# IHL

Infrastructure Holdings Limited

# Annual Report

For the year ended 30 June 2024

PORT NELSON

NELSON AIRPORT
Good things start here

# Contents

# Directory

**Registered Office**
8 Vickerman Street,
Port Nelson
Nelson 7010

**Auditor**
Ernst & Young, on behalf of the office of the Auditor General.

**Banker**
Westpac New Zealand Limited

**Solicitors**
Simpson Grierson

**Treasury Advisor**
Bancorp Treasury Services

| Board of Directors | Position | Appointed |
|---|---|---|
| Sue Sheldon CNZM | Chair | Appointed 17/1/23 |
| Quinton Hall | Director | Appointed 17/1/23 |
| Darren Mark | Director | Appointed 17/1/23 |
| Gerrard Wilson | Director | Appointed 17/1/23 |
| Paul Zealand | Director | Appointed 17/1/23 |

# Statutory Information

**Ownership**
Infrastructure Holdings Limited ("IHL", "the Company" or "the Group") is a Council Controlled Trading Organisation under the Local Government Act 2002. The company is jointly, and equally, owned by Nelson City Council (NCC) and Tasman District Council (TDC).

**Purpose**
IHL was established by NCC and TDC to actively manage their investments in Port Nelson and Nelson Airport. IHL is tasked with delivering a range of benefits. These include funding benefits, operational synergies, better strategic alignment, reduced shareholder administration costs and operation of sound business practices.

**Employees**
There were no employees during the period.

**Donations**
No donations were made during the period.

**Directors' Register of Interests**
Directors recorded the following interests in the interest register for the period ended 30 June 2024:

**Sue Sheldon CNZM**
- FibreTech New Zealand Ltd (Director / Shareholder)
- FibreTech Holdings Ltd (Director / Shareholder)
- Sue Sheldon Advisory Ltd (Director / Shareholder)
- The Jarvis Trust (Trustee)
- Descendant Late LN Montgomery

**Gerrard Wilson**
- Nelson Building Society (Director)
- Ngāti Apa Investments Ltd (Director)
- Ngāti Apa Pito Whenua Ltd (Director)
- Kurahaupo General Partner Ltd (Director)
- Ngati Apa ki te Ra To Assets Holding Company Ltd (Director)
- Whanganui iwi Fisheries Ltd (Director)
- Urbis Investments Ltd (Director/Shareholder)
- Owhiro Investments Ltd (Director/Shareholder)
- Port Nelson Ltd (Director)
- Te Ngakinga o Whanganui Investment Trust (Trustee)
- Mt Robert Foundation (Trustee)
- Philanthropic Charitable Trust (Trustee)

**Quinton Hall**
- EQMade Ltd (Director / Shareholder)
- Vertus Group Ltd (Director / Shareholder)
- Jucy Group 2002 Ltd (Director)
- Gymnastics New Zealand (Chairperson)
- MV Group Limited(Director and Shareholder)

**Paul Zealand**
- Port Nelson Ltd (Chair)
- Lochard Energy Pty Ltd (Director)
- Genesis Energy Ltd (Director)
- Channel Infrastructure NZ Ltd (Director)
- Zoenergy Ltd (Director / Shareholder)

**Darren Mark**
- Findex Nelson / Findex NZ Ltd (Senior Partner)
- Titipounamu Investments Ltd (Director / Shareholder)
- E R Freeman Ltd (Director)
- Bowater Holdings Ltd (Director)
- Bowater Motors Ltd (Director)
- Bowater Properties Ltd (Director)
- Te Awa Nominees Ltd (Director)
- WHK Services Tasman Ltd (Director)
- West Yates and Partners Nominee Company Ltd (Director)
- Te Oramamaku Holdings Ltd (Director)
- Maitai Trustee Company Ltd (Director) + various other trustee Co's in Darren's professional capacity
- Tasman Bays Heritage Trust (Trustee)
- RG & EF MacDonald Trust Board (Trustee)
- Project Janszoon Trust Company Limited (Director)

**Directors Remuneration**
The total remuneration received by the Group's directors during the year was as follows:

| | Infrastructure Holdings Limited | Nelson Airport Limited | Port Nelson Limited | Total |
|---|---|---|---|---|
| Paul Zealand | 12,000 | - | 79,080 | 91,080 |
| Quinton Hall | 12,000 | 51,400 | - | 63,400 |
| Gerrard Wilson | 12,000 | - | 41,040 | 53,040 |
| Guy Roper | - | - | 46,040 | 46,040 |
| Jon Safey | - | - | 46,040 | 46,040 |
| Sue Sheldon CNZM | 45,000 | - | - | 45,000 |
| Darren Mark | 12,000 | 32,400 | - | 44,400 |
| Meg Matthews | - | - | 44,040 | 44,040 |
| Kim Wallace | - | - | 43,040 | 43,040 |
| Emma Ihaia | - | 31,400 | - | 31,400 |
| Matthew Clarke | - | 28,900 | - | 28,900 |
| Matthew McDonald | - | 28,900 | - | 28,900 |
| **Total** | **93,000** | **173,000** | **299,280** | **565,280** |

**Employee Remuneration**

The number of employees or former employees who received remuneration and other benefits of $100,000 or more for the year ended 30 June 2024 was as follows:

| | Infrastructure Holdings Limited | Nelson Airport Limited | Port Nelson Limited | Total |
|---|---|---|---|---|
| $ 100,001 to $110,000 | - | 2 | 24 | 26 |
| $ 110,001 to $120,000 | - | 1 | 18 | 19 |
| $ 120,001 to $130,000 | - | - | 8 | 8 |
| $ 130,001 to $140,000 | - | - | 3 | 3 |
| $ 140,001 to $150,000 | - | 1 | 13 | 14 |
| $ 150,001 to $160,000 | - | - | 2 | 2 |
| $ 160,001 to $170,000 | - | - | 6 | 6 |
| $ 170,001 to $180,000 | - | - | 2 | 2 |
| $ 180,001 to $190,000 | - | 1 | 1 | 2 |
| $ 190,001 to $200,000 | - | - | 1 | 1 |
| $ 230,001 to $240,000 | - | - | 3 | 3 |
| $ 240,001 to $250,000 | - | - | 1 | 1 |
| $ 250,001 to $260,000 | - | - | 1 | 1 |
| $ 260,001 to $270,000 | - | - | 2 | 2 |
| $ 270,001 to $280,000 | - | - | 1 | 1 |
| $ 290,001 to $300,000 | - | 1 | - | 1 |
| $ 300,001 to $310,000 | - | - | 1 | 1 |
| $ 550,001 to $560,000 | - | - | 1 | 1 |

# Chair Report

Kia ora koutou,

Welcome to Infrastructure Holdings Limited's (IHL) first annual report as an operational entity.

Nelson City Council and Tasman District Council established IHL to actively manage their investments in Port Nelson Limited and Nelson Airport Limited and deliver a range of benefits. The target benefits include funding benefits, operational synergies, better strategic alignment, reduced shareholder administration costs and operation of sound business practices.

I am pleased to say that the company has made significant progress during the year in establishing its operations and progressing the realisation of benefits.

On the funding front, the company refinanced circa $98m of bank debt with more favourable debt from the Local Government Funding Agency. This achieved an estimated $903,000 reduction in interest costs for the year.

Both of the operating subsidiaries continue to perform steadily. Port Nelson had a challenging year with freight volumes down whilst Nelson Airport experienced a very slight, year-on-year increase in passenger numbers.

During the course of the year, the government removed the tax deductibility of depreciation on commercial property. This resulted in an exceptional deferred tax charge of $12.2m to be accounted for in the current year. Excluding this charge, underlying group earnings at $9.2m were $1.2m lower than the previous year. IHL has paid or expects to declare $5.2m of dividends to shareholders in relation to the year's earnings. This equates to a dividend yield of 1.4% on shareholders opening equity. The Board will continue to work on opportunities to further improve the shareholder return.

