

Jet Aviation NZ Limited
(formerly known as Hawker Pacific NZ Limited)

Annual report

Year ended 31 December 2022

Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited)

Annual report – 31 December 2022

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Corporate information

Directors

The following persons held office as directors during the financial period and up to the date of this report:

Joe Reckling
Willem Buesink
David Paddock
Michael Dufault

Registered office

C/- Iazard Westin
Level 3, NZMA House
26 The Terrace
Wellington 6011
New Zealand

Principal place of business

C/- 42 Squadron
Hangar 2 RNZAF
Ohakea Base 4816
Ohakea

Auditor

KPMG Australia
300 Bangaroo Avenue
Sydney 2000
Australia

Banker

ANZ National Bank of New Zealand
East Tamaki
Auckland
New Zealand

Annual report

In the opinion of the directors of Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) (the Company), the financial statements and the notes:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2022 and the results of its operations for the financial period ended on that date; and
- Have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

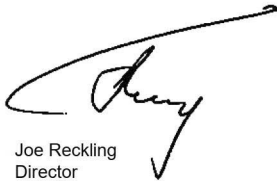
The directors believe that proper accounting records have been kept which enable, with reasonably accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) for the financial year ended 31 December 2022.

The shareholder of the Company have exercised their right under section 211 (3) of the Companies Act 1993 and unanimously agreed that this Annual report need not comply with any of paragraphs (a), and (e) to (j) of section 211 (1) of the Act.

For and on behalf of the Board who authorised the issue of the financial statements on 31 May 2023.



Joe Reckling
Director
31 May 2023



Willem Buesink
Director
31 May 2023

Statement of profit or loss and other comprehensive income

Year ended 31 December 2022

		31 December 2022	31 December 2021
	Notes	\$	\$
Revenue	3 (a)	7,245,392	6,181,573
Cost of sales		<u>(3,650,570)</u>	<u>(3,416,962)</u>
Gross profit		3,594,822	2,764,611
Finance income	3 (b)	2,708,091	2,781,979
Distribution expenses		2,836	10,437
Administrative and training expenses		(2,211,534)	(2,327,185)
Depreciation of right of use assets		(15,474)	(23,167)
Finance costs	5	(2,722,786)	(2,801,477)
Other expenses	4	<u>(85,909)</u>	<u>(43,212)</u>
Profit before income tax		1,270,046	361,986
Income tax expense	7 (a)	<u>(346,461)</u>	<u>(101,442)</u>
Net profit for the year attributable to shareholders		923,585	260,544
Other comprehensive income		-	-
Total comprehensive income for the year attributable to shareholders		923,585	260,544

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

Year ended 31 December 2022

	Notes	31 December 2022 \$	31 December 2021 \$
Current assets			
Cash and cash equivalents	8	2,320,494	1,556,684
Trade receivables	9	669,325	714,765
Other receivables	9	301,642	56,767
Finance lease receivable	16 (c)	8,470,133	7,463,467
Related party receivables	15 (b)	7,904	7,076
Inventories	10	359,823	410,022
Total current assets		12,129,321	10,208,781
Non-current assets			
Property, plant and equipment	11	434,338	486,729
Right of use assets	16 (a)	59,319	74,793
Finance lease receivable	16 (c)	41,069,182	45,915,020
Deferred tax assets	7 (c)	775,631	694,322
Total non-current assets		42,338,470	47,170,864
Total assets		54,467,791	57,379,645
Current liabilities			
Trade and other payables	12	1,315,747	1,016,537
Provisions	13	1,564,283	1,440,634
Lease payable		15,280	15,054
Finance lease liability	16 (c)	8,470,133	7,463,467
Income tax payable		325,819	232,264
Related party payables	15 (b)	562,524	61,118
Total current liabilities		12,253,786	10,229,074
Non-current liabilities			
Related party payables	15 (b)	3,000,000	4,000,000
Lease payable		44,551	59,832
Finance lease liability	16 (c)	41,069,182	45,915,020
Deferred tax liability	7 (d)	968	0
Total non-current liabilities		44,114,701	49,974,852
Total liabilities		56,368,487	60,203,926
Net liabilities		(1,900,696)	(2,824,281)
Equity			
Contributed equity	14	10,000	10,000
Accumulated deficit		(1,910,696)	(2,834,281)
Total equity		(1,900,696)	(2,824,281)

