



Infrastructure Holdings Limited

# Interim Report

For the six months ended 31 December 2023



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# Performance Commentary

## **NELSON AIRPORT LIMITED**

Despite ongoing challenges in the aviation industry, Nelson Airport Limited has demonstrated resilience and adaptability, delivering strong operational and financial performance. Passenger numbers are recovering towards pre-COVID levels, driven by the regional market's strength and effective marketing campaigns. Revenue has increased by 6.4% compared to the same period last year, driven by aeronautical, property, and retail income.

Operating expenses increased primarily due to inflation, resulting in a lower NPAT than the previous year. Progress has been made in the capital works program, enhancing infrastructure and services. Strong relationships with key stakeholders have been maintained, contributing to increased passenger numbers and community engagement. The focus on customer experience remains a priority, with improvements ongoing.

Looking ahead the Airport expect passenger volume growth to be muted in the short term due to constraints in the airlines' ability to add capacity. The focus on customer service will continue as the Airport completes projects designed to further improve the experience through the airport.

## **PORT NELSON LIMITED**

Port Nelson Limited has faced challenges in the first half of the year, with reduced cargo volumes impacting profitability. Total cargo volumes were down 2% on budget, with key containerised commodities such as wine and processed timber/MDF experiencing negative variances.

The Port remains focused on environmental initiatives, including reducing carbon emissions and managing non-carbon environmental impacts. There is an uplift in capital expenditure with key projects progressing, including the new electric cranes and related infrastructure, and the slipway redevelopment.

Looking at the second half of the year, concern remains over key commodities such as logs and wine. The impact of new port user charges, such as the infrastructure levy, will also start to contribute in the latter half of the year.

## **GROUP PERFORMANCE**

Building on the planning from the previous year, Infrastructure Holdings Limited finalised the acquisition of Port Nelson Limited and Nelson Airport Limited on July 1, 2023. Subsequently the Group successfully consolidated its debt and entered the LGFA tender round on the 3<sup>rd</sup> of October, securing funding of \$113m.

The Group is well positioned to obtain funding and provide Port Nelson and Nelson Airport with long term efficient funding to improve financial performance and complete capital projects.

The profitability of the Group has been impacted negatively by recent economic conditions. Revenue is consistent when considering previous trading, however it is down on budget expectations. Expenses have been impacted by inflation and the rise in interest rates has further impacting the net profit after tax. These challenges are reflected in the Groups Debt to EBITDA ratio, while still about target at 4.2 we expect to maintain profitability in the second half of the year.

# Statement of Intent Measures

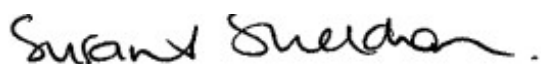
Infrastructure Holdings Limited seeks to maintain a target credit profile set around an investment grade rating of not less than BBB-. Accordingly, Infrastructure Holdings Limited aims to maintain, at the Group level, the performance measures and targets as represented in the following table.

Specific performance measures and targets for Port Nelson Limited and Nelson Airport Limited are available in their respective Statement of Corporate Intent and Statement of Intent.

<b>GROUP</b>	<b>Interim Dec-23</b>	<b>Target 2024</b>
<b>Monitoring</b>		
Net profit after tax (\$m)	3.5	11.3
Dividends (\$m)	-	5.9
<b>Treasury</b>		
<b>Funding Risk</b>		
Compliance with the Group's interest rate debt profile	100%	100%
<b>Debt Credit Metrics</b>		
Funds from Operations / Debt (Annualised)	14%	>13.0%
Debt / EBITDA (Annualised)	4.2	<4x
<b>Lender Financial Covenants</b>		
Shareholder funds/total assets	69%	>30%
Minimum Shareholder Funds (\$m)	383	>\$300

The Directors are pleased to present the following interim group financial statements, for the six months ended 31 December 2023 and authorises them for issue on 28 February 2024.

Signed on behalf of the Board by:



Sue Sheldon CNZM  
Chair of Directors



Paul Zealand  
Director

# Consolidated Statement Of Comprehensive Income

FOR THE 6 MONTHS ENDED 31 DECEMBER 2023

Unaudited  
(6 Months)

Dec-23

\$'000

## REVENUE

Operating Revenue	48,550
Other Income	129
<b>TOTAL REVENUE</b>	<b>48,679</b>

## EXPENSES

Employee Benefit Expenses	14,859
Operating and Other Expenses	20,424
<b>Earnings before Interest, Tax, Depreciation and Amortisation</b>	<b>13,396</b>
Depreciation and Amortisation	7,368
Net Financing Costs	895
<b>NET PROFIT BEFORE INCOME TAX</b>	<b>5,133</b>
Income Tax	1,595
<b>NET PROFIT AFTER INCOME TAX</b>	<b>3,538</b>

## OTHER COMPREHENSIVE INCOME

Movements in Hedging Reserves	(125)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,413</b>

# Consolidated Statement of Changes in Equity

FOR THE 6 MONTHS ENDED 31 DECEMBER 2023

	ISSUED CAPITAL	RETAINED EARNINGS	SHARE PREMIUM RESERVE	HEDGING RESERVE	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000
<b>BALANCE AT 1 JULY 2023</b>	-	(209)	-	-	(209)
Net Profit	-	3,538	-	-	3,538
Other comprehensive income	-	-	-	(125)	(125)
Issue of Share Capital	379,400	-	1	-	379,400
<b>BALANCE AT 30 JUNE 2023</b>	<b>379,400</b>	<b>3,329</b>	<b>1</b>	<b>(125)</b>	<b>382,605</b>