In parallel to the financial progress, IHL has worked closely with its subsidiaries to progress a range of strategic alignment, operational synergy and business benefits. Particular areas of focus include risk management and climate response. Both subsidiaries operate in industries which require a very strong focus on Workplace Health and Safety. In this regard, the group maintained a commendable safety record throughout the year and continues to enhance its safety management practices. A second key focus area for the group is improving climate response performance and reporting. Tangible examples include the decision to invest in an electric crane and pilot boat at Port Nelson. Both subsidiaries will publish initial reports in accordance with Climate-reporting Disclosure NZ CS 1.

In conclusion, I would like to thank directors and staff across the group for their dedication to the businesses, community and the region.

Sue Sheldon CNZM, Chair

# Performance Commentary

The IHL Group has delivered a sound result in challenging, recessionary conditions. The commentary below provides a high level overview of the Group's performance.

- **Port Nelson:** Underlying NPAT of $5.8m was $1.9m (24%) down on the prior year. The challenging national and international economic climate continued to put volume and margin pressure on Te Tauihu importers and exporters. The Port saw three of its larger cargo types: logs, wine and processed timber, experience lower volumes than the previous year. In addition, the use of fewer but larger vessels for logs and petroleum impacted revenue.

- **Nelson Airport:** Underlying NPAT of $3.5m was $0.8m (29%) up on the prior year. This was a record result for the company. It is particularly pleasing to have achieved this result during a period of flat travel demand against a backdrop of high interest rates, slow economic growth, rising airfares and aircraft reliability challenges. Passenger numbers for the 2023/24 financial year were 915,600, compared with 915,200 in 2022/23

- **IHL Group NPAT:** From 1 April 2024, taxpayers can no longer claim depreciation on commercial properties as a tax deductible expense. This has resulted in a one-off $12.2m deferred taxation charge against the years NPAT result. Adjusting for this, the underlying NPAT was $9.2m, $2.6m (22%) below the $11.8m target. This reflects the softer trading conditions at Port Nelson.

- **IHL Dividend Paid:** IHL paid an interim dividend of $1m and will be paying a final dividend of $4.2m. This makes a total dividend of $5.2m for the year ending 30 June 2024, a 57% payout ratio of underlying profit. (Note: The Financial Statements only include the interim dividend. This is due to the timing of declaring the final dividend)

- **IHL Group Capital Investment:** Capital investments at $34.9m were close to the $36.5m projection in IHL's 23/24 Statement of Intent. Major investments at Port Nelson included a slipway redevelopment and deposits for the new mobile harbour crane and pilot launch. Major investments at Nelson Airport included two new commercial buildings which have been leased to tenants, a major stormwater upgrade and progressing the Project 2-Zero planning application (runway extension).

- **IHL Group Net Debt**: IHL's closing net debt of $103.2m compares favourably with the $109.6m debt projection in IHL's 23/24 Statement of Intent.

- **IHL Group 2023 Comparatives:** IHL commenced trading on 1 July 2023 when it acquired Nelson City and Tasman District Councils' shareholdings in Port Nelson Limited and Nelson Airport Limited. Accordingly, the 2023/24 figures represent the trading results from the first year of operation. The prior year comparatives comprise establishment expenses only.

  In a few instances, the IHL Annual Report quotes year on year changes. In these cases, the comparative figures used are the aggregate of the relevant Port Nelson Limited and Nelson Airport Limited 2022/23 figures.

More comprehensive and detailed commentaries on the operational performance of the group's activities are available in IHL's subsidiaries' annual reports (Port Nelson and Nelson Airport).

## Statement of Intent – Non-Financial Performance

The table below summarises the Groups actual performance against the climate related measures set out in its 2023/24 Statement of Intent. Nelson Airport Limited will publish an annual Sustainability Report and Port Nelson Limited will publish an annual Climate-related Disclosure Report. These 2024 reports will provide more comprehensive details on their performance against each of the items in the table below and contain the Group's initial reporting in accordance with NZ CS 1 Climate-related Disclosures.

| Disclosure | Climate-Related Disclosures (NZ CS1) Standard Reference | FY 24 Target | Achieved | Comment |
|---|---|---|---|---|
| **Governance** | **Climate Statement Clauses** | **FY 24 Target** | **Achieved** | |
| Identify and define the governance body responsibility for oversight | Clauses 6, 7(a), 8 | Fully Comply | Yes | |
| Define Management's role | Clauses 6 & 9 | Fully Comply | Yes | |
| **Strategy** | **Climate Statement Clauses** | **FY 24 Target** | **Achieved** | **Comment** |
| Climate and Financial Impacts | Clauses 10 & 12 | Scoped | Yes | |
| Scenario analysis undertaken | Clauses 10 & 13 | Scoped | Yes | |
| Climate related risks and opportunities | Clauses 10 & 14 | Scoped | Yes<br>In progress | Nelson Airport<br>Port Nelson |
| Anticipated impacts and financial impacts | Clauses 10 & 15 | Scoped | Yes | |
| Transition plan aspects of strategy | Clauses 10 & 16 | Scoped | Yes | |
| **Risk Management** | **Climate Statement Clauses** | **FY 24 Target** | **Achieved** | **Comment** |
| Integration of climate related risks identification, assessment and management | Clauses 17, 18 & 19 | Fully Comply | Yes | |
| **Metrics & Targets** | **Climate Statement Clauses** | **FY 24 Target** | **Achieved** | **Comment** |
| Define metric categories including general industry specific and other KPI's | Clauses 20, 21, 22 & 24 | Scoped: Full for Scope 1 and 2 emissions | Yes | |
| Targets used to manage climate related risks and opportunities | Clauses 20, 21 & 23 | Scoped: Full for Scope 1 and 2 emissions | Yes | |
| **Green House Gas Emissions** | **Climate Statement Clauses** | **FY 24 Target** | **Achieved** | **Comment** |
| GHG emissions assurance | Clauses 25 & 26 | Internal Assurance | Yes | |

# Statement of Intent – Financial Measures

The table below sets out IHL's performance against its 2023/24 Statement of Intent Measures and provides an explanation of the major variances. Salient points to note include:

- **Monitoring Performance**
  - **Net Profit After Tax (NPAT):** From 1 April 2024, taxpayers can no longer claim depreciation on commercial properties as a tax deductible expense. This has resulted in a one-off $12.2m deferred taxation charge against the years NPAT result. Adjusting for this, the underlying NPAT was $9.2m, $2.6m (22%) below the $11.8m target. This reflects the softer trading conditions at Port Nelson.
  - **Dividends Paid:** IHL paid an interim dividend of $1m and will be paying a final dividend of $4.2m (the timing of declaring the final dividend explains why only the interim dividends appears under dividends paid in the table below). This makes a total dividend of $5.2m for the year ending 30 June 2024, a 57% payout ratio of underlying profit. The $0.7m difference compared with the $5.9m target is attributable to establishment expenses ($0.5m) and the lower NPAT result ($0.2m).
- **Treasury Performance:** All of the Treasury metric results are comfortably within target.

| GROUP | 2023/24 Target | 2023/24 Result |
|---|---|---|
| **Monitoring** | | |
| Net profit after tax ($m) | 11.8 | (3.0) |
| Dividends Paid ($m) | 5.6 | 1.0 |
| | | |
| **Treasury** | | |
| **Funding Risk** | | |
| Compliance with the Group's interest rate debt profile | 100% | 100% |
| **Debt Credit Metrics** | | |
| Funds from Operations / Debt (Annualised) | >13.0% | 23% |
| Debt / EBITDA (Annualised) | <4x | 3.0x |
| **Lender Financial Covenants** | | |
| Shareholder funds/total assets | >30% | 67% |
| Minimum Shareholder Funds ($m) | >300 | 384 |