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

Year ended 31 December 2022

	Share capital	Accumulated deficit	Total equity
	\$	\$	\$
Balance as at 1 January 2021	10,000	(3,094,825)	(3,084,825)
Net profit after taxation	-	260,544	260,544
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	260,544	260,544
Balance as at 31 December 2021	10,000	(2,834,281)	(2,824,281)
Net profit after taxation	-	923,585	923,585
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	923,585	923,585
Balance as at 31 December 2022	10,000	(1,910,696)	(1,900,696)

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

Year ended 31 December 2022

		31 December 2022	31 December 2021
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers inclusive of GST		9,980,106	6,408,152
Payment to suppliers and employees inclusive of GST		(7,790,946)	(5,593,932)
Income tax (paid) / refund		(333,248)	(120,923)
Interest received		2,708,092	2,781,979
Interest paid		(2,711,995)	(2,783,258)
Net cash inflow from operating activities		1,852,009	692,018
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(88,614)	(108,130)
Net proceeds from sale of Fixed Assets		415	-
Net cash outflow used in investing activities		(88,199)	(108,130)
Cash flows from financing activities			
Advance repaid to related parties	15(b)	(1,000,000)	(1,060,736)
Net cash flows used in financing activities		(1,000,000)	(1,060,736)
Net decrease in cash and cash equivalents		763,810	(476,848)
Cash and cash equivalents at the beginning of the financial year		1,556,684	2,033,532
Cash and cash equivalents at the end of the financial year	8	2,320,494	1,556,684

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Year ended 31 December 2022

1. Corporate information

The financial statements of Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) (the "Company") for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 31 May 2023.

Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) is a company incorporated in New Zealand under the Companies Act 1993. The Company is domiciled in New Zealand. The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 2013.

In November 2021 Hawker Pacific NZ Limited changed its name to Jet Aviation NZ Limited.

The nature of the operations and principal activities of the Company are sale of fixed wing aircraft, engineering and logistical fleet support.

The immediate holding company of Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) is Jet Aviation Air Services Limited, a company incorporated in Hong Kong. The ultimate parent entity is Eagle Enterprises Inc. a subsidiary of General Dynamics Corporation, a public company listed in the United States.

2. Summary of significant accounting policies

(a) Basis of preparation

The company is a reporting entity for the purpose of the Financial Reporting Act 2013 and its financial statements comply with that Act. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities.

The Company has elected to report in accordance with Tier 2 for-profit Accounting Standards on the basis that it does not have public accountability and is not large for-profit public sector entity.

The financial statements have been prepared on the historical costs basis except when otherwise indicated.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(c) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) are New Zealand dollars (\$). Financial statements are presented in units of dollars unless stated otherwise.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(d) Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand.

(e) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial assets (unless it is a trade receivable without a significant financing component) or financial liabilities are initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial assets is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved to hold assets to collect contractual cash flow.
- Its contractual terms give rise on specific dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows.
- How the performance portfolio is evaluated and reported to the Company's management.
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the company's continuing recognition of assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flow such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

As at 31 December 2022, the Company's financial assets, include finance lease receivables, trade and other receivables, deposits, and cash and cash equivalents, are measured at amortised cost.

As at 31 December 2022, the Company's financial assets, including trade and other receivables and cash and cash equivalents, were measured at amortised cost.

Financial liabilities - classification, subsequent measurement and gains and losses policy

Financial liability are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Impairment of financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(v) Impairment of financial assets (continued)

Financial instruments and contract assets (continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 365 days old

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(f) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a weighted average basis. The cost of purchase comprises the purchase price including, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(g) Loaners

Certain components are held in stock that are made available for rent to a customer to have installed as a loan unit on their aircraft until repairs and overhaul of their own unit is completed by the Company. These components are currently being included in Inventory.

(h) Rotable cores

The Company allows for the exchange of rotatable cores with its customers providing the returned core is not beyond economic repair. Should the cores be deemed beyond economic repair then the customer will be invoiced for the outright market value of both the stock and its rotatable core. The rotatable cores are valued at cost and are amortised over seven (7) years.

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate items (major components) of property, plant and equipment.

