

MDC HOLDINGS LIMITED

—
ANNUAL REPORT
2018/19

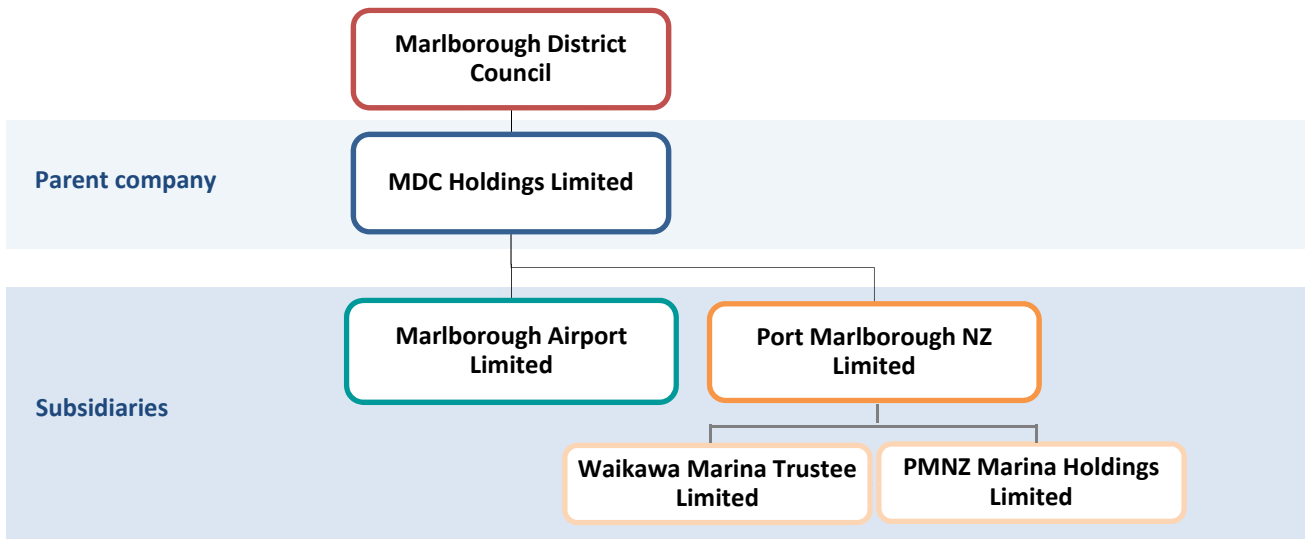


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Group Operations

MDC Holdings Limited (the Company) is a Marlborough District Council (Council) Controlled Trading Organisation and is 100% owned by Council. The Company was established to act as a Holding Company for Council’s main trading enterprises: Port Marlborough New Zealand Limited (PMNZL) and Marlborough Airport Limited (MAL). PMNZL and MAL are wholly owned subsidiaries of the Company. The Group structure is summarised below:



Parent company

Statement of Intent

The Statement of Intent (SOI) specifies for the Company and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the Group may be judged in relation to its objectives, amongst other requirements.

2018-19 Performance targets

The parent company performance targets specified in the SOI are compared here with the actual performance of the Company and its subsidiaries and material variances are explained:

2018-19 Performance targets	Results
Governance	
<p>To facilitate a good ongoing working relationship with subsidiaries and monitor their performance, including:</p> <ul style="list-style-type: none"> - Reports and presentations from the Chair and Chief Executive of PMNZL on current issues, the six monthly results, Draft SOI and Annual Report; and - A report on the steps taken to ensure shareholder value is being maximized, on a regular basis. 	<p>Achieved.</p> <p>Regular reports and meetings took place between PMNZL and the Company during the financial year to enable the Board of the parent Company to be comfortable with the performance targets proposed and actual achievement against those targets.</p> <p>The Annual General Meeting of the respective organisations are held following each other to allow discussions to be held on an informal basis between the Company and PMNZL Boards.</p>
<p>Develop a letter of shareholder expectations by 31 December, should it have any specific expectations it wants to incorporate into its forth coming SCI.</p>	<p>Achieved.</p> <p>The Company Board decided that a letter of expectation was not required.</p>

Financing

To continue to review the financing needs of PMNZL and its subsidiaries and MAL with a view to having adequate cost effective debt facilities in place.

Achieved.

The AA Long Term Positive Credit Watch received by Council has enabled the Group to access lower cost finance.

Discussions are held on an ongoing basis regarding the Group funding needs as per budgets and agreed SOI/SCIs. In 2019 all financing requirements for the Group were met and adequate facilities were in place.

Financial

The ratio of shareholders' funds to total assets is projected to be greater than 10%. The long-term ratio of shareholders' funds to total assets is to be greater than 7%.

Achieved.

Ratio of shareholder's funds to total assets = 15%

Return after tax (excluding IFRS revaluations) on opening shareholders' funds is projected to be greater than 10%. The long-term return after tax (excluding IFRS revaluations) on opening shareholders' funds is to be greater than 7%.

Achieved.

Return after tax (excluding IFRS revaluations) on open shareholders' funds = 31%

Report on activities

	Parent actuals			Parent budget	
	Jun-19 \$ '000	Jun-18 \$ '000	Variance	Jun-19 \$ '000	Variance
Income	5,223	4,804	419	5,505	(282)
Operating costs	(2,154)	(2,293)	139	(2,828)	674
Gain/(loss) on derivatives revaluation	(514)	(126)	(388)	-	(514)
Profit for the year	2,555	2,385	170	2,677	(122)
Remove derivative revaluation	514	126	388	-	514
Profit for the year before revaluation	3,069	2,511	558	2,677	392

The parent's profit for the year ended 30 June 2019 is \$2.555 million. Excluding the non-cash loss on derivatives yields a profit of \$3.069 million which is ahead of budget by \$392,000.

The improvement in profit (excluding derivative revaluation) compared to budget and last year's actual of \$392,000 and \$558,000 respectively is mainly due to increased dividends received from PMNZL and reduced finance costs.

Subsidiaries

PMNZL's & MAL's targets for financial and operational performance specific to their respective SCI (Statement of Corporate Intent) and SOI for 2018-19, are compared below to actual results. This is followed by a Report on Activities for each entity for the year.

Subsidiaries

Port Marlborough New Zealand Limited

2018-19 Statement of Corporate Intent (financial and operational performance)

Perspective	KPI	Target	Result
Financial performance	NOPAT/Return on average Shareholder's Funds	6.0%	6.1%
	EBITDA (excludes non cash revaluations)	\$15.05m	\$15.85m
	Equity Ratio	71.4%	74.7%

Operational performance	Ferry freight movement (% volume movement to prior year)	2.0%	3.1%
	Export Log Volumes (JAS)	700,000	697,828
	Cruise ships (number visited)	41	42
	Marina Berth occupancy	91.0%	93.7%
	Marina Boatshed occupancy	99.0%	99.9%

Health & Safety	Lost Time Injuries (LTI) per 100,000 work hours	0	1.6
	Medical Treatment injuries (MTI) per 100,000 work hours	<4	5

PMNZL Report on Activities

Port Marlborough has continued its strong growth through 2019, achieving revenue of \$30 million for the first time while putting in place the foundation for an integrated, sustainable business model.

Road and rail freight volumes through the port continued to recover to near pre-Kaikoura earthquake levels as full restoration of the road and rail corridor has approached completion.

Log exports are consistent with previous years and have once again provided a stable base for the port. This was achieved despite a very dry summer limiting harvest for several weeks due to fire danger, and softening of export prices towards year end.

PMNZL has seen marked year-on-year growth in cruise visitors and ferry passengers, expansion of tourism business customers and strong demand for marina services.

Productivity of Havelock’s port and marina precinct remains strong with ongoing uptake of recreational berth stock. Close to all sites on the Havelock reclamation land are now occupied by aquaculture and value-add operators, and two new purpose built premises were delivered during the year.

Planning for continued investment has focused on preparations for the build of the Waikawa Northwest marina extension. PMNZL continues to work with staff and key stakeholders to develop a sustainable business framework to fit its varied business portfolio. Building on existing environmental performance and community initiatives, this framework will drive performance measurement, targeted action, and evidence improvement

The Port has realigned its sponsorship commitment to better fit its vision and values. Notable projects this year included establishment of the Sounds Discovery Fund; provision of a shared home for Kaipupu Wildlife Sanctuary, Picton Dawn Chorus and Envirohub; and welcoming the Link Pathway to Shakespeare Bay.