# Consolidated Statement Of Comprehensive Income

**For The Year Ended 30 June 2024**

| | Notes | 2024<br>$000 | (6 Months)<br>2023<br>$000 |
|---|---|---|---|
| **Revenue** | | | |
| Operating Revenue | | 100,775 | - |
| Other Income | | 880 | - |
| **Total Revenue** | **A1** | **101,655** | **-** |
| | | | |
| **Expenses** | | | |
| Employee Benefit Expenses | | 29,484 | - |
| Operating And Other Expenses | A2 | 37,922 | 233 |
| Decrease on Asset Revaluation | | 262 | - |
| **Earnings Before Interest, Tax, Depreciation And Amortisation** | | **33,987** | **(233)** |
| Depreciation And Amortisation | | 14,863 | - |
| Net Financing Costs | A3 | 6,022 | - |
| **Net Profit / (Loss) Before Income Tax** | | **13,102** | **(233)** |
| Income Tax | | 16,116 | (24) |
| **Net Profit / (Loss) After Income Tax** | | **(3,014)** | **(209)** |
| | | | |
| **Other Comprehensive Income** | | | |
| Movements In Hedging Reserves | | (1,179) | - |
| Net Gain on Property Plant and Equipment Revaluation | | 10,024 | - |
| **Total Other Comprehensive Income / (Loss)** | | **8,845** | **-** |
| | | | |
| **Total Comprehensive Income / (Loss)** | | **5,831** | **(209)** |

# Consolidated Statement Of Changes in Equity

**For The Year Ended 30 June 2024**

| | Notes | Issued Capital $000 | Retained Earnings $000 | Reorganisation Reserve $000 | Revaluation Reserve $000 | Hedging Reserve $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|
| **Balance At 17 January 2023** | | - | - | - | - | - | - |
| **Net Profit / (Loss)** | | - | **(209)** | - | - | - | **(209)** |
| **Balance At 30 June 2023** | | - | **(209)** | - | - | - | **(209)** |
| Issue Of Share Capital | D2 | 379,400 | - | - | - | - | **379,400** |
| Reserves Recognised on Business Combination | D7 | - | - | (253,958) | 253,257 | 702 | **1** |
| Dividends Paid | | - | (1,000) | - | - | - | **(1,000)** |
| **Net Profit / (Loss)** | | - | **(3,014)** | - | - | - | **(3,014)** |
| **Other Comprehensive Income** | | | | | | | |
| Movement In Hedge Reserves | | - | - | - | - | (1,179) | (1,179) |
| Balance Of Disposed Asset Transferred From Asset Revaluation Reserve | | - | 68 | - | (68) | - | - |
| Gain On Asset Revaluation | | - | - | - | 10,024 | - | 10,024 |
| **Total Other Comprehensive Income / (Loss)** | | - | **68** | - | **9,956** | **(1,179)** | **8,845** |
| **Balance At 30 June 2024** | | **379,400** | **(4,155)** | **(253,958)** | **263,213** | **(477)** | **384,023** |

# Consolidated Statement Of Financial Position

**As At 30 June 2024**

| | Notes | 2024 $000 | 2023 $000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash And Cash Equivalents | | 9,909 | - |
| Trade And Other Receivables | C1 | 13,259 | 31 |
| Inventories | | 1,059 | - |
| Prepayments | | 1,312 | - |
| Other Current Assets | | 5 | - |
| **Total Current Assets** | | **25,544** | **31** |
| | | | |
| **Non-Current Assets** | | | |
| Property, Plant And Equipment | B1 | 497,742 | - |
| Right of Use Assets | B3 | 1,108 | - |
| Intangible Assets | B4 | 6,591 | - |
| Investments | | 2,575 | - |
| Investment Properties | B5 | 37,175 | - |
| **Total Non-Current Assets** | | **545,191** | **-** |
| **Total Assets** | | **570,735** | **31** |
| | | | |
| **Current Liabilities** | | | |
| Trade And Other Payables | | 20,209 | 264 |
| Employee Benefit Entitlements | D1 | 4,218 | - |
| Borrowings | C1 | 20,100 | |
| Provisions And Other Liabilities | | 81 | - |
| Tax Payable | | 678 | - |
| Financial Derivatives | C1 | 435 | - |
| Current Lease Liabilities | D4 | 828 | - |
| **Total Current Liabilities** | | **46,549** | **264** |
| | | | |
| **Non-Current Liabilities** | | | |
| Employee Benefit Entitlements | D1 | 379 | - |
| Deferred Tax Liability | A4 | 46,143 | (24) |
| Borrowings | C1 | 93,000 | - |
| Financial Derivatives | | 58 | - |
| Provisions And Other Liabilities | | 280 | - |
| Lease Liabilities | D4 | 303 | - |
| **Total Non-Current Liabilities** | | **140,163** | **(24)** |
| **Total Liabilities** | | **186,712** | **240** |
| **Net Asset** | | **384,023** | **(209)** |
| | | | |
| **Equity** | | | |
| Share Capital | | 379,400 | - |
| Retained Earnings | | (4,155) | (209) |
| Reserves | | 8,778 | - |
| **Total Equity** | | **384,023** | **(209)** |

On behalf of the board

Sue Sheldon CNZM
Chair of Directors

Paul Zealand
Director

# Consolidated Statement Of Cash Flows

**For The Year Ended 30 June 2024**

| | Notes | 2024 $000 | (6 Months) 2023 $000 |
|---|---|---|---|
| **Cash Flow From Operating Activities** | | | |
| **Cash Was Provided From:** | | | |
| Receipts From Customers | | 101,884 | - |
| Interest Received | | 460 | - |
| | | **102,344** | **-** |
| **Cash Was Applied To:** | | | |
| Payments To Suppliers And Employees | | 65,701 | 235 |
| Interest Paid | | 5,673 | |
| Taxes Paid | | 7,670 | |
| Net GST Paid / Received | | (512) | |
| | | **78,532** | **235** |
| **Net Operating Cash Inflows** | **D3** | **23,812** | **(235)** |
| **Cash Flows From Investing Activities** | | | |
| **Cash Was Provided From:** | | | |
| Sale Of Property, Plant And Equipment | | 50 | - |
| Grants Received | | 1,100 | - |
| Acquisition Of Subsidiaries | | 1,565 | - |
| | | **2,715** | **-** |
| **Cash Was Applied To:** | | | |
| Purchase Of Property, Plant And Equipment | | 26,901 | - |
| Purchase Of Intangibles | | 424 | - |
| | | **27,325** | **-** |
| **Net Investing Cash Outflows** | | **(24,610)** | **-** |
| **Cash Flows From Financing Activities** | | | |
| **Cash Was Provided From:** | | | |
| Financial Derivatives | | 4,193 | - |
| Related Party Advance | | - | 235 |
| Loans Borrowed | | 113,100 | - |
| | | **117,293** | **235** |
| **Cash Was Applied To:** | | | |
| Loans Repaid | | 97,996 | - |
| Dividend Paid | | 4,700 | - |
| Borrower Notes | | 2,575 | - |
| Payment Of Lease Liabilities | | 1,315 | - |
| | | **106,586** | **-** |
| **Net Financing Cash Inflows** | | **10,707** | **235** |
| **Net Increase In Cash Held** | | **9,909** | **-** |
| Cash And Cash Equivalents At Period Start | | - | - |
| **Cash At Period End** | | **9,909** | **-** |

# Accounting Policies

**Reporting Entity**
The financial statements presented are for Infrastructure Holdings Limited ("the Company") and its subsidiaries ('IHL' or 'the Group). Infrastructure Holdings Limited is a Council Controlled Trading Organisation under the Local Government Act 2002. The company is jointly, and equally, owned by Nelson City Council and Tasman District Council.

The Group consists of Port Nelson Limited, Nelson Airport Limited, Nelson Marine Precinct Limited, Port Nelson Property Management Limited and Port Nelson Property Investment LLP. All of these are 100% owned.

The primary objective of the Group is to operate infrastructure providing marine, logistics, airport and property services in the top of the South Island.

**Basis Of Preparation**
The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards as appropriate for-profit oriented entities. The financial statements are presented in New Zealand dollars rounded to the nearest thousand.

Nelson City Council and Tasman District Council are the ultimate shareholders of all entities in the Group. As a result, the acquisition of Port Nelson Limited and Nelson Airport Limited by Infrastructure Holdings Limited was a business combination under common control. Consolidated results have been prepared prospectively from, 1 July 2023, the date of combination. Pre-combination comparative values have not been restated and opening balances include amounts acquired on acquisition of subsidiaries.

Infrastructure Holdings Limited was incorporated on 17 January 2023, the comparative information reflects the first 6 months of operations of the parent. The financial statements were authorised for issue by the Directors on 23 September 2024.