Depreciation on property, plant and equipment is calculated on a straight line basis using the rates permitted for income tax purposes. Depreciation rates are as follows:

Building improvements and additions	2 – 20%
Office equipment	10 – 20%
Office furniture	10%
Plant and machinery	15-20%
Technical library	15%
Motor vehicles	15%
Aircraft	6.25%

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(j) Impairment on non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist, or may have decreased.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the individual asset's value in use cannot be estimated and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(k) Leases

The Company has applied NZ IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under NZ IAS 17. The details of accounting policies under NZ IAS 17 are disclosed below.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in NZ IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Statement of Financial Position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(k) Leases (continued)

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies NZ IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in NZ IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(l) Provisions and employee benefits

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(m) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(n) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer. In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date, which was determined based on surveys.

Contract costs

Applying the practical expedient in paragraph 94 of NZFRS 15, the Company recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

Nature of goods and services

The following is a description of the nature, timing of satisfaction of performance obligations and significant payment terms of the principal activities, grouped by product or service type, from which the Company generates its revenue.

Aircraft sales

The aircraft sales segment sells new and used aircraft, both rotary and fixed wing, to high net worth individuals, government departments and corporations. Aircraft sales operates across all regions and further supplements the provision of other services. In the cases of standalone sales of aircraft, the Company would recognize revenue at the point in time when the aircraft is accepted by the customer. In cases where a service period is included with the sale the Company would recognize the aircraft sale at the point of aircraft transfer of title and the service period revenues over time. Customers are not extended credit due to the high value of individual transactions, and cash is settled at the time of customer acceptance.

Fleet services

The fleet services segment provides through-life support packages for military operated fleet, with the capability to support civil operated fleet. This involves the purchase of aircraft, engineering design and modification, full maintenance and flight operation services and ongoing logistics support. Revenues recognised for the fleet services contracts include standing charges, flying hour charges, survey & quote charges, modification of aircraft, and sale and leaseback of modified aircraft (through a third party financier) with pass-through lease to the end customer. Fleet services contracts are generally complex and comprise multiple performance obligations. The timing of satisfaction of these obligations is as follows:

- Sales of aircraft: Satisfied at the at the time when the aircraft is accepted by the customer
- Engineering design and modifications: Satisfied over time as generally the customer is deemed to control the asset as it is created, there is no alternative use to the Company and there is an enforceable right of payment for performance to date.
- Maintenance and ongoing logistics support: Satisfied over time using the input method as generally this obligation is performed continuously, the customer controls the asset as it is created and there is an enforceable right to payment for performance to date

Transaction price allocated to the remaining performance obligations

The Company applies the practical expedient in paragraph 121 of NZIFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(o) Finance income and costs

The Company's finance income and finance costs include interest income and interest expense. Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- The gross carrying amount of the financial asset,
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the financial asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(p) Income tax and other taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and tax losses can be utilised.

Future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If an amount of taxable temporary differences is insufficient to recognise on deferred tax in full, then future taxable profits adjusted for reversals of existing temporary differences are considered, based on the business plan of the Company.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects at the reporting date to recover and settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Other taxes - GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to, the taxation authority.

Notes to the financial statements

Year ended 31 December 2022

2. Summary of significant accounting policies (continued)

(q) Comparative figures

The classification of certain amounts in the Statement of financial position, Statement of comprehensive income and accompanying notes have been reclassified to conform to the current year's accounting practices. Other amounts are presented and classified consistently for each reporting year.

(r) Significant accounting estimates

Estimation Uncertainty:

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below:

Deferred tax assets:

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Maintenance provisions for fleet services contracts:

A provision is recognised for maintenance contract costs based on the present value of future end of contract term costs expected to be incurred without corresponding revenues under the Company's long-term maintenance contracts. Determining the future costs to be incurred involves a significant level of management judgment and estimation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised prospectively.