The Port’s pre-tax operating surplus, adjusted for non-cash revaluations and subvention payment) of \$13.2 million for the year ended 30 June 2019 (2018:\$13.0 million) reflects strong operational results across the business.

The total value of Port’s assets at \$202.2 million has increased 14.6% on the previous year due in large part to the impact of the three-yearly independent review of operational asset values.

Marlborough Airport Limited

2018-19 Statement of Intent (financial and operational performance)

Perspective	KPI	Target	Result
Financial performance	Cash from Operations	\$947,000	\$858,000
	EBITDAF	\$772,000	\$955,000
	NPAT	\$-66,000	\$145,000
	ROI	-2.2%	3.34%
	Return on Fixed Assets	-0.7%	1.16%
	Interest cover>2	4.6	7.87
	Debt: EBITDA<4.5	3.5	2.89
	Debt/total assets<40%	30.6%	29.4%
	Shareholder funds: Total Assets	25.5%	34.7%

Operational performance	Meet passenger growth forecasts, encourage new routes and foster growth on the direct route to Christchurch	Passenger target: 330,000 Landings target: 9,900	317,000 9,200
	Promote conference and meeting facilities	200% increase in revenue over 2017/18	8% increase
	Attract further advertising Revenue through the use of digital media	70% increase in advertising revenue over 2017/18	18% decrease (new digital media contract - transition)

Health & Safety	Lost Time Injuries (LTI)	0	0
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MAL Report on Activities

MAL had a strong year, revenue increased 5.9% year-on-year to \$2.82 million (2018:2.66 million). This continues the company's growth trend and brings the total revenue increase since 2015 to 43%.

An NPAT of \$145,000 was achieved against a budgeted deficit of \$65,000 for the year.

Although passenger traffic was down slightly on last year it was the first full year since the re-opening of State Highway 1. Underlying passenger movements remained strong and at 317,000 represent a 27% increase over the past four years.

There were record passenger numbers on the direct Auckland route, which was up approximately 4%. While the Wellington route experienced slightly lower numbers than in 2018.

During the year access was gained to land for much needed car parking improvements. This will allow MAL to increase its car parking capacity as well as make improvements to overall vehicle traffic flow.

MAL continues to repay its loans for the runway reseal and 2016 terminal expansion ahead of schedule. The Company's management and the Board are continuously looking to the future by reviewing and updating the strategic development plan for MAL.

Corporate Governance Statement

Directors' commitment

The Board of Directors (the Board) is responsible for the corporate governance of the Company. Corporate governance encompasses the direction and control of the business by the Directors and the accountability of the Directors to the shareholder, Council, for the performance of the Company, and compliance by the Company with laws and standards. This summary provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board is appointed by the shareholders to supervise the management of the Company and its subsidiary companies (the Group). The Board establishes the Group's objectives, strategies for achieving objectives, and the overall policy framework within which the Group's business is conducted and monitors management's performance.

The Board also ensures that appropriate procedures are in place to provide for effective internal control.

Board operations and membership

The Board comprises a Chairman and five Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' details are set out on page 41 of this report.

The Company's constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

Statement of Intent

In accordance with Schedule 8 of the Local Government Act 2002 the Board submits an annual Statement of Intent (SOI). The SOI sets out the Company's overall objectives, intentions, and financial and performance targets. The SOI is approved by the shareholder, Council. The Company 2018-19 SOI results are outlined on page 2 of this report.

Risk management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets and longer-term strategic plans are prepared, and agreed by the Board. Financial Statements and operational reports are prepared on a six monthly basis and reviewed by the Board.

Directors Responsibility Statement

The Directors are responsible for ensuring that the Financial Statements present fairly, in all material aspects, the financial position of the Company and the Group as at 30 June 2019, and their financial performance and cash flows for the year ended 30 June 2019.

The Directors consider that the Financial Statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

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

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors have approved and are pleased to present the Company Financial Statements for the year ended 30 June 2019 on pages 13 to 40.

The Board authorised the issue of these Consolidated Financial Statements on 30 September 2019.



R W Olliver - Chairman



M S Wheeler - Director

On behalf of the Directors of MDC Holdings Limited.

Independent Auditor's Report

To the readers of MDC Holdings Limited's and group financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of MDC Holdings Limited and Group (the Company and Group). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Company and Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Company and Group on pages 13 to 40, that comprise the statement of financial position as at 30 June 2019, the Income statement, statement of comprehensive income, statement of changes in equity and 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 and Group on pages 2 to 6.

In our opinion:

- the financial statements of the Company and Group on pages 13 to 40:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 Reduced Disclosure Regime; and
- the performance information of the Company and Group on pages 2 to 6 presents fairly, in all material respects, the Company and Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company and Group's objectives for the year ended 30 June 2019.

Our audit was completed on 30 September 2019. 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 and Group 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 and Group.

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 and Group for assessing the Company and Group'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 and Group 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.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company and Group's statement of intent.

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 and Group'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 and Group'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 and Group'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 and Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Company and Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and

performance of the Company and Group audit. We remain solely responsible for our audit opinion.

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 in 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 7 and 41 to 43, 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 the fact. We have nothing to report in this regard.

Independence

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

Other than the audit, we have no relationship with, or interests in, the Company and Group.



Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Consolidated Financial Statements

Income Statement

		Group		Parent	
For the financial year ended 30 June		2019	2018	2019	2018
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Revenue	3.1	33,532	31,369	5,220	4,788
Other income		27	18	3	16
Investment property revaluation	9	2,010	2,833	-	-
Operations and maintenance		(9,844)	(9,638)	(54)	(64)
Employee benefits expense		(6,990)	(6,575)	(66)	(63)
Depreciation, impairment and amortisation expense	3.2	(3,451)	(3,544)	-	-
Finance costs	3.2	(3,192)	(2,423)	(2,548)	(2,292)
Profit before income tax expense		12,092	12,040	2,555	2,385
Income tax expense	4.1	(3,515)	(2,285)	-	-
Profit for the year		8,577	9,755	2,555	2,385

Statement of Comprehensive Income

		Group		Parent	
For the financial year ended 30 June		2019	2018	2019	2018
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Profit for the year		8,577	9,755	2,555	2,385
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of property, plant and equipment	16.2	18,554	(305)	-	-
Income tax relating to valuation of property, plant and equipment	16.2	(5,079)	85	-	-
Revaluation of property, plant and equipment		13,475	(220)	-	-
Total comprehensive income for the year, net of tax		22,052	9,535	2,555	2,385

Statement of Changes in Equity

		Group		Parent	
For the financial year ended 30 June		2019	2018	2019	2018
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Balance at beginning of the year		116,092	108,344	10,049	9,451
Total comprehensive income for the year, net of tax		22,052	9,535	2,555	2,385
Dividends	18	(2,511)	(1,787)	(2,511)	(1,787)
Balance at end of the year		135,633	116,092	10,093	10,049

Notes to the Consolidated Financial Statements are included on pages 16 to 40 and are an integral part of, and should be read in conjunction with, these Consolidated Financial Statements.