**Basis Of Measurement**
Business combination, under common control, have been prepared using the predecessor value method. In applying this method Infrastructure Holdings Limited adopts a controlling party perspective recognising the existing assets and liabilities of the subsidiaries at their carrying values prior to acquisition. Any difference between the consideration exchanged and the book value of the assets and liabilities received is recognised in equity. Prior periods have not been restated, reserves previously recognised in other comprehensive income have been retained.

The financial statements have been prepared based on historical cost, modified by the revaluation of land, buildings, airfield infrastructure, wharves, investment property and financial instruments. The financial statements are presented excluding Goods and Services Tax (GST), except for receivables and payables which include GST. Unrecoverable GST is recognised within related assets or expenses. Amounts are presented in New Zealand dollars rounded to the nearest thousand.

**Foreign Currency**
Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Monetary items outstanding at balance date are converted at the exchange rate ruling at balance date or the forward exchange contract rate where derivatives have been used to hedge the exposure.

**Standards And Interpretations Issued And Not Yet Adopted**
In May 2024, the External Report Board issued NZ IFRS 18 Presentation and Disclosure in Financial Statements. The standard is required for reporting periods beginning on or after 1 January 2027 with early adoption available. Infrastructure Holdings Limited has not yet assessed the impact of NZ IFRS 18. There are no other accounting pronouncements which have become effective during the period that have a significant impact on the Group's consolidated financial statements.

**Accounting Policies**
There have been no changes in accounting policies during the financial year disclosed in the financial statements. Material and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

**Critical Judgements And Estimates**
In applying the accounting policies, management are required to make estimates, assumptions, and judgements. Estimates and assumptions are based on historical experience and other factors, including expectations or future events that are expected to be reasonable under the circumstances. Actual results may differ from the estimates and assumptions.

**Critical Judgements**

The valuation of Property, Plant and Equipment and Investment Properties involves judgement. See Note B2 for details of the assumptions made in determining the fair value of these assets.

# Notes to the Consolidated Financial Statements

## A. Revenue and Expenses

### *A1. Revenue*

| Revenue | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Port Operations | 76,208 | - |
| Airport Operations | 15,239 | - |
| Property | 9,743 | - |
| Fair Value Adjustment on Investment Property | (415) | - |
| Hedge Reserve Reclassification | 880 | |
| **Total Revenue** | **101,655** | **-** |

**Port Operations**

Port Operations include an integrated service of marine and berthage, combined with cargo operations. Marine services consist of pilotage, towage and access to moorings and berthage. The performance obligations are arrival, departure and berthage and revenue is recognised over time based on time elapsed since the vessel entered port (and input method). The transaction price is determined by contract and allocated to the performance obligations on a standalone basis. Cargo operations consist of wharfage, storage and stevedoring of bulk goods. Revenue is recognised over time, from the time goods are transferred to port (an input method). The transaction price is determined by contract and allocated to only one performance obligation. Warehousing and distribution revenue is generated from 4PL logistic services, storage, transportation, container packing and unpacking of customer cargo and is a single performance obligation. Revenue is recognised over time based on the transport services provided (an output method). The transaction price is agreed per contract. Revenue for all port operations is based on service prices specified in the relevant pricing schedule or specified customer contract, which reflect the value transferred to the customer.

**Airport Operations**

Airport Operations include Aeronautical Charges and Ground Transport. Aeronautical charges are recognised as revenue when airport facilities are used. Ground transport revenue includes car parking fees, recognised on a cash received basis except for fixed parking lease/licence payments, which are accrued as lease income in advance. Revenue from partner rental car companies is recognised on an accrual basis per agreements, while advertising revenue is recognised on a straight-line basis over the lease term where the airport is the lessor.

**Property Revenue**

Port Nelson Limited and Nelson Airport Limited lease certain buildings and properties. Lease income is recognised in the profit or loss on a straight-line basis over the term of the lease. Any payments received for periods after balance date are accrued as lease income in advance. Future non-cancellable lease revenue from existing leases:

| Maturity of Operating Lease Revenue | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Due within 1 year | 8,796 | - |
| Due between 1 to 5 years | 20,402 | - |
| Due over 5 years | 19,118 | - |
| **Total** | **48,316** | **-** |

## A2. Operational Expenditure

| Operating Expenses | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Freight | 15,278 | - |
| Repairs and Maintenance | 6,313 | - |
| Insurance | 3,888 | - |
| Fuel | 1,419 | - |
| Rates | 1,228 | - |
| Electricity | 1,068 | - |
| Software Services | 966 | - |
| Directors Fees | 578 | - |
| Bad Debts | 259 | - |
| Audit Fees | 269 | - |
| Sponsorship and Donations | 199 | - |
| Noise Management | 41 | - |
| Other | 6,416 | 233 |
| **Total** | **37,922** | **233** |

## A3. Financing Costs

| Financing Costs | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Finance Revenue | 459 | - |
| Finance Costs | (6,744) | - |
| Finance Costs on Qualifying Assets | 263 | - |
| **Total Net Financial Costs** | **(6,022)** | **-** |

**Net Financing Costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested as it accrues.

## A4. Taxation

| Provision for Tax | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Current Tax | 5,081 | - |
| Adjustment to current tax in prior periods | (84) | - |
| Deferred Tax | 11,119 | (24) |
| **Tax Expense** | **16,116** | **(24)** |
| Profit from Continuing Operations | 13,100 | (233) |
| Tax at 28% | 3,669 | (66) |
| Prior Year Adjustment | 3 | - |
| Permanent Differences | 225 | 42 |
| Deferred Tax Movement | 12,219 | - |
| **Tax Expense** | **16,116** | **(24)** |

**Current Tax**

The income tax expense is the tax payable on the current financial year's taxable income based on the income tax rate and adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and for unused tax losses (if any).

## *Deferred Tax Assets and (Liabilities)*

| | 2024 | 2023 |
|---|---|---|
| | $000 | $000 |
| **Property Plant and Equipment** | | |
| At Acquisition 1 July 2023 | (31,993) | - |
| Charged / (Credited) to Profit and Loss | 803 | - |
| Charged / (Credited) to Equity | (3,818) | - |
| Impact from Removal of Tax Depreciation on Buildings (Charged to Profit & Loss) | (12,219) | - |
| **Closing Balance** | **(47,227)** | - |
| | | |
| **Other** | | - |
| At Acquisition 1 July 2023 | 534 | - |
| Charged / (Credited) to Profit and Loss | 296 | - |
| Charged / (Credited) to Equity | 254 | - |
| **Closing Balance** | **1,084** | - |
| **Total Deferred Tax @ 28%** | **(46,143)** | - |

**Deferred Tax**

Deferred tax assets and liabilities are recognised for temporary differences at the rate expected to apply when the assets are recovered, or liabilities are settled (currently 28%). The tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

**Change In Legislation**

In March 2024, the Government issued the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Act, which includes the removal of the tax depreciation deduction for commercial buildings effective from the 2024/25 income year. As a result, the tax base of these buildings is now considered nil. This change has resulted in an increase in deferred tax liabilities of $12.2m.

The deferred tax liabilities have been adjusted to reflect the new legislation, and the impact has been recognised in the statement of comprehensive income as a tax expense, with corresponding changes in the statement of financial position.

