092
Cash was dispersed to:			
Acquisition of shares in subsidiary		-	(5,972)
Cash outflow for group company loan		(252,363)	(367,707)
		(252,363)	(373,679)
Net cash flows from investing activities		**135,149**	**(21,587)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds from issue of shares		1,042	476
Issue of bonds		122,104	-
		123,146	476
Cash was dispersed to:			
Repayment of bonds		(153,837)	-
Infrastructure bond issue expenses		(2,056)	-
Dividends paid	3	(110,411)	(148,825)
		(266,304)	(148,825)
Net cash flows from financing activities		**(143,158)**	**(148,349)**
Net cash movement		(4 0)	4.0
Cash balances at beginning of year		4.0	-
Cash balances at year end		**-**	**4.0**

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 2016

(1) Accounting policies

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. 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 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 14 of this report. The financial statements are prepared on the basis of historical cost, except financial derivatives valued in accordance with accounting policy (C).

(A) Basis of preparation

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.

(B) 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 Infratil Group against which the asset can be utilised.

(C) 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.

(D) 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.

(E) 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.

(F) 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.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

(2) Nature of business

The Company is the ultimate parent company of the Infratil Group, owning infrastructure & utility businesses and investments in New Zealand and Australia. 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

	Audited 2016	Audited 2015
Total issued capital at the beginning of the year	561,875,237	561,617,737
Movements in issued and fully paid ordinary shares during the year:		
Share buyback (held as treasury stock)	-	-
Treasury Stock reissued under dividend reinvestment plan	-	-
Conversion of executive redeemable shares	450,408	257,500
Total issued capital at the end of the year	562,325,645	561,875,237

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity. All authorised shares are issued and have no par value.

Dividends paid on ordinary shares	Audited	Audited	Audited	Audited
Dividends declared and paid by the Company for the year were as follows:	2016	2015	2016	2015
	cents per share	cents per share	$000	$000
Final dividend prior year	8.0	7 0	44,954	39,313
Interim dividend paid current year	5.3	4 5	29,497	25,269
Special dividend paid current year	6.4	15.0	35,960	84,243
	19.7	26 5	110,411	148,825

Executive redeemable shares	Audited 2016	Audited 2015
Balance at the beginning of the year	1,337,500	1,082,500
Shares issued	-	512,500
Shares converted to ordinary shares	(450,408)	(257,500)
Shares cancelled	(59,592)	-
Balance at end of year	887,092	1,337,500

During the year no shares were forfeited by executives leaving the Group (2015: nil).

(4) Other operating expenses

		Audited 2016	Audited 2015
Fees paid to the Company auditor		174	168
Directors' fees		665	610
Administration and other corporate costs		11,175	6,062
Management fee (to related party Morrison & Co Infrastructure Management)	15	20,107	17,316
Total other operating expenses		32,121	24,156

	Audited 2016	Audited 2015
Fees paid to the Company auditor		
Audit and review of financial statements	170	153
Other assurance services	-	7
Taxation services	-	-
Total fees paid to the Company auditor	170	160

The audit fee includes the fees for both the annual audit of the financial statements and the review of the interim financial statements. Other assurance services comprise of verification of incentive fee paid.

(5) Net realisations and (impairments)

At 31 March 2016 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 2016 (2015: nil).

(6) Taxation

	Audited 2016 $000	Audited 2015 $000
(Loss)/surplus before taxation	3,169	173,245
Taxation on the (loss)/surplus for the year @ 28% tax rate	887	48,509
Plus/(less) taxation adjustments:		
Net realisations and (impairments)	(126)	-
Exempt dividends	-	(53,200)
Subvention payment	(6,160)	-
Under/(over) provision in prior years	12,966	8,278
Other permanent differences	909	(533)
Taxation expense/(credit)	**8,476**	**3,054**
Current taxation	5,004	6,799
Deferred taxation	3,472	(3,745)
	8,476	**3,054**

There was no income tax recognised in other comprehensive income during the period (2015: nil)

The Infratil New Zealand tax group which includes Infratil Limited is forecasting to derive taxable profits in future periods, sufficient to utilise the tax losses carried forward and deductible temporary differences. As a result deferred tax assets and liabilities have been recognised where they arise, including deferred tax on tax losses carried forward.