Statement of Financial Position

		Group		Parent	
As at 30 June		2019	2018	2019	2018
Notes		\$ '000	\$ '000	\$ '000	\$ '000
Current assets					
Cash and cash equivalents		1,928	1,620	54	57
Trade and other receivables	5	2,952	2,260	337	411
Inventories		335	300	-	-
Current tax assets		78	-	-	-
Derivative financial instruments	13	-	-	22	150
Loans to Marlborough District Council	21.2	3,419	2,818	3,419	2,818
Total current assets		8,712	6,998	3,832	3,436
Non-current assets					
Derivative financial instruments	13	-	-	2,492	1,726
Loans to subsidiaries	21.2	-	-	30,300	31,085
Investment in subsidiaries	21.1	-	-	28,536	28,536
Property, plant and equipment	7	111,821	95,068	-	-
Investment property	9	93,090	85,203	-	-
Intangible assets	10	521	554	-	-
Total non-current assets		205,432	180,825	61,328	61,347
Total assets		214,144	187,823	65,160	64,783
Current liabilities					
Trade and other payables	11	3,409	2,888	215	250
Derivative financial instruments	13	55	150	55	150
Current tax liabilities		95	40	-	-
Total current liabilities		3,559	3,078	270	400
Non-current liabilities					
Borrowings	12	50,905	51,690	50,905	51,690
Derivative financial instruments	13	3,892	2,644	3,892	2,644
Deferred tax liabilities	4.3	17,370	11,998	-	-
Provisions	14.1	2,785	2,322	-	-
Total non-current liabilities		74,952	68,654	54,797	54,334
Total liabilities		78,511	71,732	55,067	54,734
Net assets		135,633	116,092	10,093	10,049
Equity					
Capital and other equity instruments	15	6,000	6,000	6,000	6,000
Capital reserve	16.1	-	2,616	2,992	2,992
Revaluation reserve	16.2	59,717	46,242	-	-
Retained earnings	17	69,916	61,234	1,101	1,057
Total equity		135,633	116,092	10,093	10,049

Notes to the Consolidated Financial Statements are included on pages 16 to 40 and are an integral part of, and should be read in conjunction with, these Consolidated Financial Statements.

Statement of Cash Flows

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
For the financial year ended 30 June				
Cash flows from operating activities				
Receipts from customers	32,816	31,049	4	15
Interest received	89	34	1,399	1,398
Dividends received	-	-	3,655	3,125
Subvention receipts	-	-	239	277
Payments to suppliers and employees	(16,188)	(15,861)	(120)	(132)
Interest and other costs of finance paid	(2,068)	(2,210)	(2,068)	(2,184)
Income tax paid (net of refunds)	(3,246)	(3,122)	-	-
Net cash provided by operating activities	11,403	9,890	3,109	2,499
Cash flows from investing activities				
Payment for property, plant and equipment	(1,761)	(2,235)	-	-
Proceeds from sale of property, plant and equipment	39	30	-	-
Advances received	3,259	2,441	4,044	5,091
Advances made	(3,860)	(3,162)	(3,860)	(3,162)
Payment for intangible assets	(96)	(31)	-	-
Payment for investment property	(5,380)	(4,247)	-	-
Net (cash used in)/provided by investing activities	(7,799)	(7,204)	184	1,929
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	(785)	(2,650)	(785)	(2,650)
Dividends paid	(2,511)	(1,787)	(2,511)	(1,787)
Net cash used in financing activities	(3,296)	(4,437)	(3,296)	(4,437)
Net increase/(decrease) in cash and cash equivalents	308	(1,751)	(3)	(9)
Cash and cash equivalents at the beginning of the financial year	1,620	3,371	57	66
Cash and cash equivalents at the end of the financial year	1,928	1,620	54	57

Notes to the Consolidated Financial Statements are included on pages 16 to 40 and are an integral part of, and should be read in conjunction with, these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the Financial Year ended 30 June 2019

1. Company information

The Consolidated Financial Statements comprise the activities of the Company and the other entities in which the Company has a controlling interest. The Group consists of:

- Port Marlborough New Zealand Limited (PMNZL); and
- Marlborough Airport Limited (MAL); and
- MDC Holdings Limited (the Company).

The Company and Group is a profit-oriented company incorporated in New Zealand. Its principal activity is financial investment. One of the Group's subsidiaries, PMNZL, provides port and marina facilities at the northern tip of the South Island of New Zealand. The other subsidiary, MAL, operates Marlborough's principal airport at Woodbourne, west of Blenheim. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its Financial Statements comply with that Act.

Council is the ultimate parent entity of the Group. Council is a Public Benefit Entity and its Consolidated Financial Statements comply with International Public Sector Accounting Standards (IPSAS).

2. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Consolidated Financial Statements for the year ended 30 June 2019, and the comparative information presented for the year ended 30 June 2018:

2.1. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) - Tier 2, and other applicable financial reporting standards as appropriate for profit-oriented entities that apply the reduced disclosure regime (RDR). The Group qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. The group has elected to apply NZ IFRS (RDR) and has applied the disclosure concessions with the exception of the prior year asset reconciliation under NZ IAS 16 (see note 7).

The Financial Statements were authorised for issue on 30 September 2019.

2.2. Basis of preparation

The presentation currency is New Zealand Dollars (\$), and amounts are rounded to the nearest \$000.

The Company is not registered for GST, MAL and PMNZL are registered for GST therefore revenue, expenses and assets are recognised net of the amount of GST, except those from the Company which are recognised inclusive of GST.

The Consolidated Financial Statements have been prepared on the basis of historical cost, except for:

- Property, plant and equipment and Investment property which are revalued in accordance with the accounting policies set out in notes 7 and 9.
- Certain non-current assets and derivative financial instruments (interest rate swaps) that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the notes to the Financial Statements. Historical cost is generally based on the fair values of the consideration given in exchange for assets.
- The categories of financial instruments and corresponding valuation techniques are listed under note 22.

2.3. Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All business combinations are accounted for by applying the purchase method.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-group transactions and balances between Group enterprises are eliminated on consolidation. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

2.4. Statement of cash flows policies

Operating activities include cash received from all income sources of the Company and Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise activities that change the equity and debt capital structure of the Company and Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash balances not available for use Nil (2018: Nil).

2.5. Accounting estimates and judgements

The preparation of Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgements, estimates and assumptions made by management in the preparation of these Financial Statements are outlined below:

- Asset revaluation (notes 7 and 9)
- Financial instruments valuation (note 13)
- Loss allowance – expected credit losses (note 5)
- Non-current provisions (note 14.1)
- Contingent liabilities (note 20.2)

2.6. New standards adopted

New and revised NZ IFRSs affecting the reported financial performance and/or financial position.

Impact of application of NZ IFRS 15 Revenue from Contracts with customers.

In the current year, the Group has adopted NZ IFRS Revenue from Contracts with Customers (issued July 2014) This introduces a 5- step approach to revenue recognition. The more prescriptive guidance has been added in NZ IFRS 15 to deal with specific scenarios.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3.1 below. MDCH parent does not derive any revenue from contracts with customers. Apart from changes to the financial statement disclosures, the adoption of NZ IFRS 15 has had no material impact on the position and/ or financial performance of the Group for the current and prior years. The Group applied the new standard retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application.

Impact of application of NZ IFRS 9 Financial Instruments.

NZ IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Hedge accounting is not relevant to the Group. The Group has applied NZ IFRS in accordance with the transition provision set out in NZ IFRS 9.

Apart from changes to the financial statement disclosures, the adoption of NZ IFRS 9 has had no material impact on the financial position and/or financial performance of the Group for the current and prior years.

2.7. New standards and interpretations issued but not yet effective

The Group has not applied the following new and revised standards and amendments that have been issued but are not yet effective:

Standards	Effective date
NZ IFRS 16 Leases	1 January 2019

NZ IFRS 16 Leases was issued 11 February 2016 and will primarily affect the accounting treatment of leases by non-cancellable lessees and will result in the recognition of almost all leases, subject to limited exceptions for short term leases and leases of low value assets, on the balance sheet as a "right to use" asset. A liability will also be recorded to reflect the obligation to pay lease costs in the future. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. This standard will be first applicable for the year commencing 1 July 2019 and the Group is continuing to analyse the impact of these changes which are not currently considered likely to have any major impact on the financial position and/or financial performance of the Group. Currently the Group in its capacity as lessee has no material long term rental commitments.

2.8. Changes in accounting policies

Except for the new standards adopted (as described above) there have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these Financial Statements.

2.9. Specific accounting policies

Specific accounting policies are contained within the relevant notes.