# B. Key Assets

## *B1. Property, Plant and Equipment*

The Property Plant and Equipment of Port Nelson Limited and Nelson Airport Limited is considered to be materially different in operational use and nature and are disclosed as separate asset classes. The assessment of useful life and judgements on valuation are managed independently by each subsidiary as disclosed below.

| 2024 | Port Nelson Limited | Nelson Airport Limited | Total |
|---|---|---|---|
| Cost or Valuation | $000 | $000 | $000 |
| **At Acquisition 1 July 2023** | **402,910** | **149,555** | **552,465** |
| Additions | 30,070 | 4,781 | 34,854 |
| Reclassifications | (2,933) | - | (2,933) |
| Movement in Asset Revaluation | - | 5,671 | 5,671 |
| Disposal | (5,651) | (194) | (5,845) |
| **Total at 30 June** | **424,396** | **159,813** | **584,212** |
| Accumulated Depreciation | | | |
| **At Acquisition 1 July 2023** | **(82,827)** | **(4,683)** | **(87,510)** |
| Depreciation | (9,189) | (4,185) | (13,374) |
| Decrease on Asset Revaluation | - | (931) | (931) |
| Reclassifications | 855 | - | 855 |
| Disposals | 5,621 | 34 | 5,655 |
| Movement in Asset Revaluation | - | 8,838 | 8,838 |
| **Total at 30 June** | **(85,540)** | **(927)** | **(86,467)** |
| **Net Book Value at 30 June** | **338,856** | **158,886** | **497,742** |

### Recognition and Measurement

Property, Plant and Equipment is initially measured at cost and subsequently measured at fair value. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefit will flow to Group and the items can be reliably measured

Any revaluation increase arising on the revaluation of land, buildings and infrastructure assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of land, buildings, leasehold improvements and infrastructure assets is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

### Depreciation

The depreciable amount of an asset is determined based on its useful life. Management estimates the following rates and methods of depreciation to reflect the pattern in which the assets' future economic benefits are expected to be consumed.

| | | |
|---|---|---|
| Port Nelson Limited | Plant, Furniture and Equipment | 2.0% - 50.0% Straight line |
| | Wharves | 1.5% - 33.3% Straight line |
| | Infrastructural Assets | 2.0% - 33.3% Straight line |
| | Buildings | 2.0% - 50.0% Straight line |
| | Intangible Assets | 7.0% - 33.3% Straight line |
| Nelson Airport Limited | Buildings – Terminal | 0.0% - 3.7% Straight line |
| | Buildings – Hangers and Other Buildings | 0.0% - 33.3% Straight line |
| | Airfield Infrastructure | 0.0% - 100.0% Straight line |
| | Landside Infrastructure | 0.0% - 100.0% Straight line |
| | Equipment | 8.0% - 67.0% Diminishing value |
| | Fixtures and fittings | 10.0% - 80.4% Diminishing value |

### *B2. Fair Value Measurements*

The valuation of assets requires the application of judgement and use of estimates and assumptions. The independent valuation reports for property are subject to internal review by the relevant management teams. The review focuses on checking material movements and ensuring all additions and disposals are captured. A summary report on valuation movements is provided to each Board and full copies of the valuer's reports are available to relevant Directors.

For Property, Plant and Equipment that is measured using an income-based approach, the significant assumptions are considered by both the relevant management and each Board and sensitivity analysis is performed. Valuations are categorised within a three-tier fair value hierarchy table based upon the observability of valuation inputs.

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

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

| Valuation approach | Description of the valuation approach |
|---|---|
| Sales Comparison Approach | A valuation methodology whereby the subject property is compared to recently sold properties of similar features with fair value determined through the application of positive and negative adjustments for their differing attributes. |
| Income Capitalisation Approach | A valuation methodology which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived capitalisation rate with subsequent capital adjustments for near-term events, typically including letting-up allowances for vacancies and pending expiries, expected short-term capital expenditure and the present value of any difference between contract and market rentals |
| Discounted Cashflow | A valuation methodology which determines fair value by discounting estimated future cashflows to net present value. |
| Optimised depreciated replacement cost (ODRC) | The cost of constructing a modern equivalent asset at current market-based input cost rates, adjusted for the remaining useful life of the assets (depreciation). |

## *Port Nelson Limited*

Net carrying amount at 30 June 2024 was $339m. Property, Plant and Equipment is carried at fair value. Port Nelson Limited determines fair value by reference to NZ IFRS 13. Port Nelson Limited has fair valued all its property, plant and equipment.

The assets in the Port Operations Cash Generating Unit (CGU) have been split across the asset classes as follows:

| | Operational Land and Buildings | Property Land and Buildings | Wharves | Furniture Fittings and Equipment | Infrastructural Assets | Dredging | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Fair Value** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **At Acquisition 1 July 2023** | **117,065** | **60,187** | **97,360** | **93,807** | **26,571** | **3,652** | **4,268** | **402,910** |
| Additions at cost | - | - | - | - | - | - | 30,070 | 30,070 |
| Transfers at cost | 47 | - | 1,408 | 3,057 | - | - | (4,512) | - |
| Disposals | - | - | - | (5,651) | - | - | - | (5,651) |
| Lease Reclassification | - | (872) | - | (2,061) | - | - | - | (2,933) |
| **At 30 June 2024** | **117,112** | **59,315** | **98,768** | **89,152** | **26,571** | **3,652** | **29,826** | **424,396** |
| **Accumulated depreciation** | | | | | | | | |
| **At Acquisition 1 July 2023** | **(4,226)** | **(1,308)** | **(16,497)** | **(54,314)** | **(6,257)** | **(225)** | **-** | **(82,827)** |
| Depreciation expense | (759) | (161) | (3,447) | (4,101) | (719) | (2) | - | (9,189) |
| Disposals | - | - | - | 5,621 | - | - | - | 5,621 |
| Lease Reclassification | - | 363 | - | 492 | - | - | | 855 |
| **At 30 June 2024** | **(4,985)** | **(1,106)** | **(19,944)** | **(52,302)** | **(6,976)** | **(227)** | **-** | **(85,540)** |
| **Net book value** | | | | | | | | |
| **Net book value 30 June 2024** | **112,127** | **58,209** | **78,824** | **36,850** | **19,595** | **3,425** | **29,826** | **338,856** |

**Valuation**

Port Nelson Limited measures all Property, Plant and Equipment as a single unit using the income-based approach. Port Nelson Limited believes that valuing the assets based on future cash flows (the income-based approach) is the most appropriate technique to use to assess fair value. In assessing the present value, the cash flows have been aggregated across all assets as they are, in effect, interdependent and cannot be meaningfully separated into individual units. Therefore, a single valuation has been estimated.
The value is based upon cash flows and approximates the price that a willing buyer or seller would pay for the Port's combined Property, Plant and Equipment assets. The Port's Property, Plant and Equipment are all categorised as Level 3 in the fair value hierarchy.

**Key Valuation Assumptions**

The Port Nelson Limited Board of directors have adopted a set of assumptions for the cash flow model. These assumptions are based on Port Nelson Limited management's best estimates and the outcome and impact of on cash flows could vary significantly.

Port Nelson Limited has assessed that its Property, Plant and Equipment assets work together as a single unit to generate cash flows (CGU). The key premise of this assumption is that all assets within Property, Plant and Equipment are interdependent and cannot meaningfully be separated into individual units. For example, the shipping channel, wharves, land behind the wharves and associated infrastructure enables the port to exist. As a result, the Port has elected to measure all Property, Plant and Equipment as a single unit for the purposes of fair value.

A 10-year period for forecast cash flows followed by a terminal value has been used due to the long-term nature of Port Nelson Limited's infrastructure assets. The key drivers of the valuation are capital expenditure, discount rate, terminal growth rate, cargo volume, marine activity, logistic customer number and warehouse utilisation and operation expenditure. The adopted assumptions are shown in the table below.

| Asset classification | Valuation Approach | Significant unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Property, Plant and Equipment / Port Operations CGU | Discounted Cashflow | Future capital expenditure | Port Nelson has used the historical capital expenditure, adjusted for known differences in asset management plans. | The higher the capital expenditure the lower the fair value. |
| | | Discount rate | 8.65% p.a. | The higher the discount rate the lower the fair value |
| | | Terminal growth rate | 2.45% p.a. | The higher the terminal growth rate the higher the fair value |
| | | Future cargo, container volumes and charges | The Port has used forecast container volumes reflecting historical levels | The higher the forecast volumes the higher the fair value. |
| | | Future ship visits and charges | Based on forecast cargo volumes and container throughput, historical levels for non-Port Nelson visits and known differences | The higher the forecast volumes the higher the fair value. |
| | | Future port logistic customer numbers and warehouse utilisation | Forecast customer numbers, storage volumes and pricing. | The higher the forecast volumes the higher the fair value. |
| | | Operating Expenditure | The Port has used forecast operational costs reflecting historical cost ratios and trends, adjusted inflation. | The higher the forecast cost the lower the fair value. |