Notes to the financial statements

Year ended 31 December 2022

3. Revenue and finance income

	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$
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(a) Disaggregation of revenue

Total revenue is disaggregated by the following major product / service lines:

Fleet services	7,245,392	6,181,573
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(b) Finance income

	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$
Interest receivable in finance lease receivable	2,704,408	2,781,979
Interest received - trade	3,683	0
	2,708,091	2,781,979

4. Other expenses

	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$
Direct operating expenses (including repairs and maintenance)	76,995	39,428
Lease payments - operating lease (Company as lessee)	8,914	3,784
	85,909	43,212

5. Finance costs

	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$
Interest expense on lease liabilities	2,711,995	2,783,258
Other fees	10,791	18,219
	2,722,786	2,801,477

6. Employee expenses

	Year ended 31 December 2022 \$	Year ended 31 December 2021 \$
Wages and salaries	1,353,912	1,392,127
Defined contribution superannuation expense	41,396	39,463
Other employee benefits	86,292	49,558
	1,481,600	1,481,148

Notes to the financial statements

Year ended 31 December 2022

7. Income tax	31 December 2022	31 December 2021
	\$	\$
a) Income tax expense		
Current income tax expense	421,431	282,060
Deferred tax (benefit)	(74,970)	(180,618)
Income tax expense reported in the Statement of profit or loss and other comprehensive income	<u>346,461</u>	<u>101,442</u>
Reconciliation between the tax expense recognised per the Statement of profit or loss and other comprehensive income and the tax expense calculated per the statutory income tax rate		
b)		
Accounting profit before income tax	1,270,046	361,986
Tax at the New Zealand tax rate of 28% (2020 - 28%)	355,613	101,356
Non-deductible expenses	(9,385)	86
Adjustments for current tax of prior year	233	0
Tax expense	<u>346,461</u>	<u>101,442</u>
c) Deferred income tax asset		
Property, plant and equipment	29,054	16,850
Allowances to inventories and trade debtors	183,770	172,835
Provisions and accruals	562,807	504,381
Prepayments	0	256
Deferred tax asset	<u>775,631</u>	<u>694,322</u>
d) Deferred income tax liability		
Prepayments	(968)	5,371
Deferred tax liability	<u>(968)</u>	<u>5,371</u>
8. Notes to statement of cash flows	31 December 2022	31 December 2021
	\$	\$
a) Cash and cash equivalents :		
Cash at bank and on hand	<u>2,320,494</u>	<u>1,556,684</u>
b) Reconciliation of liabilities arising from financing activities:		
	Leases payable	Related parties payable
	\$	\$
At 1 January 2022	53,378,487	4,061,118
Changes from financing cash flows:		
Repayment of loans	-	(1,000,000)
Repayment of finance lease	(3,839,171)	-
Payment of trade supplies	-	-
At 31 December 2022	<u>49,539,316</u>	<u>3,061,118</u>
	16(a)	

Notes to the financial statements

Year ended 31 December 2022

9. Current assets - trade and other receivables	31 December	31 December
	2022	2021
(a) Trade and other receivables	\$	\$
Trade and other receivables	669,325	714,765
	<u>669,325</u>	<u>714,765</u>
Other debtors	-	-
Recharges	6,861	6,413
Prepayments	294,781	50,354
Other receivables	301,642	56,767
Carrying amount of trade and other receivables	<u>970,967</u>	<u>771,532</u>

Due to the short term nature of trade and other receivables, their carrying amount as disclosed above approximates fair value.

10. Current assets - inventories	31 December	31 December
	2022	2021
	\$	\$
Work in progress	6,388	77,495
Finished goods	1,009,758	949,795
Provision for obsolescence	(656,323)	(617,268)
Total inventories at lower of cost and net realisable value	<u>359,823</u>	<u>410,022</u>

In the year ended 31 December 2022, inventories of \$998,509 (year ending 31 December 2021 \$891,333) were recognised as an expense and included as cost of sales in the Statement of profit or loss and other comprehensive income.

11. Non-current assets - property, plant and equipment

	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$
At 31 December 2021			
At 1 January 2021	526,025	3,814	529,839
Additions	108,946	-	108,946
Depreciation and impairment for the period	(151,492)	(564)	(152,056)
Net carrying amount	<u>483,479</u>	<u>3,250</u>	<u>486,729</u>
At 31 December 2022			
At 1 January 2022	483,479	3,250	486,729
Additions	88,614	-	88,614
Disposals	0	(415)	(415)
Depreciation and impairment for the period	(140,058)	(532)	(140,590)
Net carrying amount	<u>432,035</u>	<u>2,303</u>	<u>434,338</u>

Notes to the financial statements

Year ended 31 December 2022

12. Current liabilities - trade and other payables	31 December 2022	31 December 2021
(a) Trade and other payables	\$	\$
Trade payables	245,265	77,353
Other payables	1,070,482	939,184
	<u>1,315,747</u>	<u>1,016,537</u>

Due to the short term nature of trade and other payables, their carrying amount as disclosed above approximates fair value.