3. Profit from operations

3.1. Revenue

Revenue from operations consisted of the following items:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Revenue				
Revenue from the rendering of services	14,407	13,326	-	-
Lease rental investment property	9,096	8,528	-	-
lease rental other property	9,974	9,447	-	-
Dividend revenue	-	-	3,655	3,125
Subvention receivable	-	-	228	239
Interest revenue				
Bank deposits / IRD use of money	23	34	-	-
Related party loans	32	34	1,337	1,424
Total revenue	33,532	31,369	5,220	4,788
Revenue from the rendering of services				
Pilotage & Towage	2,626	2,002	-	-
Log Ships & Storage	5,006	4,874	-	-
Cruise Ship visit	1,436	1,430	-	-
Marina Services	1,417	1,295	-	-
Port & Marine Farm Services	1,641	1,646	-	-
Landing charges	1,827	1,638	-	-
Parking	454	454	-	-
Total	14,407	13,339	-	-
Timing of revenue recognition				
At a point in time	10,147	9,165	-	-
Over time	4,260	4,174	-	-
Total	14,407	13,339	-	-

Revenue recognition policies

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services - Revenue from contracts to provide services is recognised at the point in time performance obligations are satisfied, and at the transaction price specified in the relevant contract. Otherwise, revenue is recognised over time.

Rental income from investment properties & other rental property - The Group's policy for recognition of revenue from operating leases is described in note 19.2 below.

Dividend revenue - Dividend income from investments is recognised as revenue, net of imputation credits, when the shareholders' rights to receive payment have been established.

Interest revenue - Interest income is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method, which applies the interest rate that exactly discounts estimated future cash receipts over the expected life of the financial asset.

3.2. Expenses

Profit before income tax has been arrived at after charging the following expenses to operations:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Interest costs				
Interest on borrowings and swaps	2,040	2,181	2,034	2,166
Other interest expense	-	5	-	-
Other finance costs				
(Gains)/losses on derivative financial instruments	1,152	237	514	126
Total finance costs	3,192	2,423	2,548	2,292
Other expenditure disclosures				
Donations and sponsorship	82	60	-	-
Employer contribution to superannuation	283	270	-	-
Operating lease rental properties	21	24	-	-
Expenses from investment properties generating income	3,676	3,735	-	-
Total other expenditure	4,062	4,089	-	-
Depreciation, impairment and amortisation				
Depreciation of non-current assets	7	3,496	3,443	-
Amortisation of non-current assets	10	129	101	-
Impairments reclassified (*)	7	(174)	-	-
Total depreciation, impairment and amortisation		3,451	3,544	-
Remuneration of auditors				
Audit of the financial statements	115	105	18	18
Other non-audit services	-	6	-	-
Total audit fee	115	111	18	18

Expense recognition policies

Interest expense – Interest expense is accrued on a time basis using the effective interest method.

Interest paid is classified as an expense consistently with the Statement of Financial Position classification of the related debt. During the year the Group and the Company interest rates ranged between 1.81% and 5.21% (2018: 2.10% and 5.21%).

4. Taxation

Income tax policies

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

4.1. Reconciliation of income tax

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Consolidated Financial Statements as follows:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Profit before income tax expense	12,092	12,040	2,555	2,385
Tax at current rate 28%	3,385	3,372	715	668
Plus/(less) tax adjustments:				
Non-deductible expenses	25	52	-	-
Non-taxable expense/(income)	100	(1,139)	(1,023)	(875)
Group loss available for offset	4.2	-	164	172
Deferred tax expense permanent adjustments	-	-	-	-
Deferred tax expense/(credit) not recognised	4.3	5	144	35
Income tax expense recognised on the Income Statement	3,515	2,285	-	-
Comprising:				
Current tax expense	3,222	2,790	-	-
Deferred tax expense/(credit)	293	(505)	-	-
Total tax expense	3,515	2,285	-	-

4.2. Reconciliation of tax losses utilised within the Group

The current year tax losses utilised within the group to reduce Group tax payments reconcile to the Profit before income tax expense as follows:

	Parent	
	2019	2018
	\$ '000	\$ '000
Profit before income tax expense	2,555	2,385
Plus/(less) tax adjustments:		
Non-taxable expense/(income)		
Subvention receivable	(228)	(239)
Dividend revenue	(3,655)	(3,125)
(Gains)/losses on derivative financial instruments	514	126
Total tax losses to be utilised within the Group	(814)	(853)
Transferred by:		
Subvention receivable	228	239
Loss offset	586	614

4.3. Deferred tax liability

The deferred tax liability balance reported in the Statement of Financial Position arises from the following temporary differences:

Deferred tax liability/(asset)	Group					Totals
	Derivative financial instruments	Property, plant and equipment	Investment property	Intangible assets	Provisions	
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	
Balance at 1 July 2017	(718)	11,571	2,312	168	(745)	12,589
Recognised in:						
Profit or loss	(65)	(416)	122	(23)	(122)	(505)
Other comprehensive income	-	(85)	-	-	-	(85)
Balance at 30 June 2018	(783)	11,070	2,434	145	(867)	11,998
Recognised in:						
Profit or loss	(323)	(378)	1,113	(12)	(107)	293
Other comprehensive income	-	5,079	-	-	-	5,079
Balance at 30 June 2019	(1,106)	15,771	3,546	133	(974)	17,370

Deferred tax on Derivative financial instruments (interest rate swaps)

The Company has not recognised a deferred tax asset in relation to temporary differences of \$1,433,000 (2018:\$918,000). However, this asset has been recognised at group level.

5. Trade and other receivables

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Trade and other receivables	2,969	2,297	-	-
Loss Allowance	(17)	(70)	-	-
Other - related party	-	33	337	411
Total trade and other receivables	2,952	2,260	337	411

Trade and other receivables policies

Trade and other receivables are initially recognised at fair value. The Group has measured the loss allowance for trade receivables at an amount equal to lifetime ECL (Expected Credit Losses). The ECL on trade receivables are estimated using a provision matrix and are adjusted by reference to past default experience of the debtor and are adjusted for factors looking forward that are specific to the debtor and general economic conditions. PMNZL recognises a loss allowance of 100% against all receivables over 12 months while MAL recognises a loss allowance of 100% against all receivables over 24 months. The Group write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recover. Movements in Allowances are recognised in the Consolidated Income Statement.

6. Impairment policies

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use. In assessing 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 the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

For non-revalued assets, impairment losses are recognised as an expense immediately. For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity.

7. Property, plant and equipment

GROUP 2018	Cost/ valuation	Accumulated depreciation	Carrying amount	Additions	Disposals	Disposals depreciation adjustment	Net impairments reclassified (*)	Impairment	Depreciation	Transfers	Transfers depreciation adjustment	Revaluation cost adjustment	Revaluation depreciation adjustment	Cost/ revaluation	Accumulated depreciation	Restated carrying amount
	1 July 2017			30 June 2018												
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Port Marlborough New Zealand Limited assets																
Freehold land and improvements (i)	33,532	(1,620)	31,912	-	-	-	(17)	-	(500)	285	-	-	-	33,817	(2,120)	31,697
Buildings and wharf infrastructure (i)	53,867	(1,421)	52,446	-	29	10	3	-	(1,690)	417	-	(305)	-	54,008	(3,101)	50,907
Plant, equipment, furniture and vehicles (ii)	8,575	(4,873)	3,702	202	(684)	657	14	-	(642)	1,017	-	-	-	9,110	(4,858)	4,252
Work in progress (ii)	299	-	299	1,753	-	-	-	-	-	(1,800)	-	-	-	252	-	252
	96,273	(7,914)	88,359	1,955	(655)	667	-	-	(2,832)	(81)	-	(305)	-	97,187	(10,079)	87,108
Marlborough Airport Limited assets																
Freehold land and improvements (ii)	2,079	-	2,079	308	-	-	-	-	(164)	-	-	-	-	2,387	(164)	2,223
Buildings (ii)	5,583	-	5,583	-	-	-	-	-	(354)	-	-	-	-	5,583	(354)	5,229
Plant, equipment, furniture and vehicles (ii)	816	(259)	557	26	(3)	-	-	-	(93)	-	-	-	-	839	(352)	487
Work in progress (ii)	-	-	-	21	-	-	-	-	-	-	-	-	-	21	-	21
	8,478	(259)	8,219	355	(3)	-	-	-	(611)	-	-	-	-	8,830	(870)	7,960
Total Goup Assets	104,751	(8,173)	96,578	2,310	(658)	667	-	-	(3,443)	(81)	-	(305)	-	106,017	(10,949)	95,068