Recognised deferred tax assets and liabilities	Assets	
	Audited 2016 $000	Audited 2015 $000
Derivatives	6,377	5,412
Provisions	140	229
Tax losses carried forward	10,371	14,784
Other items	-	-
Deferred tax assets	16,888	20,425
	Liabilities	
	Audited 2016 $000	Audited 2015 $000
Other items	(299)	(364)
Deferred tax liabilities	(299)	(364)
	Net Assets/(Liabilities)	
Derivatives	6,377	5,412
Provisions	140	229
Tax losses carried forward	10,371	14,784
Other items	(299)	(364)
Net deferred tax assets/(liabilities)	16,589	20,061

Changes in temporary differences affecting tax expense	Tax Expense		Other Comprehensive Income	
	Audited 2016 $000	Audited 2015 $000	Audited 2016 $000	Audited 2015 $000
Derivatives	965	1,418	-	-
Provisions	(89)	89	-	-
Tax losses (recognised)/utilised	(4,413)	2,153	-	-
Other items	65	85	-	-
	(3,472)	3,745	-	-

(7) Infrastructure Bonds

	Audited 2016 $000	Audited 2015 $000
Balance at the beginning of the year	981,897	979,879
Issued during the year	122,104	-
Exchanged during the year	(21,514)	-
Matured during the year	(131,322)	-
Purchased by Infratil during the year	(1,452)	-
Bond issue costs capitalised during the year	(2,056)	-
Bond issue costs amortised during the year	2,114	2,018
Balance at the end of the year	949,771	981,897
Current	100,000	152,836
Non current fixed coupon	616,863	596,117
Non current perpetual variable coupon	232,908	232,944
Balance at the end of the year	949,771	981,897
Repayment terms and interest rates:		
Maturing in November 2015, 8.50% per annum fixed coupon rate	-	152,836
Maturing in June 2016, 8.50% per annum fixed coupon rate	100,000	100,000
Maturing in June 2017, 8.50% per annum fixed coupon rate	66,285	66,285
Maturing in November 2017, 8.0% per annum fixed coupon rate	81,112	81,112
Maturing in November 2018, 6.85% per annum fixed coupon rate	111,418	111,418
Maturing in November 2019, 6.75% per annum fixed coupon rate	68,500	68,500
Maturing in February 2020, 8.50% per annum fixed coupon rate	80,498	80,498
Maturing in June 2022, 6.85% per annum fixed coupon rate	93,696	93,696
Maturing in September 2023, 5.25% p.a. fixed coupon rate	122,104	-
Perpetual Infratil infrastructure bonds	233,406	234,857
less: Bond issue costs capitalised and amortised over term	(7,248)	(7,305)
Balance at the end of the year	949,771	981,897

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, IFT150 and IFT160 series, Infratil can elect to redeem the infrastructure bonds in that series at their $1.00 face value payable in cash or convert all the infrastructure bonds in the relevant series by issuing the number of shares obtained by dividing the $1.00 face value by the product of the relevant conversion percentage of 98% and the market price. 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 233,405,600 (2015: 234,857,200) infrastructure bonds (series 20) on issue at a face value of $1 00 per bond. Interest is payable quarterly on the bonds. For the year to 15 November 2016 the coupon is fixed at 4.26% per annum. Thereafter the rate will be reset annually at 1.5% per annum over the then one year bank rate (quarterly), unless Infratil's gearing ratio exceeds certain thresholds, in which case the margin increases. These infrastructure bonds have no fixed maturity date. 1,452,000 PIIBs were repurchased by Infratil Limited during the year (2015: nil). Throughout the period the Company complied with all debt covenant requirements as imposed by the Bond Trustee.

At 31 March 2016 the Infratil Infrastructure bonds (including PIIBs) had a fair value of $924.6 million (2015: $966.1 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 trade receivables, 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. The Company minimises its exposure to credit risk of trade receivables through the adoption of counterparty credit limits and standard payment terms. 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.

Trade and other receivables

The Company has exposure to various counterparties. Credit risk with respect to trade receivables is limited due to the Company's customer base being restricted to subsidiaries within the Group for the most part.

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 2023.

Audited 2016	Accounts payable, accruals and other liabilities $000	Infrastructure bonds $000	Perpetual Infratil Infrastructure bonds $000	Derivative financial instruments $000	Total $000
Balance sheet	163,758	716,863	232,908	22,774	1,136,303
Contractual cash flows	163,758	793,701	307,565	23,997	1,289,021
6 months or less	163,758	23,796	4,972	2,900	195,426
6-12 month	-	22,025	4,972	3,175	30,172
1 to 2 years	-	184,552	9,943	6,277	200,772
2 to 5 years	-	324,014	29,829	10,437	364,280
5 years +	-	239,314	257,849	1,208	498,371
Audited 2015					
Balance sheet	164,917	748,953	232,944	19,330	1,166,144
Contractual cash flows	164,917	930,879	323,905	21,292	1,440,993
6 months or less	164,917	29,565	6,177	2,060	202,719
6-12 month	-	177,529	6,177	2,189	185,895
1 to 2 years	-	139,410	12,353	4,399	156,162
2 to 5 years	-	476,506	37,060	10,344	523,910
5 years +	-	107,869	262,138	2,300	372,307

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.

	Audited 2016 $000	Audited 2015 $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	(22,774)	(19,330)
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	100,000	50,000
Over 5 years	45,000	95,000

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	3,879	4,931
100 bp decrease	(4,116)	(5,271)

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 2016, 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 2016 of $924.6 million (2015: $966.1 million) compared to a carrying value of $949.8 million (2015: $981.9 million).

	Audited 2016 $000	Audited 2015 $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	22,774	19,330
	22,774	19,330
Split as follows:		
Current	-	-
Non-current	22,774	19,330
	22,774	19,330

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 analyses 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 $22.8 million at 31 March 2015 (2015: $19.3 million).

There were no transfers between derivative financial instrument assets or liabilities classified as level 1 or level 2, and level 3 of the fair value hierarchy during the year ended 31 March 2016 (2015: 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 seeks to ensure that no more than 25% of its non-bank 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 2016 Audited	Holding 2015 Audited	Principal activity	Country of incorporation
Investment activities				
New Zealand				
Infratil Finance Limited	100%	100%	Finance	New Zealand
Swift Transport Limited	100%	100%	Investment	New Zealand
Infratil Ventures Limited	100%	100%	Investment	New Zealand
Infratil Infrastructure Property Limited	100%	100%	Investment	New Zealand
NZ Airports Limited	100%	100%	Investment	New Zealand
Infratil Energy Limited	100%	100%	Investment	New Zealand
Infratil Investments Limited	100%	100%	Investment	New Zealand
Infratil 1998 Limited	100%	100%	Investment	New Zealand
Infratil Gas Limited	100%	100%	Investment	New Zealand
Infratil RV Limited	100%	100%	Investment	New Zealand
Infratil No 1 Limited	100%	100%	Investment	New Zealand
Infratil Outdoor Media Limited	100%	100%	Investment	New Zealand
Infratil Australia Limited	100%	100%	Investment	New Zealand
Infratil PPP Limited	100%	100%	Investment	New Zealand
Infratil Ventures II Limited	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	Audited 2016 $000	Audited 2015 $000
Net surplus	(5,307)	170,191
Less items classified as investing activity		
Loss/(profit) on investment realisations and impairments	(450)	(132)
Add items not involving cash flows		
Movement in financial derivatives taken to the profit or loss	3,444	5,065
Amortisation of deferred bond issue costs	2,115	2,018
Movements in working capital		
Change in receivables	5,891	(5,478)
Change in trade payables	326	1,848
Change in accruals and other liabilities	(1,487)	(645)
Change in taxation and deferred tax	3,473	(2,927)
Net cash inflow from operating activities	**8,005**	**169,940**

(11) Share Scheme

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 employee 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 Executive Shares were granted during the year (2015: 512,500 shares at $2.9164 on 23 December 2014). Previous issues were at 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.

On 10 December 2015, the Company accelerated the entitlements of executives of iSite Limited under the 2012, 2013 and 2014 Executive Schemes, pursuant to the Infratil Limited Executive Share Scheme Trust Deed dated 22 August 2008 (the Trust Deed), to allow those executives the benefit of that Scheme on completion of the sale of iSite. As a consequence of this, the Company converted 132,022 Executive Shares into Infratil Ordinary Shares on 22 December 2015.

On 11 December 2015, the 2012 Executive Scheme matured having met certain share performance thresholds. Pursuant to this and the Trust Deed, the Company converted 318,386 Executive Shares into Infratil Ordinary Shares on 15 January 2016.

(12) Commitments

There are no outstanding commitments (2015: 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. Subsequent to 31 March 2016 a A$47.6 million secured bank facility of a non-wholly owned subsidiary has been refinanced with an expiry date of 21 May 2018. This facility, and certain other indebtedness with the financier, has been guaranteed by Infratil Finance Limited and the Company.

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 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'). Messrs M Bogoievski and D P Saville are directors of, and Mr Muh is an alternate director of Infratil. Mr Bogoievski is a director and Chief Executive Officer of MCO, Mr Muh is an executive director of MCO, and Mr Saville is a non-executive director of MCO. Entities associated with Mr Bogoievski, Mr Saville and Mr Muh also have beneficial interests in MCO.

The Company has the following significant loans and investments to/from/in its subsidiaries:

	Interest income/(expense)		Intercompany (loan)/advance/investment at carrying value	
Related Party	Audited 2016 $000	Audited 2015 $000	Audited 2016 $000	Audited 2015 $000
Advances				
Infratil Finance	60,000	70,000	1,224,480	1,359,629
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

Note 9 identifies significant entities in which the Company has an interest. All of these are related parties of the Company.

Management and other fees paid by the Group (including associates) to MCIM, MCO or its related parties during the year were:	Audited 2016 $000	Audited 2015 $000
Management fees	20,107	17,755
Executive secondment and consulting	-	8
Directors fees	98	93
Financial management, accounting, treasury, compliance and administrative services	1,250	1,250
Investment banking services	1,627	156
Total management and other fees	**23,082**	**19,262**

At 31 March 2016 amounts owing to MCIM of $1,838k (excluding GST) are included in trade creditors (2015: $1,660k).

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

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

A New Zealand base management fee is paid on the "New Zealand Company Value" at the rates of 1.125% per annum on New Zealand Company value up to $50 million. 1.0% per annum on the New Zealand Company Value between $50 million and $150 million, and 0.80% per annum on the New Zealand Company Value above $150 million. The New Zealand Company Value is:
• the Company's market capitalisation as defined in the management agreement (i.e. the aggregated market value of the Company's listed securities, being ordinary shares, partly paid shares, infrastructure bonds and warrants):
• plus the Company and its wholly owned subsidiaries' net debt (excluding listed debt securities and the book value of the debt in any non-Australasian investments):
• minus the cost price of any non-Australasian investments: and
• plus/minus an adjustment for foreign exchange gains or losses related to non-New Zealand investments.
An international fund management fee is paid at the rate of 1.50% per annum on:
• the cost price of any non-Australasian investments: plus
• the book value of the debt in any wholly owned non-Australasian investments.
An international fund incentive fee is payable at the rate of 20% of gains on the international (including Australian) assets in excess of 12% per annum post tax.
A venture capital fund management fee is payable, at the rate of 2% per annum on investment entities with values up to $7 5 million and 1.2% per annum on investment entities with values over $7 5 million. A venture capital fund incentive fee is payable at the rate of 20% of gains on the investment assets in excess of 17.5% per annum pre-tax.

(16) Segment analysis

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

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

(17) Events after balance date

Dividend

On 17 May 2016 the Directors have approved a fully imputed final dividend of 9 cents per share to holders of fully paid ordinary shares to be paid on the 15th of June 2016.

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

Directory

Directors
M Tume (Chairman)
M Bogoievski
A Gerry
P Gough
H J D Rolleston
D P Saville
A Y Muh (alternate to D P Saville)

Company Secretary
P Harford

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Manager
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Share Registrar - New Zealand
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Share Registrar - Australia
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Auditor
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Maritime Tower
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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

We have audited the accompanying financial statements of Infratil Limited ("the company") on pages 1 to 14. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the 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 company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the financial statements

The directors are responsible on behalf of the company for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 1 to 14 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Infratil Limited as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

KPMG

17 May 2016
Wellington