13. Provisions	31 December 2022	31 December 2021
Current	\$	\$
Engine overhaul provision	495,440	418,400
Contract completion provisions	916,213	803,154
Employee leave provisions	152,630	219,080
	<u>1,564,283</u>	<u>1,440,634</u>

(i) Engine overhaul provision

The Company recognised a provision for a major engine overhaul on the aircraft based on expected overhaul costs by the end of service contract and with reference to the hours flown by the aircraft as of reporting date.

	31 December 2022	31 December 2021
	\$	\$
Balance at 1 January	418,400	361,372
Accruals during the year	778,766	680,692
Expenses during the year	(701,726)	(623,664)
Balance at 31 December	<u>495,440</u>	<u>418,400</u>

(ii) Contract completion provision

The Company recognised a provision for the unknown major aircraft maintenance in relation to a defence contract. The provisions are expected to be utilised within a year of the reporting date.

	31 December 2022	31 December 2021
	\$	\$
Balance at 1 January	803,154	513,779
Accruals during the year	384,000	384,000
Expenses during the year	(270,941)	(94,625)
Balance at 31 December	<u>916,213</u>	<u>803,154</u>

(iii) Employee entitlements

The Company provided for employee annual leave payments expected to be made to employees under the New Zealand Holidays Act 2003.

Notes to the financial statements

Year ended 31 December 2022

14. Contributed equity

	31 December 2022	31 December 2021
	\$	\$
Authorised, issued and fully paid 10,000 ordinary shares	<u>10,000</u>	<u>10,000</u>

Ordinary shares have no par value.

Each ordinary share has an equal right to vote, to dividends and to share in any surplus on winding up of the Company.

Capital management policy

The primary objective of the Company in the management of capital is to ensure that it maintains strong and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period.

15. Related party disclosure

(a) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year and the total amount payable and / or receivable as at year end.

Related party	Sales to related parties	Purchases from related parties	Loan from/ (advance repaid) to related parties
Year ended 31 December 2022			
Parent:			
Jet Aviation Airservices Limited	-	-	(1,000,000)
Other related parties:			
Jet Aviation Australia Pty Limited	125,850	1,243,427	-
Jet Aviation AG	-	5,439	-
Jet Aviation Management AG	-	13,141	-
	<u>125,850</u>	<u>1,262,007</u>	<u>(1,000,000)</u>

Related party	Sales to related parties	Purchases from related parties	Loan from/ (advance repaid) to related parties
Year ended 31 December 2021			
Parent:			
Jet Aviation Airservices Limited	-	-	(1,060,736)
Other related parties:			
Jet Aviation Australia Pty Limited	124,023	1,578,209	-
Jet Aviation AG	-	4,753	-
Jet Aviation Management AG	-	8,172	-
	<u>124,023</u>	<u>1,591,134</u>	<u>(1,060,736)</u>

(b) Related party balances at year end

	31 December 2022	31 December 2021
	\$	\$
Related party receivables - current		
Jet Aviation Australia Pty Limited	<u>7,904</u>	<u>7,076</u>
Related party payables - current		
Jet Aviation Australia Pty Limited	<u>(562,524)</u>	<u>(61,118)</u>
Related party payables - non-current		
Jet Aviation Airservices Limited	<u>(3,000,000)</u>	<u>(4,000,000)</u>

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on normal commercial terms except for the interest free loan. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Notes to the financial statements

Year ended 31 December 2022

16. Leases

See accounting policy in Note 2(k).

The Company leases a number of motor vehicles and office equipment. The period of the leases is 3 years for motor vehicle leases, and 5 years for office equipment leases. The leases can be renewed upon expiry and contain escalation clauses which depend on factors such as the Consumer Price Index or periodic fixed rent reviews.