In considering these assumption, the Board of Directors have also considered a range of sensitivities around WACC rates and log volume expectations. The results of this revaluation exercise indicate the carrying value approximates fair value and as a result no fair value adjustments have been made.

| Significant unobservable inputs | Sensitivity of change % | Valuation Impact |
|---|---|---|
| Post-tax discount rate | (0.3) | 18,602 |
| | 0.3 | (18,602) |
| Log Volumes | (10) | (14,102) |
| | 10 | 14,102 |

## *Nelson Airport Limited*

The net carrying amount of Property, Plant, and Equipment as at 30 June 2024 was $159m. The basis of valuation for Nelson Airport Limited's property, plant, and equipment is fair value, as determined by independent valuers where the company does not possess the internal expertise to perform the valuations. These valuations are conducted in accordance with asset valuation standards, using methodologies that include the Optimised Depreciated Replacement Cost (ODRC) and other market-based information.

| 2024 | Land & Improvements | Buildings | Airfield Infrastructure | Landside Infrastructure | Equipment | Motor Vehicles | Fixtures & Fittings | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **At Acquisition 1 July 2023** | **42,448** | **59,848** | **26,477** | **17,703** | **763** | **1,348** | **486** | **482** | **149,555** |
| Reclassification - WIP | - | 1,428 | 91 | 999 | 84 | - | 5 | (2,607) | - |
| Additions | - | 376 | 57 | 274 | 131 | 7 | 5 | 3,931 | 4,781 |
| Movement in Asset Revaluation | 207 | 4,226 | 267 | 971 | - | - | - | - | 5,671 |
| Disposal | - | (5) | - | (151) | (21) | - | - | (17) | (194) |
| **At 30 June 2024** | **42,655** | **65,873** | **26,892** | **19,796** | **957** | **1,355** | **496** | **1,789** | **159,813** |
| Accumulated Depreciation and Impairment losses | | | | | | | | | |
| **At Acquisition 1 July 2023** | - | **(1,651)** | **(1,707)** | **(698)** | **(281)** | **(97)** | **(249)** | - | **(4,683)** |
| Depreciation | - | (1,629) | (1,659) | (587) | (136) | (133) | (41) | - | (4,185) |
| Decrease on Asset Revaluation | - | (160) | (3) | (768) | - | - | - | - | (931) |
| Disposals | - | 2 | - | 22 | 10 | - | - | - | 34 |
| Movement in Asset Revaluation | - | 3,438 | 3,369 | 2,031 | - | - | - | - | 8,838 |
| **Total at 30 June** | - | - | - | - | **(407)** | **(230)** | **(290)** | - | **(927)** |
| Net Book Value | | | | | | | | | |
| **At 30 June 2024** | **42,655** | **65,873** | **26,892** | **19,796** | **550** | **1,125** | **206** | **1,789** | **158,886** |

**Valuation**

Revaluations are carried out by independent valuers with sufficient regularity, at least once every five years, to ensure that the carrying value of property, plant, and equipment does not materially differ from the fair value at the balance date. The Group's management must make judgements regarding whether costs incurred relate to bringing an asset to its working condition for its intended use, which would justify their capitalisation as part of the asset's cost. The determination of an appropriate useful life for an asset also requires judgements about factors like the expected future economic benefits and the likelihood of obsolescence

**Impairment**

As at 30 June 2024, Nelson Airport Limited conducted an impairment assessment to evaluate the appropriateness of the carrying values of its assets. This assessment was based on the company's 10-year financial forecast model, which incorporates a range of assumptions and estimates about future economic conditions.

**Revaluation Of Property Plant And Equipment**

As of 30 June 2024, Nelson Airport Limited's property, plant, and equipment were revalued by independent registered valuers, Duke & Cooke Limited and Beca Limited. The following valuation methodologies were applied:

| Asset classification and description | Valuation approach |
|---|---|
| **Land**<br>Commercial and Residential Land | Commercial and Residential land is valued on a market sales comparison basis, with one property valued on a hypothetical subdivision approach. |
| **Leasehold Land**<br>Lessee's leasehold interest in airport land vested in the Nelson City Council and under peppercorn rental | Market value existing use approach, using a present value calculation of the benefit of the ground lease over its duration using a discount rate indicated by market activity. This is cross checked with any comparable market sales of leasehold interests. |
| **Buildings**<br>Specialised buildings used for identified airport activities including terminal<br><br>Non-specialised buildings including hangars, offices, garages and storage units | Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset at current market-based input cost rates, adjusted for the remaining useful life of the assets (depreciation). Indexing has been used as part of the ODRC method used to revalue specialised buildings by Duke and Cooke.<br><br>Income Capitalisation Approach - Establish a market rental after considering both existing leasing arrangements and evidence of local industrial market rentals and adjusting for location and building quality. |
| **Airfield Infrastructure**<br>Airside pavements including main runway, taxiways, and aprons | Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above]. |
| **Landside Infrastructure**<br>Landside pavements including roads and carparks. Utilities including stormwater, wastewater and supply. Other infrastructure (fencing, lighting etc.) | Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above]. |
| **Equipment**<br>Parking meters, security equipment, and vehicles | Cost less depreciation |
| **Fixtures and fittings**<br>Furniture, office equipment, computers, and fixtures | Cost less depreciation |

## *B3. Right of Use Assets*

The Group has recognised right of use assets and lease liabilities using a straight-line basis over the lease term.
The lease term is the period during which the lease cannot be terminated, along with any options to extend the lease. A judgement has been made to assess the likelihood of exercising any rights of renewal for each individual lease. Short-term (less than 12 months), and low value leases are recognised directly in the profit and loss.
Right of use assets consist of equipment, forklifts, property leases and ISO tanks used to transport wine and other cargoes.

| | **2024** | **2023** |
|---|---|---|
| **Right of Use Assets** | **$000** | **$000** |
| At Acquisition 1 July 2023 | 2,083 | - |
| Additions and Transfers | 268 | - |
| Disposals | (7) | - |
| Depreciation expense | (1,236) | - |
| **Closing Balance at 30 June** | **1,108** | **-** |

## *B4. Intangible Assets*

| **2024** | **Branding $000** | **Software $000** | **Work in Progress $000** | **Goodwill $000** | **Total $000** |
|---|---|---|---|---|---|
| **Cost or Fair Value** | | | | | |
| At Acquisition 1 July 2023 | 180 | 4,067 | 1,884 | 1,759 | **7,890** |
| Additions | - | 5 | 2,318 | - | **2,323** |
| Disposals | - | (1) | - | - | **(1)** |
| **At 30 June 2024** | **180** | **4,071** | **4,202** | **1,759** | **10,212** |
| **Accumulated Amortisation** | | | | | |
| At Acquisition 1 July 2023 | (100) | (3,264) | - | - | **(3,363)** |
| Amortisation expense | (20) | (237) | - | - | **(257)** |
| Disposals | - | - | - | - | **-** |
| **At 30 June 2024** | **(120)** | **(3,501)** | **-** | **-** | **(3,620)** |
| | | | | | |
| **Net book value 30 June 2024** | **60** | **570** | **4,202** | **1,759** | **6,591** |

**Intangible Assets**
Intangible assets are comprised of Goodwill, branding, software, and licences. Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of consideration transferred, less the net identifiable assets and liabilities assumed at that date.

Goodwill is measured at cost less accumulated impairment losses and is tested for impairment annually. Software and licences have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives and associated amortisation rates of intangible assets have been estimated as follows:

| | |
|---|---|
| Branding | 10.0% - 12.50% Straight line<br>8.0% - 50.0% Diminishing value |
| Software | 7.6% - 33.33% Straight line<br>50.0% Diminishing value |

Development costs (including employee expenses) that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and if the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation expense is included in the depreciation and amortisation expense total disclosed in the Consolidated Statement of Comprehensive Income.