(i) at Fair value

(ii) at Cost

GROUP 2019	Cost/ valuation	Accumulated depreciation	Carrying amount	Asset reclassification	Asset depreciation adjustment	Additions	Disposals	Disposals depreciation adjustment	Transfers from investment properties	Revaluation movement to Reserve	Depreciation expense	Transfer/ Reclassification	Revaluation Accum Depn Write back	Revaluation Accum Depn Write back	Impairment Loss Recovery	Cost/ revaluation	Accumulated depreciation	Carrying amount
	1 July 2018			30 June 2019														
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Port Marlborough New Zealand Limited assets																		
Freehold land and improvements (i)	33,817	(2,120)	31,697	(963)	946	-	-	-	11	7,201	(512)	77	(1,511)	1,511	174	38,632	(1)	38,631
Buildings and wharf infrastructure (i)	54,008	(3,101)	50,907	455	(450)	-	-	-	(15)	11,353	(1,704)	870	(4,931)	4,931	-	61,740	(324)	61,416
Plant, equipment, furniture and vehicles (ii)	9,110	(4,858)	4,252	189	(177)	-	(183)	174	9	-	(671)	418	-	-	-	9,543	(5,532)	4,011
Work in progress (ii)	252	-	252	-	-	1,672	-	-	-	-	-	(1,582)	-	-	-	342	-	342
	97,187	(10,079)	87,108	(319)	319	1,672	(183)	174	5	18,554	(2,887)	(217)	(6,442)	6,442	174	110,257	(5,857)	104,400
Marlborough Airport Limited assets																		
Freehold land and improvements (i)	2,387	(164)	2,223	-	-	35	-	-	-	-	(169)	-	-	-	-	2,422	(333)	2,089
Buildings (i)	5,583	(354)	5,229	-	-	-	-	-	-	-	(354)	-	-	-	-	5,583	(708)	4,875
Plant, equipment, office furniture and fittings (ii)	839	(352)	487	-	-	35	(8)	8	-	-	(86)	-	-	-	-	866	(430)	436
Work in progress (ii)	21	-	21	-	-	21	-	-	-	-	-	(21)	-	-	-	21	-	21
	8,830	(870)	7,960	-	-	91	(8)	8	-	-	(609)	(21)	-	-	-	8,892	(1,471)	7,421
Total Group Assets	106,017	(10,949)	95,068	-	-	1,763	(191)	182	5	18,554	(3,496)	(238)	(6,442)	6,442	174	119,149	(7,328)	111,821

(i) at Fair value
(ii) at Cost

Property, plant and equipment policies

- Freehold land
- Buildings
- Improvements
- Wharf infrastructure
- Plant, equipment, furniture and vehicles
- Work in progress

Freehold land and **buildings** are initially stated at cost, and subsequently revalued to fair value by an independent valuer and by reference to the assets highest and best use, less any subsequent accumulated depreciation and impairment losses.

Additions between valuations are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service, including professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy (see note 12).

Improvements to properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at fair value.

Wharves infrastructure are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and impairment losses (if any).

All **other items** of Property, plant and equipment are stated at cost or deemed cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

Revaluation increments are credited to the asset revaluation reserve, except to the extent that they reverse a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation 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. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

Revaluations are performed with sufficient regularity such that the carrying amount will not differ materially from that which would be determined using fair values at balance date.

Depreciation commences when the asset is ready for use and is charged to the Income Statement on all Property, plant and equipment other than freehold land and work in progress, over their estimated useful lives using the straight-line method. The useful lives and estimated residual values are reviewed at each balance date and amended if necessary. Depreciation on revalued assets is charged to the Income Statement. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

The following estimated useful lives of major types of assets are used in the calculation of depreciation rates:

- | | |
|--|---------------|
| - Buildings | 7 – 100 years |
| - Improvements | 5 – 50 years |
| - Wharf infrastructure | 10 – 50 years |
| - Plant, equipment, furniture and vehicles | 2 – 33 years |

7.1. Valuation basis

An independent valuation of PMNZL land, buildings, improvements and wharf infrastructure is performed on a three yearly basis. The latest review was at balance date, 30 June 2019. The valuation was performed by Crighton Anderson & Infrastructure Limited t/a Colliers international, independent registered valuers and associates of the NZ Institute of Valuers, with engineering input from Opus. The valuers have recent experience in the location and category of the items being valued. The fair values of the assets represent the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants. PMNZL rotate valuers regularly.

The 2016-17 year was the first time MAL performed the revaluation of its Freehold car park, land improvements and buildings. MAL's Freehold car park and land improvements and Buildings were valued by Opus International Consultants Limited, independent registered valuers and associates of the NZ Institute of Valuers who have experience in the location and category of the items being valued. Subsequent revaluations will be performed on a three yearly basis.

Valuations have been updated for subsequent additions at cost, less any subsequent depreciation or impairment losses. Any revaluation surplus net of deferred income taxes is credited to other comprehensive income and is shown in Reserves (see note 16).

7.2. Fair value model

Assets have been categorised as specialised or non-specialised:

Specialised

In general terms these assets are:

- Only useful to particular uses or users,
- Rarely, if ever, sold on the open market, except as part of a total business, and
- Generally specialised structures located in particular geographical locations for business reasons.

MAL's Buildings, Freehold land and improvements and PMNZL's Wharf infrastructure and Improvements generally fall into this category. For these assets fair value has been based on depreciated replacement cost (DRC) due to the limited market based evidence as the item is rarely sold, except as part of a continuing business.

Non-specialised

Assets in this category comprise land and buildings, one or more of the following valuation methodologies has been adopted for each asset:

- Comparable sales approach
- DRC
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cash Flow

8. Capital expenditure commitments

The following are the estimated capital expenditure for the Group land and property; plant and equipment contracted for at balance date but not yet provided for:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Property, plant and equipment	280	2,956	-	-

9. Investment property

Notes	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Balance at beginning of the year	85,203	77,689	-	-
Additions from subsequent expenditure	5,677	4,600	-	-
Transfer from property, plant and equipment	7 212	81	-	-
Capital work in progress	-	-	-	-
Disposals	(12)	-	-	-
Net gain/(loss) from fair value adjustments	2,010	2,833	-	-
Balance at end of the year	93,090	85,203	-	-

Investment property policies

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes MAL's Aircraft hangar and PMNZL's marinas, reclamation land and their supporting facilities located in Marlborough.

Investment property is stated at its fair value at balance date. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise.

During the year, MAL's Aircraft hangar and items of PMNZL's Property, plant and equipment were reclassified from the Property, plant and Equipment schedule to Investment property. These were revalued at the date of reclassification and the revaluation difference was included into Other Comprehensive Income. At that date the asset was transferred to Investment property at fair value.

9.1. Valuation basis

MAL's investment properties were valued on 30 June 2019 by Alexander Hayward Limited, independent registered valuers and associates of the NZ Institute of Valuers.

PMNZL's investment properties were valued on 30 June 2019 by Crighton Anderson Property and Infrastructure Limited t/a Colliers International, independent registered valuers and associates of the NZ Institute of Valuers. PMNZL's Board policy is to rotate valuers on a three to four year cycle basis.

The Valuers have recent experience in the location and category of the items being valued. The fair values are based on market values, being the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

9.2. Fair value model

MAL's Aircraft hangar is located in Woodbourne, west of Blenheim. The valuation was undertaken using a slightly modified investment approach based on an assessment of market rental potential capitalised at current market investment rates analysed from market transactions. The rental capitalisation rate adopted was 7.5% (2018, 7.7%).

PMNZL's investment property assets are located in Picton, Waikawa Bay and Havelock. The assets comprise a mix of rural, residential, port related commercial and industrial and the marinas in each of the three locations. Total land area is 51.45 hectares.

In completing valuations of investment property assets, one or more of the following valuation methodologies has been adopted for each asset:

- Comparable Sales Approach
- Depreciated Replacement Cost Value (DRC)
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cash Flow

The marinas comprise the bulk of investment properties.

Discounted cash flow valuations were completed for the three marinas using the following discount rates:

Discounted Cashflow Summary (rates)		
Property	2019	2018
Picton Marina	7.25%	7.50%
Waikawa Marina	7.25%	8.50%
Havelock Marina	8.75%	9.00%

The variations in the discount rate adopted reflect the investment strength of each of the respective marinas. In the case of rental capitalisation for commercial property, rates adopted ranged between 7.25% and 8.75% (2018: 7.5% and 9.0%). The rates are post tax.