# Consolidated Statement Of Financial Position

AS AT 31 DECEMBER 2023

	Unaudited Dec-23 \$000	Audited Jun-23 \$000
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	7,056	-
Trade and Other Receivables	12,291	31
Inventories	964	-
Prepayments	3,502	-
Other Current Assets	36	-
Assets Held for Sale	1,980	-
<b>TOTAL CURRENT ASSETS</b>	<b>25,829</b>	<b>31</b>
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	485,988	-
Intangible Assets	4,136	-
Investments	2,575	-
Investment Properties	35,610	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>528,308</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>554,138</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	20,295	264
Employee Benefit Entitlements	3,886	-
Provisions and Other Liabilities	55	-
Tax Payable	405	-
Financial Derivatives	468	-
Current Lease Liabilities	1,052	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,160</b>	<b>264</b>
<b>Non-Current Liabilities</b>		
Employee Benefit Entitlements	362	-
Deferred Tax Liability	30,914	(24)
Borrowings	113,000	-
Financial Derivatives	174	-
Provisions and Other Liabilities	286	-
Lease Liabilities	638	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>145,373</b>	<b>(24)</b>
<b>TOTAL LIABILITIES</b>	<b>171,533</b>	<b>240</b>
<b>NET ASSET</b>	<b>382,605</b>	<b>(209)</b>
<b>EQUITY</b>		
Share Capital	379,400	-
Retained Earnings	3,328	(209)
Reserves	(124)	-
<b>TOTAL EQUITY</b>	<b>382,605</b>	<b>(209)</b>

# Consolidated Statement Of Cash Flows

FOR THE 6 MONTHS ENDED 31 DECEMBER 2023

Unaudited  
(6 Months)  
Dec-23  
\$000

## CASH FLOW FROM OPERATING ACTIVITIES

### Cash Was Provided From:

Receipts From Customers	52,341
	<b>52,341</b>

### Cash Was Applied To:

Payments To Suppliers And Employees	38,075
Taxes Paid	4,803
Net GST Paid	1,803
	<b>44,681</b>

**NET OPERATING CASH INFLOWS** **7,659**

## CASH FLOWS FROM INVESTING ACTIVITIES

### Cash Was Provided From:

Sale Of Property, Plant And Equipment	1
Acquisition Of Subsidiaries	1,565
	<b>1,566</b>

### Cash Was Applied To:

Purchase Of Property, Plant And Equipment	12,076
Purchase Of Intangibles	68
	<b>12,144</b>

**NET INVESTING CASH OUTFLOWS** **(10,578)**

## CASH FLOWS FROM FINANCING ACTIVITIES

### Cash Was Provided From:

Interest Received	133
Financial Derivatives	4,242
Loans Borrowed	113,000
	<b>117,375</b>

### Cash Was Applied To:

Loans Repaid	97,996
Dividend Paid	3,700
Borrower Notes	2,575
Interest Paid	2,472
Payment Of Lease Liabilities	658
	<b>107,401</b>

**NET FINANCING CASH INFLOWS** **9,974**

**NET INCREASE IN CASH HELD** **7,056**

Cash and cash equivalents at beginning of period -

**CASH AT PERIOD END** **7,056**



# Summary of Significant 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 compliance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting. The financial statements are condensed and do not include all the information required for full financial statements. They should be read in conjunction with the financial statements and related notes for the Group and its subsidiaries as published for the year ended 30 June 2023.

Infrastructure Holdings Limited was incorporated on 17 January 2023, and therefore no comparative information for the prior year is available.

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 is considered to be a business combination under common control. Predecessor accounting has been applied in preparing the financial statements and comparative values have not been restated. Consolidated results have been prepared from, 1 July 2023, the date of combination.

The interim financial statements are for the six-month period ended 31 December 2023 and are unaudited.

## Basis of Measurement

Business combinations, under common control, have been prepared using the predecessor value method. Assets and liabilities acquired from subsidiaries are recorded at their existing carrying value before acquisition.

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

There are no accounting pronouncements which have become effective during the period that have a significant impact on the Group's interim condensed consolidated 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.

There are no estimates and assumptions in the view of the Directors that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year.

## **ACCOUNTING POLICIES**

The accounting policies used for the interim period are consistent with those used in the annual financial statements, of the Group and its subsidiaries, for the year ended 30 June 2023.

## **IMPAIRMENT OF ASSETS**

The Group performs its annual impairment test in June and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements of the subsidiaries for the year ended 30 June 2023

## **SHARE 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.

On 26 September 2023, the Company issued a further 2,330,000 shares divided equally to between Tasman District Council and Nelson City Council, these shares are uncalled and unpaid.

## **GROUP FORMATION 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 Holding Limited. This transaction settled all unpaid capital 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.

On 29 September 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, 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.

The Group continues to hold three line of credit facilities with Westpac totalling \$25m. These facilities provide liquidity and working capital to the subsidiaries. There was no outstanding balance at 31 December 2023.

## **EVENTS AFTER BALANCE DATE**

There were no other significant events after balance date.