(a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

2022	Motor vehicle	Equipment	Total
	\$	\$	\$
Balance at 1 January 2022	-	74,793	74,793
Additions to right-of-use assets	-	0	0
Depreciation charge for the year	0	(15,474)	(15,474)
Derecognition of right-of-use assets	0	0	0
Balance at 31 December 2022	-	59,319	59,319

2021	Motor vehicle	Equipment	Total
	\$	\$	\$
Balance at 1 January 2021	5,080	36,151	41,231
Additions to right-of-use assets	-	77,374	77,374
Depreciation charge for the year	(4,249)	(18,918)	(23,167)
Derecognition of right-of-use assets	(831)	(19,814)	(20,645)
Balance at 31 December 2021	-	74,793	74,793

(b) Amounts recognised in profit and loss

	Year ended 31 December 2022	Year ended 31 December 2021
	\$	\$
Interest expense on lease liabilities	(2,704,408)	(2,781,979)
Interest income on lease receivables	2,702,459	2,781,979
	(1,949)	-

(c) Finance lease - Company as lessor

In April 2018 Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) entered into a finance lease arrangement for four aircraft which are rented to the New Zealand Defence Force (NZDF). The term of the leases and rental agreements is for ten years. The interest rate implicit in the arrangement is 5.76 %.

In November 2018, Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) entered into a separate finance lease arrangement for the modification components to the four aircraft mentioned above. The interest rate implicit in the arrangement is 5.06 %.

In February 2020, Jet Aviation NZ Limited (formerly known as Hawker Pacific NZ Limited) entered an additional finance lease arrangement for further modifications to the four aircraft mentioned above. The interest rate implicit in the arrangement is 3.56 %.

The arrangement is a sale and leaseback transaction with pass through cash flows (NZDF makes lease payments directly to the ANZ Bank as outlined by the tripartite arrangement) for the leasing component. The Company has recognised a finance lease receivable equal to the carrying amount of the finance lease liability in the statement of financial position.

All lease arrangements will expire in April 2028.

The finance lease receivable and finance lease liability balances relating to these aircraft and modifications are as follows:

	31 December 2022	31 December 2021
	\$	\$
Finance lease liabilities - current	8,470,133	7,463,467
Finance lease liabilities - non-current	41,069,182	45,915,020
Total Finance lease liabilities	49,539,315	53,378,487

	31 December 2022	31 December 2021
	\$	\$
Finance lease receivables - current	8,470,133	7,463,467
Finance lease receivables - non-current	41,069,182	45,915,020
Total Finance lease receivables	49,539,315	53,378,487

Notes to the financial statements

Year ended 31 December 2022

17. Commitments and contingencies

(a) Capital commitments

The Company had no capital commitments at the end of the reporting year 31 December 2022 (2021: nil).

(b) Contingencies

There are no contingencies to disclose (2021: nil).

18. Fair value and fair value hierarchy of financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payable, short-term finance lease receivable and payables and provisions reasonably approximate their fair values due to the relative short-term nature of those financial instruments.

The carrying amounts of long-term finance lease receivables and payables also approximate their fair value upon discounting the expected future cash flow at the pre tax rate that reflect current market assessment of the time value of money and the risks specific to the assets and liabilities.

19. Auditors' remuneration

	31 December 2022	31 December 2021
	\$	\$
Audit of financial statements	<u>48,291</u>	<u>48,291</u>
	<u>48,291</u>	<u>48,291</u>

20. Going Concern

The Company has negative equity totalling \$1,900,696 as at 31 December 2022 (31 December 2021: \$2,824,281). The Company has received commitment from its parent, Jet Aviation Airservices Limited, to provide additional funds should this be necessary, to enable the Company to meet its liabilities when they become due and payable. This commitment is for a minimum period of 12 months from the date of signing the financial statements.

The considered view of the Directors is that there is reasonable expectation that the Company will have adequate resources to continue operations for the 12 months from the date of signing the financial statements and is therefore satisfied that the financial statements for the Company at 31 December 2022 are appropriately prepared on a going concern basis.

Notes to the financial statements

Year ended 31 December 2022

21. Independent auditors report



Independent Auditor's Report

To the shareholder of Jet Aviation NZ Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Jet Aviation NZ Limited (the 'company') on pages 1 to 25 present fairly, in all material respects:

- i. the company's financial position as at 31 December 2022 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 December 2022;
- the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Other information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime) issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.

A handwritten signature of the KPMG firm, written in a cursive, ink-like style.

KPMG
KPMG Sydney

31 May 2023