## B5. Investment Property

| | 2024 | 2023 |
|---|---|---|
| **Investment Property** | $000 | $000 |
| Opening Fair Value of Investment Property | 37,590 | - |
| Revaluations (recognised in property revenue) | (415) | - |
| **Closing Fair Value of Investment Property** | **37,175** | **-** |

**Investment Property**
Investment Property is held to earn rental income and for capital appreciation and is measured at fair value. Gains or losses from changes in the fair value of investment property are included in the profit or loss in the period in which they arise.

Investment properties are revalued annually and were valued on 30 June 2024 by Ian McKeage, Registered Valuer, FNZIV, FPINZ of CBRE. The valuers have recent experience in the location and category of the item being valued.

## B6. Capital Commitments

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

**Port Nelson Limited**
The Group via Port Nelson Limited has capital commitments at balance date of $8.2m. This relates to the Slipway's redevelopment project. The redevelopment project, in partnership with the Crown will redevelop the Nelson Slipway area to create a new wharf that will allow a new marine travel lift to operate having a capacity of 550 tonnes. The facility will include a new environmental treatment facility, and contaminated silts will be removed from the harbour basin adjacent to the slipway. The total redevelopment project is estimated to cost $19.9m.

**Nelson Airport Limited**
The Group via Nelson Airport Limited has $2.1m worth of contractual capital commitments for property, plant, and equipment as at 30 June 2024.

# C. Financial Instruments

## *C1. Financial Instruments*

The Group's operations expose it to a variety of financial risks which it seeks to manage through the application of its Treasury Policy. This policy provides guidance to management on conducting appropriate financial risk management activities including the use of derivative financial instruments to manage this risk.

**Interest Rate Risk**
The Group is exposed to interest rate risk on the cash flows arising from its variable rate borrowings. The Board does not consider there is any significant exposure to interest rate risk on its investments. The Group's interest rate exposures are managed in accordance with specific borrowing parameters outlined in the Treasury Policy which requires the fixing of interest rates for specified portions of borrowings based upon the term remaining and outlines the approved derivative instruments that can be used to do this.

To manage its interest rate risk, The Group enters into hedging instruments or cash flow hedges, otherwise known as Interest Rate Swaps (IRS). IRS swap the floating rate exposure on a notional value of borrowings for a fixed rate. Such derivatives are measured at fair value.

| Required Exposure Periods | Minimum Interest Rate Fixing | Maximum Interest Rate Fixing |
|---|---|---|
| 0 - 2 year | 40% | 100% |
| 2 - 5 years | 20% | 80% |
| 5 - 10 years | 0% | 60% |

At the inception of the hedge relationship, Infrastructure Holdings documents the nature of the risk being hedged, the economic relationship between the hedged item, the instrument for effectiveness testing along with its risk management objectives for undertaking various hedge transactions. After the initial assessment of the hedge effectiveness at the inception of the hedge, the hedge effectiveness is assessed at each subsequent reporting date and upon a meaningful change in the circumstances affecting the hedge effectiveness requirements.

The hedged item (the borrowings) creates an exposure to pay interest on the notional value, settled at intervals prescribed by the hedge agreement. An IRS on the same notional value creates an equal and opposite interest receipt and a fixed interest payment, creating an offset for this transaction and resulting in a net fixed interest payable.

The effective portion of changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to any ineffective element is recognised immediately in the profit or loss.

**Sensitivity Analysis**
The table below illustrates the potential profit or loss impact for possible interest rate movements, with all other variables held constant, based on Infrastructure Holding's financial instrument exposure at the balance date.

| Interest rate change | Impact on profit |
|---|---|
| | $000 |
| -200bp | 1,160 |
| -100bp | 580 |
| +100bp | (580) |
| +200bp | (1,160) |

**Fair Value of Financial Derivatives**
Financial instruments carried at fair value include Interest Rate Swaps and Foreign Currency Contracts which are valued at a total asset of $0.49m at balance date. These are considered a Level 2 valuation in the Fair Value Hierarchy defined in Note B5. The valuation is derived from the Westpac Banking Corporation using closing rates on the revaluation date. From these rates the mark to market is calculated to reflect the net present value of the remaining fixed and floating cash flow obligations.

**Credit Risk**
The Group is exposed to credit risk on its trade receivables, cash and cash equivalents and borrowers notes from the possibility of counterparties failing to perform their obligations. This risk is represented by the carrying value in the Statement of Financial Position.

| | 2024 | 2023 |
|---|---|---|
| **Trade and Other Receivables** | **$000** | **$000** |
| Trade Receivables | 13,035 | - |
| Less Provision for Expected Credit Losses | (127) | - |
| Accrued Debtors | 351 | - |
| **Total Trade Receivables** | **13,259** | **-** |

**Trade and Other Receivables**
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses.

**Impairment of Trade Receivables**
The provision for Expected Credit Loss represents impairment losses on contracts with customers. The Group measures the Expected Credit Loss for trade receivables at an amount equal to lifetime expected credit losses. The allowance is estimated by reference to past default experience of the debtor, an analysis of the debtor's current financial position as well as forward looking information. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

**Currency Risk**
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the purchases of Plant and Equipment from overseas which it undertakes from time to time. Management actively monitors the currency risk exposure and will enter into forward foreign exchange contracts to hedge this risk where required by the Treasury Policy.

As at balance date The Group had three forward foreign exchange contracts, AUD 328,000 expiring August 2024, EUR 5,243,700 expiring September 2024 and EUR 374,550 expiring November 2024.

**Liquidity Risk**
Liquidity risk is the risk that Group will encounter 'difficulty' raising funds to meet commitments as they fall due. Liquidity risk is managed by maintaining sufficient cash. This is achieved by ensuring the availability of funding through an adequate amount of committed credit facilities.

**Borrowings**
Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method where this differs from face value.

| | 2024 | 2023 |
|---|---|---|
| **Secured Loans** | **$000** | **$000** |
| Current | 20,100 | - |
| Non-Current | 93,000 | - |
| **Total Secured Loans** | **113,100** | **-** |

Secured loans primarily relate to the Local Government Funding Agency (LGFA) multi-option facilities totalling $113.0m. The Company also has financing arrangements with Westpac Banking Corporation totalling $25.0m made up of three facilities, of which $0.1m was drawn at balance date. The Westpac facilities expire on 30 September and the directors expect to renew the facility on commercial terms. All loans are secured against assets, undertakings, and uncalled capital of the Group.

**Maturity analysis for the principal amounts of non-derivative financial instrument liabilities based upon the contractual maturities.**

| | Weighted Average Interest Rate | Due within 1 year | Due between 1 to 2 years | Due between 2 to 5 years | Total |
|---|---|---|---|---|---|
| **2024** | | **$000** | **$000** | **$000** | **$000** |
| Borrowings | **6.07%** | 20,100 | 15,000 | 78,000 | 113,100 |
| Trade and Other Payables | | 20,208 | - | - | 20,208 |
| Lease Commitment | | 888 | 266 | 56 | 1,210 |
| **Total** | | **41,196** | **15,266** | **78,056** | **134,518** |

**Trade and Other Payables**
Trade and other payables are recognized at fair value on receipt of goods and services, and subsequently measured at cost using the effective interest method. Amounts representing unpaid liabilities for goods and services received prior to yearend and are typically settled within 30 days. Their fair value approximates their carrying value.

**Borrower Notes**
Borrower notes are subordinated convertible debt instruments that the Company subscribes to, amounting to 2.5% of the total long-term borrowings from LGFA. The LGFA will redeem these borrower notes once the Company's related borrowings are repaid. At balance date the Company has 2.6m in borrower notes.

# D. Other Information

## *D1. Provisions*

| Employee Benefit Liabilities | 2024 $000 | 2023 $000 |
|---|---|---|
| Annual Leave and Accrued Pay | 3,649 | - |
| Long Service Leave | 458 | - |
| Other Benefits | 490 | - |
| **Total Employee Benefit Liabilities** | **4,597** | **-** |
| Current | 4,218 | - |
| Non-Current | 379 | - |
| **Total Employee Benefit Liabilities** | **4,597** | **-** |

**Provisions**
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and other benefits in the period the related service is rendered.