10. Intangible assets

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Software gross carrying amount				
Balance at beginning of the year	1,119	1,277	-	-
Additions	96	31	-	-
Disposals	-	(189)	-	-
Balance at end of the year	1,215	1,119	-	-
Software accumulated amortisation and impairment				
Balance at beginning of the year	565	653	-	-
Amortisation (i)	129	(88)	-	-
Balance at end of the year	694	565	-	-
Software net book value at end of the year	521	554	-	-

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the Income Statement.

Intangible assets policies

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives up to 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

11. Current trade and other payables

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Trade creditors	1,565	1,210	4	5
Property, plant and equipment	818	522	-	-
Employee expenses	815	911	-	-
Bank interest	211	245	211	245
Total trade and other payables	3,409	2,888	215	250

The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Employee expenses

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave and long service leave. Provisions are recognised where it is probable they will be settled and they can be measured reliably. Provisions are based on current remuneration rates.

Trade and other payables policies

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

12. Borrowings

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Borrowings at amortised cost	50,905	51,690	50,905	51,690
Classified as:				
Current	-	-	-	-
Non-current	50,905	51,690	50,905	51,690
Total facility	50,905	51,690	50,905	51,690
Amount used	50,905	51,690	50,905	51,690
Amount unused	-	-	-	-

Borrowings policies

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing, and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use/sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

12.1. Loan maturities

Funds have been raised under a loan arrangement with the Local Government Funding Agency (LGFA) held by Council. A matched Funding Agreement between the Company and Council ensure that the terms of the loans between LGFA and Council are matched. Council has adopted the Company's SOI which included the Company and subsidiaries long term funding requirements.

12.2. Borrowings security

The Company borrowings have been secured by way of first mortgage over Certificates of Title 4C/1465, 3B/322, 3B/323, 3B/324 and 5D/878 of the Marlborough Land Registry. In addition a Negative Pledge Deed has been entered into with PMNZL and MAL.

13. Derivative financial instruments (interest rate swaps)

Interest rate swap policies

The Company and Group enter into interest rate swaps to manage interest rate risk. These swaps:

- Are initially recognised at fair value on the date contract is entered into and are subsequently re-measured to their fair value.
- Do not qualify for hedge accounting.
- Have fair value changes recognised in the Income Statement.
- Are not used for speculative purposes.

13.1. Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held.

The interest rate swaps will either incur an interest expense or interest revenue from the banks, depending on whether the fixed rate is favourable or unfavourable to the variable interest rate at the time. The Company recognises the income from subsidiaries for the total net interest on loan and swaps as interest revenue.

During the year the interest rates for the Group and parent current swaps ranged between 3.55% and 5.21% (2018: 2.10% and 5.21%).

The Company has entered into the following interest rate swap contracts:

	2019 \$ '000	2018 \$ '000
Bank:		
BNZ	23,400	23,400
Westpac	15,000	24,000
ASB	2,400	3,400
Total swap contracts	40,800	50,800
Classified as:		
Active swaps	29,400	34,400
Forward dated swaps	11,400	16,400

13.2. Interest rate swap asset/ (liability) at fair value through profit or loss (FVTPL):

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Interest rate swap asset at FVTPL - between the Company and subsidiaries	-	-	2,514	1,876
Classified as:				
Current asset	-	-	22	150
Non-current asset	-	-	2,492	1,726
Interest rate swap (liability) at FVTPL - between the Company and the bank	(3,947)	(2,794)	(3,947)	(2,794)
Classified as:				
Current liability	(55)	(150)	(55)	(150)
Non-current liability	(3,892)	(2,644)	(3,892)	(2,644)
Net interest rate swap	(3,947)	(2,794)	(1,433)	(918)

The Company recognises the fair value of swaps on a gross basis. The fair value of interest rate swaps is supplied by an independent third party. Valuations are reflective of market rates at reporting date and are calculated as the present value of the estimated future cash flows based on observable yield curves taking into account the effect of credit risk (CVA/DVA).

The Board consider that the carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their fair values.

The net interest rate swap position of \$1,433,000 (2018: \$918,000) represents the valuation of the parent's own swaps. The parent movement ((gain)/loss) between the two years of \$514,000 (2018: -\$126,000) is recorded under parent 'Expenses' in the Income Statement (see note 3.2).

The net interest rate swap position of \$3,947,000 (2018: \$2,794,000) represents the valuation of the Group swaps. The Group net interest rate movement ((gain)/loss) between the two years of -\$1,153,000 (2018 -\$237,000) is recorded under Group 'Expenses' in the Income Statement (see note 3.2).

14. Provisions

Provisions are recognised when the Company and Group have a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

14.1. Non-current provisions – runway reseal

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Balance at beginning of the year	2,322	1,878	-	-
Additional provision recognised	463	444	-	-
Balance at end of the year	2,785	2,322	-	-
Classified as:				
Non-current	2,785	2,322	-	-

The provision for resealing was reviewed in December 2014. MAL commissioned Beca Limited to undertake a desktop feasibility assessment and prepare a high level Rough Order Cost (ROC) estimate of the surfacing of the runway.

Business and Economic Research Limited (Berl) price level adjustors plus a 4.0% interest factor were applied to the ROC to calculate the amount to be provided each year up until 2025, when the runway is expected to be resealed.

Runway reseal policies

Provision is made to reflect the Company's obligation to maintain the runway under their licence agreement with New Zealand Defence Force. A review of costs is expected to take place every three years.

15. Share capital and other equity instruments

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
6,000,000 fully paid ordinary shares (2018: 6,000,000)	6,000	6,000	6,000	6,000

At balance date the Company had issued 76,000,000 shares (2018: 76,000,000) of which 6,000,000 are fully paid. The remaining 70,000,000 shares (2018: 70,000,000) were issued for \$1 per share and are yet to be called up.

All shares carry equal voting rights and the right to share in any surplus on winding up the Company. None of the shares carries fixed dividend rights.

Equity instruments policies

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

16. Reserves

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Capital reserve	-	2,616	2,992	2,992
Asset revaluation reserve	59,717	46,242	-	-
	59,717	48,858	2,992	2,992

16.1. Capital reserve

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Balance at beginning of the year	2,616	2,616	2,992	2,992
Movements	(2,616)	-	-	-
Balance at end of the year	-	2,616	2,992	2,992

The capital reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. There is no policy of regular transfer. As the capital reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the capital reserve will not be reclassified subsequently to profit or loss.

16.2. Asset revaluation reserve

		Group		Parent	
Notes	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000	
Balance at beginning of the year	46,242	46,462	-	-	
Revaluation increments	18,554	(305)	-	-	
Deferred tax - Property revaluations	4.3 (5,079)	85	-	-	
Transfer from Retained Earnings	17 -	-	-	-	
Balance at end of the year	59,717	46,242	-	-	

The asset revaluation reserve arises on the revaluation of PMNZL's wharves and jetty facilities, operational land and buildings and MAL's terminal Building (excludes investment property). When a revalued wharf, jetty facility, land or building is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained earnings.

17. Retained earnings

		Group		Parent	
Notes	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000	
Balance at beginning of the year	61,234	53,266	1,057	459	
Net profit after tax	8,577	9,755	2,555	2,385	
Dividends paid	18 (2,511)	(1,787)	(2,511)	(1,787)	
Transfer from capital reserve	16.1 2,616	-	-	-	
Balance at end of the year	69,916	61,234	1,101	1,057	

18. Dividends

Recognised amounts:	2019 Cents per Share	2019 Total \$ '000	2018 Cents per Share	2018 Total \$ '000
Fully paid ordinary shares	42	2,511	30	1,787

At time of distribution, fully paid ordinary shares which participated in the distribution were 6,000,000. In addition, the above cash distributions carried maximum imputation credits.

Dividends payment policies

Dividends paid are classified as distributions of profit.

19. Operating lease arrangements

19.1. The Group as lessee

Non-cancellable operating lease payments' commitments:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Not longer than 1 year	139	76	-	-
Longer than 1 year and not longer than 5 years	243	-	-	-
Longer than 5 years	946	-	-	-

Lessee policies

Rentals payable under operating leases, where the lessors effectively retain risks and benefits of ownership, are recognised in profit and loss on a straight-line basis over the term of the lease term.

PMNZL and MAL leasing arrangements

Operating leases relate to MAL's land and photocopier machine. PMNZL had no rentals payable under operating leases. MAL's operating lease contracts contain market review clauses in the event that the subsidiary exercises the option to renew. MAL does not have an option to purchase the leased assets at the expiry of the lease period.

19.2. The Group as lessor

Non-cancellable operating lease receivables:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Not longer than 1 year	9,691	9,605	-	-
Longer than 1 year and not longer than 5 years	15,697	19,863	-	-
Longer than 5 years	10,251	10,596	-	-

Lessor policies

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

PMNZL leasing arrangements

Operating leases relate to rental property owned by PMNZL with lease terms of up to 30 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that PMNZL exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

MAL leasing arrangements

Operating leases relate to tenancies with lease terms of up to 10 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that MAL exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Rentals are received from freight shed, terminal, ground rentals, aircraft hangar, advertising signs and car wash facility.

20. Contingent assets and contingent liabilities

20.1. Contingent assets

There are no contingent assets (2018: Nil).

20.2. Contingent liabilities

In the normal course of business the PMNZL Group are subject to potential loss contingencies arising from such matters as guarantees and contractual obligations by government and private parties. In the judgement of Directors no losses in respect of such matters are expected to be material to the Group's financial position.

21. Parent and Subsidiaries disclosures

The parent entity in the consolidated Group is MDC Holdings Limited (the Company) which is 100% owned by the ultimate parent entity, Council.

Details of the Group's subsidiaries are as follows:

	Country of incorporation	Ownership interest	
		2019 %	2018 %
Port Marlborough New Zealand Limited	New Zealand	100	100
Marlborough Airport Limited	New Zealand	100	100

21.1. Investment in subsidiaries

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Unlisted shares in Port Marlborough NZ Ltd	-	-	26,725	26,725
Unlisted shares in Marlborough Airport Ltd	-	-	1,811	1,811
Total investment in subsidiaries	-	-	28,536	28,536

Investments in subsidiaries policies

Investments in subsidiaries are recorded in the Company's Financial Statements at cost less any subsequent accumulated impairment losses.

21.2. Related party loans and advances

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Current asset portion				
Advances to Marlborough District Council	3,419	2,818	3,419	2,818
Non-current asset portion				
Advances to subsidiaries	-	-	30,300	31,085
Non-current liability portion				
Loans from Marlborough District Council	50,905	51,690	50,905	51,690

21.3. Transactions and balances with PMNZL and MAL

All related party disclosures are inclusive of GST where applicable.

PMNZL and MAL are related parties as they have the same parent, MDC Holdings Limited. During the year MAL received a payment of \$1,725 (2018: \$1,725) from PMNZL.

Port Marlborough New Zealand Limited

Transactions between MDC Holdings Limited and PMNZL are as follows:

	2019 \$	2018 \$
Amounts received from PMNZL during the year:		
Dividends	3,655,078	3,125,160
Finance costs recovered	1,182,844	1,253,676
Subvention payment	238,919	276,663
Amounts receivable from PMNZL at balance date:		
Advance	27,500,000	27,500,000
Interest on advance	97,407	120,467
Subvention payment	227,807	238,919

Marlborough Airport Limited

Transactions between MDC Holdings Limited and MAL are as follows:

	2019 \$	2018 \$
Amounts received from MAL during the year:		
Interest on advance	122,841	150,382
Finance fee reimbursement	-	1,288
Swap valuation fee reimbursement	920	1,089
Amounts receivable from MAL at balance date:		
Interest on advance	11,723	17,362
Advance	2,800,000	3,585,000

21.4. Transactions and balances with Marlborough District Council

MDC Holdings Limited

Transactions between Council and MDC Holdings Limited are as follows:

	2019 \$	2018 \$
Amounts paid to MDC during the year:		
Dividends	2,511,000	1,787,000
Interest on loans	729,055	775,542
Amounts payable to MDC at balance date:		
Loans	50,905,000	51,690,000
Interest on loans	143,240	89,697
Amounts received from MDC during the year:		
Interest on advance	65,812	-
Swap valuation fee reimbursement	690	-
Amounts receivable from MDC at balance date:		
Advance	3,418,918	2,817,918
Interest on advance	-	33,025

During the current and previous financial year, the Company received management services from Council for no charge.

Port Marlborough New Zealand Limited

Transactions between Council and PMNZL are as follows:

	2019 \$	2018 \$
Amounts received from PMNZL during the year:		
Rates	899,552	918,850
Services provided	494,500	494,500
Amounts paid to PMNZL during the year:		
Services provided	63,172	60,950

Marlborough Airport Limited

Transactions between Council and MAL are as follows:

	2019 \$	2018 \$
Services charged to MDC during the year	210,065	222,334
Services payable to MDC at balance date	2,676	146,246
Paid to MAL during the year	4,600	5,066

21.5. Transactions eliminated on consolidation

Intra-group related party transactions and outstanding balances are eliminated in the preparation of the Consolidated Financial Statements of the Group.

21.6. Guarantees provided or received

There are no guarantees provided or received (2018: Nil).

21.7. Directors' transactions

Mr EG Johnson, who retired as a Director of PMNZL in December 2018, is a shareholder or Director of:

- Fulton Hogan Limited who undertook construction work at PMNZL for the year totalling \$339,851 (2018: \$53,120). \$72,565 (2018:\$0) was payable to Fulton Hogan Limited at 30 June. Goldpine Group Ltd who provided fencing materials during the year totalling \$1,224 (2018: \$285).
- ECL Group Limited who provided fuel equipment and servicing during the year totalling \$27,764 (2018: \$17,301). \$986 (2018: \$522) was payable to ECL Group Limited as at 30 June.

Mr KB Taylor is a Director of PMNZL and also a Director of:

- Southern Cross Medical Care Society, whom subsidiary PMNZL paid \$74,147 (2018: \$64,855) for employee health insurance.
- Gough Group Limited who provided machinery services during the year totalling \$5,391 (2018: \$6,029).

Mr RW Olliver is a Director of MAL and also a shareholder and Director of:

- Fulton Hogan Limited who undertook construction work for the year at MAL for \$95,139 (2018: 394,284).

21.8. Key management personnel remuneration

Included in employee benefit expenses is the compensation of the Directors and Executives, being the key management personnel of the Group which is set out below:

	Group		Parent	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Employee benefits	1,184	1,324	-	-
Directors fees	306	303	66	63
	1,490	1,627	66	63

21.9. PMNZL marina facilities

A number of related parties to PMNZL, including Directors and employees, utilise PMNZL's marina facilities, all transactions are at standard commercial rates.

22. Categories of financial instruments

Group financial assets/(liabilities)					
		Financial assets at Amortised cost	Financial liabilities at Amortised cost	Financial assets/ (liabilities) at FVTPL ^(*)	Totals
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents		1,620	-	-	1,620
Trade and other receivables	5	2,260	-	-	2,260
Loans to Marlborough District Council	21.2	2,818	-	-	2,818
Trade and other payables	11	-	(2,891)	-	(2,891)
Borrowings	12	-	(51,690)	-	(51,690)
Derivative financial instruments	13	-	-	(2,794)	(2,794)
Balance at 30 June 2018		6,698	(54,581)	(2,794)	(50,677)
Cash and cash equivalents		1,928	-	-	1,928
Trade and other receivables	5	2,952	-	-	2,952
Loans to Marlborough District Council	21.2	3,419	-	-	3,419
Trade and other payables	11	-	(3,409)	-	(3,409)
Borrowings	12	-	(50,905)	-	(50,905)
Derivative financial instruments	13	-	-	(3,947)	(3,947)
Balance at 30 June 2019		8,299	(54,314)	(3,947)	(49,962)

Parent financial assets/(liabilities)					
		Financial assets at Amortised cost	Financial liabilities at Amortised cost	Financial assets/ (liabilities) at FVTPL ^(*)	Total
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents		57	-	-	57
Trade and other receivables	5	411	-	-	411
Related party loans	21.2	33,903	-	-	33,903
Trade and other payables	11	-	(250)	-	(250)
Borrowings	12	-	(51,690)	-	(51,690)
Derivative financial instruments	13	-	-	(919)	(919)
Balance at 30 June 2018		34,371	(51,940)	(919)	(18,488)
Cash and cash equivalents		54	-	-	54
Trade and other receivables	5	337	-	-	337
Related party loans	21.2	33,719	-	-	33,719
Trade and other payables	11	-	(215)	-	(215)
Borrowings	12	-	(50,905)	-	(50,905)
Derivative financial instruments	13	-	-	(1,433)	(1,433)
Balance at 30 June 2019		34,110	(51,120)	(1,433)	(18,443)

(*) FVTPL – Fair Value through Profit or Loss

Fair value measurement policies

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Valuation techniques

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- Financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- Other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- Derivative financial instruments (interest rate swaps), are calculated based on the present value of future cash flows based on observable yield curves taking into account the effect of credit risk (CVA/DVA). CVA/DVA is calculated using the “current exposure” methodology.

23. Events after the reporting period

At the time of preparation of these Consolidated Financial Statements there were no post balance date events requiring disclosure (2018: nil).

Statutory Information

Auditors

Andy Burns of Audit New Zealand, acting on behalf of the Auditor-General, is the auditor of MDC Holdings Limited for the year ended 30 June 2019. Mike Hoshek of Deloitte, acting on behalf of the Auditor-General, is the auditor for PMNZL, its subsidiaries and MAL for the year ended 30 June 2019.

Employee remuneration

MDC Holdings Limited

The Company has no employees.

Port Marlborough New Zealand Limited

The number of employees whose total remuneration, received in their capacity as employees, was \$100,000 or more within the specified bands was as follows:

Remuneration range	Number of employees	
	2019	2018
\$100,000 - 110,000	3	4
\$110,000 - 120,000	3	4
\$120,000 - 130,000	1	-
\$130,000 - 140,000	-	2
\$140,000 - 150,000	2	-
\$170,000 - 180,000	1	2
\$180,000 - 190,000	1	-
\$200,000 - 210,000	1	1
\$210,000 - 220,000	1	1
\$240,000 - 250,000	-	1
\$270,000 - 280,000	-	1
\$320,000 - 330,000	1	-

The figures include all benefits, retiring allowances and Fringe Benefit Tax.

Marlborough Airport Limited

No employees received total remuneration over \$100,000 in their capacity as employees of MAL.

Interest register

Directors' loans

There were no loans by the Company to Directors.

Directors' remuneration and benefits

The remuneration paid to Directors during the year ended 30 June was:

MDC Holdings Limited

	2019 \$	2018 \$
R W Olliver (Chairman)	21,609	16,416
P J M Taylor - resigned 2017		9,413
J C Leggett	10,804	10,561
T E Hook	10,804	10,561
M A Peters	10,804	10,561
A M Barton (Leslie O'Donnell Limited)	12,425	5,666
M S Wheeler (unpaid Director)	-	-

Marlborough Airport Limited

The Directors of the Company are also the Directors of MAL. No remuneration or benefits were paid during the year ended 30 June 2019 (2018: Nil).

Port Marlborough New Zealand Limited

	2019 \$	2018 \$
K B Taylor (Chairman)	46,500	30,000
E G Johnson (Retired December 2018)	30,000	60,000
A R Besley	30,750	30,000
I R Boyd	32,000	30,000
P S Drummond	30,750	30,000
M B J Kerr	32,000	30,000
J C Moxon	15,750	-
M F Fletcher (paid to Council)	30,750	30,000

Directors' and officers' liability insurance

The Company has arranged Directors' and Officers' Liability Insurance with Vero Liability Insurance Limited. This policy indemnifies Directors for sums they may become legally obliged to pay arising from a wrongful act allegedly committed in their capacity as a Director. The policy does not cover liabilities arising from insider trading, dishonest acts and/or personal profit or advantage to which the Directors are not legally entitled. PMNZL has arranged a similar policy with QBE Insurance International Limited.

Use of Company information

During the year the Board did not receive any notices from Directors of the Company requesting the use of company information, received in their capacity as Directors, which would not otherwise have been available to them.

Directors' interests in contracts

The following Directors have declared interests in the identified entities. The declaration serves as notice that the Director may benefit from any transaction between the holding Company or Group and the identified entities.

MDC Holdings Limited and Marlborough Airport Limited

R W Olliver

Fulton Hogan Limited	Director / Shareholder
Fulton Hogan Land Development Limited	Director
Goldpine Group Limited	Shareholder
Kenepuru Forests Limited	Director
Ridgeback Trustees Limited	Director / Shareholder
St Andrews Property Group Limited	Director
Stone Farm Holdings Limited	Shareholder
The Bottling Company Limited	Director
Toi Downs Limited	Director
Lancewood Forest Limited	Director

J C Leggett

BJM Forests Limited	Director / Shareholder
Bryce Trustee Limited	Director
JAHB Properties Limited	Director / Shareholder
JCL Trust	Trustee
JSJ Trust	Trustee
Marlborough District Council	Mayor
Res Ipsa Loquitur Limited	Director / Shareholder
Riverlands Viticulture Limited	Director / Shareholder
TWL Trust	Trustee
Wisheart McNab & Partners Solicitors Nominee Co Ltd	Director / Shareholder
Wisheart McNab & Partners Trustee Company Limited	Director / Shareholder / Partner

M A Peters

MA & VF Peters Limited	Director / Shareholder
MA Peters Family Trust	Trustee
Marlborough District Council	Councillor
Marlborough Garlic Limited	Director
Hawkesbury Farm Limited	Director
NZ Rugby Foundation Trustee company Limited	Director
Pure New Zealand Garlic Limited	Director

M S Wheeler

Marlborough District Council	CEO
CAMA Trust	Trustee

A M Barton

Leslie & O'Donnell Trustees Limited	Director
Leslie & O'Donnell Limited	Director/shareholder
Malbec Trust	Trustee
Barton Food Limited	Director/shareholder

T E Hook

Marlborough District Council	Councillor
Te Mahia Bay Resort	Partner

Port Marlborough New Zealand Limited

A R Besley

Black Dog Vineyards Limited (consultancy) Director / Shareholder

I R Boyd

Aroona Holdings Pty Limited (and subsidiaries) Director
OTPP NZ Forest Investment Limited CEO
Te Arawa Group Holdings Limited Director
AustOn Corporation Pty Ltd, Director
Busselton Farms Pty Ltd, Director
Wood Industry Development and Education Trust Trustee
Primary growth Pty Ltd Director

P Drummond

Appliance Connexion Limited Chairman
NARTA Australia Pty Limited Director
NARTA NZ Limited Director
Ngati Awa Director
P S Drummond Ltd Chairman
Watercare Harbour Clean Up Trust Chairman
Whip Around Ltd Chairman
White Island Tours Director

M F Fletcher

Calmar Cherries Limited Director / Shareholder
Marlborough District Council CFO

K Taylor

Butlands Management Services Limited Director
Gough Holdings Limited Chairman
Reserve Bank of New Zealand Director
Southern Cross Medical Care Society, Healthcare Trust and Hospitals Limited Director / Trustee

M Kerr

Kakapo Bay Forests (2004) Limited Director
Saints Investments Limited Director
WK Advisors and Accountants Ltd Director

J Moxon

Fisher Funds Management Limited Director
NZ Trade & Enterprise - Beachhead Advisory Board
Open Polytechnic Council Council member

Company Directory

Directors

R W Olliver(Chairman)
J C Leggett
M A Peters
M S Wheeler
T E Hook
A M Barton

Registered Office

Marlborough District Council
15 Seymour Street
Blenheim

Company Number

814159

Auditor

Andy Burns of Audit New Zealand acting as agent for the Auditor-General

Bankers

Bank of New Zealand
Market Street
Blenheim
Telephone (03) 577 2712

Westpac New Zealand Limited
Cnr Queen and Arthur Streets
Blenheim
Telephone (03) 577 2477

ASB Limited
Cnr Charles and Market Street
Blenheim
Telephone (03) 520 9016

Solicitors

Minter Ellison
125 The Terrace
Wellington
Telephone (04) 498 5000

Shareholders

Marlborough District Council - 100%
6,000,000 shares