## *D2. Issued Capital*

On 1 July 2023, the Company issued 3,709,540 shares, at a value of $100 each, divided equally between Tasman District Council and Nelson City Council in exchange for the acquisition of all of the shares in Port Nelson Limited and Nelson Airport Limited. This transaction also settled previously issue unpaid capital of 84,460 shares, at a value of $100 each.

On 26 September 2023, the Company issued a further 2,330,000 shares, at a value of $100 each, divided equally between Tasman District Council and Nelson City Council. These shares are uncalled and unpaid.

## *D3. Reconciliation Of Net Profit To Net Cash Flow From Operating Activities*

| | 2024 $000 | 2023 $000 |
|---|---|---|
| **Net Profit** | **(3,014)** | **(209)** |
| **Add Non-Cash Items:** | | |
| Depreciation And Amortisation | 14,863 | - |
| Net Movement In Deferred Tax | 10,221 | (24) |
| Appreciation Of Investment Property | 415 | - |
| Reclassification of Work in Progress | 17 | - |
| Asset Impairment | 262 | - |
| (Gain)/Loss on Disposal of assets | 46 | - |
| Other | 43 | - |
| | **25,857** | **(24)** |
| **Add (Less) Movements In Other Working Capital Items:** | | |
| Trade And Other Receivables | 209 | (32) |
| Inventories | (86) | - |
| Prepayments And Accruals | (1,053) | - |
| Trade And Other Payables | 3,596 | 30 |
| Current Employee Benefit Entitlements | (303) | - |
| Current Movement Lease Liabilities | 532 | - |
| Tax Payable | (2,653) | - |
| | **242** | **(2)** |
| **Add (Less) Items Classified As Investing Or Financing Activities:** | | |
| Non-Current Movement Employee Benefit Entitlements | 57 | - |
| Non-Current Movement Lease Liabilities | 670 | - |
| | **727** | **-** |
| **Net Cash flow From Operating Activities** | **23,812** | **(235)** |

## *D4. Lease Liabilities*

| | 2024 | 2023 |
|---|---|---|
| | $000 | $000 |
| **At Acquisition 1 July 2023** | **2,082** | - |
| Additions | 248 | - |
| Disposals | (6) | - |
| Interest | **132** | - |
| Payments | **(1,325)** | - |
| **Closing Lease Liability** | **1,131** | - |
| | | |
| Current | **828** | - |
| Non-Current | 303 | - |
| **Total lease liability** | **1,131** | - |
| | | |
| **Amounts recognised in Profit and Loss** | | |
| Depreciation on right of use asset | **1,236** | - |
| Finance Cost | **132** | - |
| Short term and low value | **647** | - |

The lease short-term and low value assets are recognised as an expense as incurred.

## *D5. Related Party Transactions*

| | | 2024 | 2023 |
|---|---|---|---|
| | | $000 | $000 |
| Nelson City Council | Services Provided by Port Nelson Limited | 31 | - |
| | Services Provided to Port Nelson Limited | 1,206 | - |
| | Accounts Receivable by Port Nelson Limited | - | - |
| | Accounts Payable by Port Nelson Limited | 70 | - |
| | Services Provided by Nelson Airport Limited | 20 | - |
| | Services Provided to Nelson Airport Limited | 1,274 | - |
| | Accounts Receivable by Nelson Airport Limited | - | - |
| | Accounts Payable by Nelson Airport Limited | 357 | - |
| | Dividends Paid by Infrastructure Holdings Limited | 500 | |
| | Dividends Payable by Infrastructure Holdings Limited | - | - |
| Tasman District Council | Dividends paid by Infrastructure Holdings Limited | 500 | |
| | Dividends Payable by Infrastructure Holdings Limited | - | - |
| Nelmac Limited | Services Provided by Port Nelson Limited | - | - |
| | Services Provided to Port Nelson Limited | 34 | - |
| | Accounts Receivable by Port Nelson Limited | - | - |
| | Accounts Payable by Port Nelson Limited | 2 | - |
| | Services Provided by Nelson Airport Limited | - | - |
| | Services Provided to Nelson Airport Limited | 120 | - |
| | Accounts Receivable by Nelson Airport Limited | - | - |
| | Accounts Payable by Nelson Airport Limited | 9 | - |

Nelmac Limited is 100% owned by Nelson City Council and provides maintenance work to Port Nelson Limited and Nelson Airport Limited.

**Directors and Key Management Personnel**

| Details of compensation paid to Key Management Personnel and Directors during the financial year | | 2024 $000 | 2023 $000 |
|---|---|---|---|
| **Directors** | Salaries and Other Short-Term Benefits | 578 | - |
| **Key Management Personnel** | Salaries and Other Short-Term Benefits | 2,607 | - |

## *D6. Contingent Assets and Liabilities*

There are no contingent assets or liabilities at 30 June 2024.

## *D7. Business Combination And Debt Restructure*

On 1 July 2023, Tasman District Council and Nelson City Council transferred their shares in Port Nelson Limited and Nelson Airport Limited to Infrastructure Holdings Limited. This transaction settled all unpaid capital at that date and established Infrastructure Holdings Limited as the parent of the Group. Tasman District Council and Nelson City Council remain the ultimate shareholders of all companies involved.

The transaction was a business combination under common control, and the assets and liabilities have been recognised at their carrying values, in Port Nelson Limited and Nelson Airport Limited, prior to acquisition, any difference between the consideration paid and the book value of the assets and liabilities received is recognised in equity. Other movements previously recognised in other comprehensive income have been retained and are reflected in the creation of a reorganisation reserve. On combination this reserve has a balance of $254m, reflecting the opening reserves of Port Nelson Limited and Nelson Airport Limited of $174.9m and $79.1m respectively.

| | Nelson Airport Limited | Port Nelson Limited | Total |
|---|---|---|---|
| | $000 | $000 | $000 |
| **Assets** | | | |
| Cash and cash equivalents | 172 | 1,393 | 1,565 |
| Trade receivables | 975 | 12,906 | 13,881 |
| Inventories | - | 893 | 893 |
| Financial assets | 675 | 567 | 1,242 |
| Other Current Assets | 88 | 393 | 481 |
| Property, plant, and equipment | 145,196 | 320,083 | 465,279 |
| Intangible Assets | 100 | 4,102 | 4,202 |
| Investment Properties | - | 37,590 | 37,590 |
| Financial assets | 365 | 2,673 | 3,038 |
| **Liabilities** | | | |
| Trade and other payables | (2,470) | (4,508) | (6,978) |
| Employee Benefits | (538) | (3,492) | (4,030) |
| Tax | (1,418) | (1,915) | (3,333) |
| Other Current Liabilities | - | (2,868) | (2,868) |
| Borrowings | (26,802) | (71,200) | (98,002) |
| Lease Liabilities | - | (2,075) | (2,075) |
| Deferred tax liabilities | (13,739) | (17,746) | (31,485) |
| **Total identifiable net assets at carrying value** | **102,604** | **276,796** | **379,400** |
| **Share Capital Issued** | | | **379,400** |

On 29 September 2023, the Company's planned refinancing occurred and the debt of Port Nelson Limited and Nelson Airport Limited was consolidated. A total of $108.3m was refinanced with Westpac Banking Corporation Limited.

On 3 October 2023, Infrastructure Holdings Limited entered the Local Government Funding Agency (LGFA) tender round and successfully secured funding for $113m. Upon settlement of the LGFA funding all amounts owed to Westpac were repaid.

## *D8. Events After Balance Date*

On 23 September 2024, Infrastructure Holdings Limited declared a dividend of $4.2m, payable by 30 September 2024. There were no other significant events after balance date.

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## INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF INFRASTRUCTURE HOLDINGS LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Infrastructure Holdings Limited (the company). The Auditor-General has appointed me, Bruce Loader, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and performance information of the company on his behalf.

### Opinion

We have audited:

- the financial statements of the company on pages 8 to 28, that comprise the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on page 7.

In our opinion:

- the financial statements of the company:

  - present fairly, in all material respects:

    - its financial position as at 30 June 2024; and

    - its financial performance and cash flows for the year then ended; and

  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and

- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2024.

Our audit was completed on 25 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.
We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

**Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

**Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 6, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

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Other than the audit, we have no relationship with, or interests in, the company.

Bruce Loader
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand