

MDC Holdings Limited

Annual Report

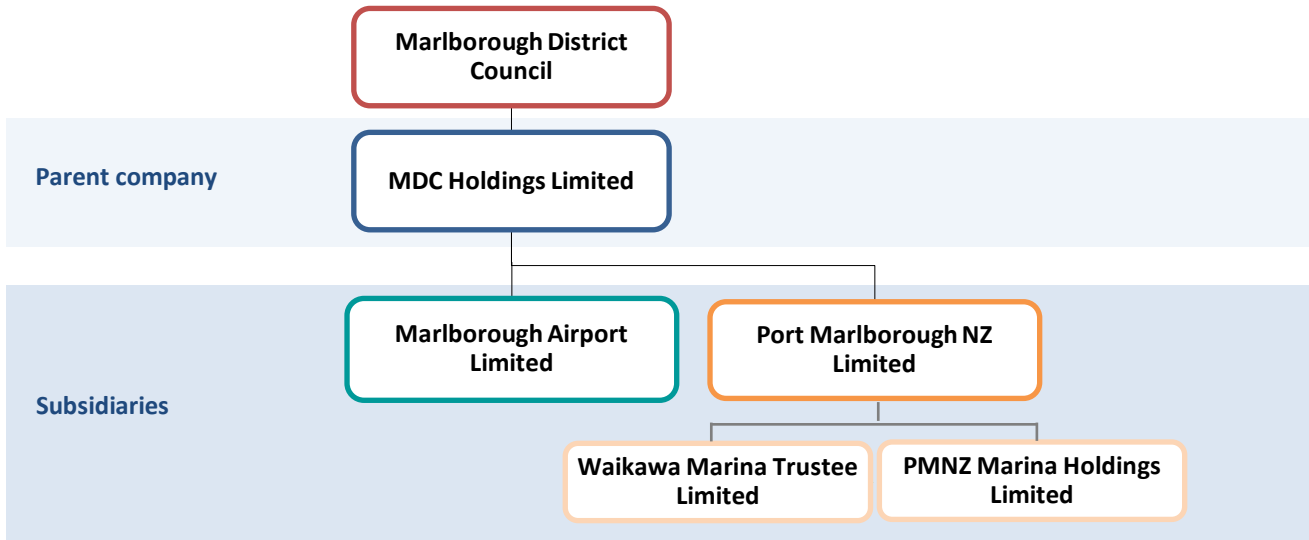


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Group Operations

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.

2016-17 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:

2016-17 Performance targets	Results
Governance	
To facilitate a good ongoing working relationship with subsidiaries and monitor their performance, including: <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. 	Achieved. 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. 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.
Develop a letter of shareholder expectations by 31 December 2016, should it have any specific expectations it wants PMNZL to incorporate into its forth coming SOI.	Achieved. The Company Board decided that a letter of expectation was not required.

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 Stable Credit Rating received by Council has enabled the Group to access lower cost finance.

In November 2016, \$55 million of debt was sourced from the Local Government Funding Agency via Council, enabling an equivalent reduction in its banking facilities from \$65 million to \$10 million.

The change in provider should generate annual interest savings of approximately \$370,000 for the Group.

Discussions are held on an ongoing basis regarding the Group funding needs as per budgets and SOIs agreements. In 2017 all financing requirements for the Group were met and adequate facilities were in place, as evidenced by the unused \$10 million balance of facility with ASB available to subsidiaries at 30 June 2017.

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 = 14%

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 equity = 22%

Report on activities

	Parent actuals			Parent budget	
	Jun-17	Jun-16		Jun-17	
	\$ '000	\$ '000	Variance	\$ '000	Variance
Income	4,512	4,466	46	4,680	(168)
Operating costs	(2,725)	(3,208)	483	(3,512)	787
Gain/(loss) on derivatives revaluation	658	(859)	1,517	-	658
Profit for the year	2,445	399	2,046	1,168	1,277
Remove derivative revaluation	(658)	859	(1,517)	-	(658)
Profit for the year before revaluation	1,787	1,258	529	1,168	619

The parent's net profit for the year ended 30 June 2017 is \$2.445 million. Excluding the non-cash gain on derivatives would yield a profit of \$1.787 million which was ahead of budget by \$0.619 million.

The improvement in profit (excluding derivative revaluation) compared to budget and last year's actual of \$0.619 million and \$0.529 million respectively were mainly due to increased dividend received from PMNZL and the drop in finance costs for the parent.

Subsidiaries

Port Marlborough New Zealand Limited

Despite unprecedented disruption to the South Island's primary transport and logistics chains following the Kaikoura earthquake in November 2016, PMNZL has again returned a record result through strong performance across the business. The initial 7.8 magnitude quake severely damaged land and infrastructure along the East Coast from North Canterbury to Marlborough, and in Wellington. Both the Main Trunk rail line and State Highway 1 suffered devastating damage, forcing their immediate closure and the re-routing of transport through the top of the South Island.

While Picton escaped extensive damage and most PMNZL facilities were back in service within 24 hours, the wider impacts of supply chain interruptions and extended travel times have had significant consequences for many of our port and marina customers. Cook Strait ferry freight volumes held steady, however, with the travel time from Picton to Christchurch doubled and road conditions uncertain, growth in passenger vehicle numbers stalled and previous revitalisation of the ferry passenger business lost ground.

Marlborough's log cut continued unabated with record export volumes again through Shakespeare Bay and increased volumes delivered to the domestic market from the Marlborough Sounds.

The highlight of the cruise ship season was undoubtedly the inaugural visit of 'Ovation of the Seas' to Picton on Christmas Eve, contributing to another record year for cruise ship visitors to the region. All involved can be justifiably proud that Picton was lauded the third top cruise port in Australasia – just behind Sydney – in the 2017 Trip Advisor cruise awards.

In the recreational sector, Marina occupancy improved overall but general activity around the Marinas (and wider Marlborough) was noticeably quieter over summer as a result of constrained road access into Marlborough.

Cook Strait ferry operators have necessarily been focused on operational challenges faced by their clients within the disrupted transport environment, and planning for future redevelopment of Picton ferry and freight marshalling infrastructure has been temporarily delayed. As anticipated, Interislander gave formal notice of contract renewal during the period and negotiations are well advanced. The new commercial contract secured with Strait Shipping in 2016 is unaffected by their change of ownership in December.

Port capital investment has centred on expansion of the Waimahara Berth to accommodate Quantum and Oasis class cruise vessels, and a search for an additional harbour tug to support increased shipping activity. Half-life refurbishment of Waikawa Marina is well underway and planning continued for its future expansion.

There has been further consolidation of the Company's internal processes with a particular focus on asset management. We continued to maintain our operations within the provisions of the New Zealand Port and Harbour Marine Safety Code, consistent with our ongoing commitment to navigational safety.

Marlborough Airport Limited

MAL had a successful year with the 300,000 passenger mark being reached for the first time. The Kaikoura earthquake did not do any major damage to the airport infrastructure and Sounds Air rose to the occasion and supplied much needed direct flights to the Kaikoura community. Air NZ increased seats by 40% due to demand to Auckland and Wellington but unfortunately removed the direct flight to Christchurch.

As demand for air travel grows the airport infrastructure is coming under further pressure especially for parking. Development of further parking is dependent upon gaining access to further land which is held up by negotiations between the Crown and iwi for Waitangi settlements that include the airport land.

MAL is repaying the loans for the runway reseal and terminal expansion ahead of schedule. The MAL 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 pages 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 2016-17 SOI results are outlined on page 4 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 2017, and their financial performance and cash flows for the year ended 30 June 2017.

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 2017 on pages 13 to 40.

The Board authorised the issue of these Consolidated Financial Statements on 29 September 2017.



J C Leggett – Director



R W Olliver - Director

On behalf of the Directors of MDC Holdings Limited.

Independent Auditor's Report

To the readers of Marlborough District Council Holdings Limited and group's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Marlborough District Council Holdings Limited 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 2017, 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 4 to 5.

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 2017; 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.
- the performance information of the Company and group on pages 4 to 5 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 2017.

Our audit was completed on 29 September 2017. 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 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.

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 6 to 7, and 41 to 44 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		2017	2016	2017	2016
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Revenue	3.1	29,961	27,816	4,512	4,466
Other income		96	73	-	-
Investment property revaluation	9	(751)	(2,418)	-	-
Operations and maintenance		(8,915)	(9,187)	(138)	(212)
Employee benefits expense		(6,298)	(6,174)	(58)	(47)
Depreciation, impairment and amortisation expense	3.2	(3,285)	(3,815)	-	-
Finance costs	3.2	(616)	(5,393)	(1,871)	(3,808)
Profit before income tax expense		10,192	902	2,445	399
Income tax expense	4.1	(2,926)	(585)	-	-
Profit for the year		7,266	317	2,445	399

Statement of Comprehensive Income

		Group		Parent	
For the financial year ended 30 June		2017	Restated 2016	2017	2016
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Profit for the year		7,266	317	2,445	399
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of property, plant and equipment	16.2	759	25,066	-	-
Income tax relating to valuation of property, plant and equipment	16.2	(31)	(5,384)	-	-
Revaluation of property, plant and equipment		728	19,682	-	-
Total comprehensive income for the year, net of tax		7,994	19,999	2,445	399

Statement of Changes in Equity

		Group		Parent	
For the financial year ended 30 June		2017	Restated 2016	2017	2016
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Balance at beginning of the year		101,606	82,752	8,262	9,008
Total comprehensive income for the year, net of tax		7,994	19,999	2,445	399
Dividends	18	(1,256)	(1,145)	(1,256)	(1,145)
Balance at end of the year		108,344	101,606	9,451	8,262

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	
			Restated		
As at 30 June	Notes	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Current assets					
Cash and cash equivalents		3,371	679	66	60
Trade and other receivables	5	1,929	2,357	422	506
Inventories		296	269	-	-
Current tax assets		-	392	-	-
Loans to Marlborough District Council	21.2	2,097	1,525	2,097	1,525
Total current assets		7,693	5,222	2,585	2,091
Non-current assets					
Derivative financial instruments	13	-	-	1,765	3,021
Loans to subsidiaries	21.2	-	-	33,735	36,250
Investment in subsidiaries	21.1	-	-	28,536	28,536
Property, plant and equipment	7	96,578	98,092	-	-
Investment property	9	77,689	75,017	-	-
Intangible assets	10	624	740	-	-
Total non-current assets		174,891	173,849	64,036	67,807
Total assets		182,584	179,071	66,621	69,898
Current liabilities					
Trade and other payables	11	2,503	2,474	273	310
Derivative financial instruments	13	106	-	106	-
Current tax liabilities		374	-	-	-
Total current liabilities		2,983	2,474	379	310
Non-current liabilities					
Borrowings	12	54,340	56,855	54,340	56,855
Derivative financial instruments	13	2,451	4,471	2,451	4,471
Deferred tax liabilities	4.3	12,588	12,263	-	-
Provisions	14.1	1,878	1,402	-	-
Total non-current liabilities		71,257	74,991	56,791	61,326
Total liabilities		74,240	77,465	57,170	61,636
Net assets		108,344	101,606	9,451	8,262
Equity					
Capital and other equity instruments	15	6,000	6,000	6,000	6,000
Capital reserve	16.1	2,616	2,616	2,992	2,992
Revaluation reserve	16.2	46,462	46,382	-	-
Retained earnings	17	53,266	46,608	459	(730)
Total equity		108,344	101,606	9,451	8,262

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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
For the financial year ended 30 June				
Cash flows from operating activities				
Receipts from customers	30,543	27,636	53	107
Interest received	49	74	1,719	1,973
Dividends received	-	-	2,500	2,092
Subvention receipts	-	-	326	373
Payments to suppliers and employees	(14,581)	(15,128)	(190)	(243)
Interest and other costs of finance paid	(2,624)	(3,032)	(2,574)	(2,978)
Income tax paid (net of refunds)	(1,866)	(2,604)	-	-
Net cash provided by operating activities	11,521	6,946	1,834	1,324
Cash flows from investing activities				
Payment for property, plant and equipment	(3,872)	(6,033)	-	-
Proceeds from sale of property, plant and equipment	27	19	-	-
Advances received	2,216	2,395	11,781	5,995
Advances made	(2,788)	(2,530)	(9,838)	(7,010)
Payment for intangible assets	(14)	(16)	-	-
Payment for investment property	(627)	(1,679)	-	-
Net (cash used in)/provided by investing activities	(5,058)	(7,844)	1,943	(1,015)
Cash flows from financing activities				
Proceeds from borrowings	62,305	4,480	62,305	4,480
Repayment of borrowings	(64,820)	(3,600)	(64,820)	(3,600)
Dividends paid	(1,256)	(1,145)	(1,256)	(1,145)
Net cash used in financing activities	(3,771)	(265)	(3,771)	(265)
Net increase/(decrease) in cash and cash equivalents	2,692	(1,163)	6	44
Cash and cash equivalents at the beginning of the financial year	679	1,842	60	16
Cash and cash equivalents at the end of the financial year	3,371	679	66	60

Notes to the Consolidated Financial Statements

For the Financial Year ended 30 June 2017

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 2017, and the comparative information presented for the year ended 30 June 2016:

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 29 September 2017.

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 (2016: 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)
- Allowance for doubtful debts (note 5)
- Non-current provisions (note 14.1)
- Contingent liabilities (note 20.2)

2.6. New standards adopted

In the current year, the Company and Group are adhering to the following new standards and amendments to

relevant standards:

Standards	Effective date
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to NZ IAS 16 and NZ IAS 38	1 January 2016
Disclosure Initiative – Amendments to NZ IAS 1	1 January 2016
Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments	1 January 2016

Other than additional disclosures the application of the amendments to the above standards does not result in any material impact on the amounts recognised in the Consolidated Financial Statements.

2.7. New standards and interpretations issued but not yet effective

The Company 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 9 Financial Instruments	1 January 2018
NZ IFRS 15 Revenue from Contracts with Customers	1 January 2018
NZ IFRS 16 Leases	1 January 2019

The Directors of the Group anticipate that the application of the above standards and amendments in the future may have an impact on the amounts reported and the disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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.

2.10. Prior year adjustments

A restatement has been made to the reported 30 June 2016 Group financial information, amending the reported values of Property, plant and equipment, deferred tax liabilities and revaluation reserve. The restatement was as a result of an incorrect construction date being adopted for the valuation of PMNZL's wharf infrastructure assets resulting in an overstatement of \$1.34m in the 2016 Annual Report.

Trade receivables and Trade payables were also restated for comparative purposes following a decision in the current year to treat advance invoicing of property rentals as an offset against Trade receivables as opposed to a Trade payable.

Asset revaluation reserve and retained earnings were adjusted for prior impairment recoveries. The adjustment merely reflects a reallocation of balances within the overall Equity account.

Impact on Consolidated Statement of Comprehensive Income for the year ended 30 June 2016	Original \$ '000	Restatement amount \$ '000	Restated amount \$ '000
Gain on revaluation of property, plant and equipment	26,406	(1,340)	25,066
Income tax relating to valuation of property, plant and equipment	(5,759)	375	(5,384)

Impact on Consolidated Statement of Financial Position for the year ended 30 June 2016	Original \$ '000	Restatement amount \$ '000	Restated amount \$ '000
Current assets/liabilities			
Trade and other receivables	2,860	(503)	2,357
Trade and other payables	2,977	(503)	2,474
Non-current assets			
Property, plant and equipment	99,432	(1,340)	98,092
Non-current liabilities			
Deferred tax liabilities	12,638	(375)	12,263
Equity			
Revaluation reserve	48,898	(2,516)	46,382
Retained earnings	45,057	1,551	46,608

3. Profit from operations

3.1. Revenue

Revenue from operations consisted of the following items:

	Group		Parent	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Revenue				
Revenue from the rendering of services	20,246	18,744	53	107
Rental income from investment properties	9,669	9,015	-	-
Dividend revenue	-	-	2,500	2,092
Subvention receivable	-	-	277	326
Interest revenue				
Bank deposits / IRD use of money	27	34	-	-
Related party loans	19	23	1,682	1,941
Total revenue	29,961	27,816	4,512	4,466

Revenue recognition policies

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

Rendering of services - Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

Rental income from investment properties - 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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Interest costs				
Interest on borrowings and swaps	2,530	2,897	2,529	2,949
Other finance costs				
(Gains)/losses on derivative financial instruments	(1,914)	2,496	(658)	859
Total finance costs	616	5,393	1,871	3,808
Other expenditure disclosures				
Donations and sponsorship	60	82	-	-
Employer contribution to superannuation	259	257	-	-
Operating lease rental properties	24	28	-	-
Expenses from investment properties generating income	3,275	3,519	-	-
Total other expenditure	3,618	3,886	-	-
Depreciation, impairment and amortisation				
Depreciation of non-current assets	7	3,155	2,716	-
Amortisation of non-current assets	10	130	137	-
Impairment of non-current assets	7	-	962	-
Total depreciation, impairment and amortisation		3,285	3,815	-
Remuneration of auditors				
Audit of the financial statements		109	100	18
Total audit fee		109	100	17

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 2.07% and 5.21% (2016: 3.01% and 5.90%).

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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Profit before income tax expense	10,192	902	2,445	399
Tax at current rate 28%	2,852	252	684	111
Plus/(less) tax adjustments:				
Non-deductible expenses	30	6	-	-
Non-taxable expense/(income)	44	313	(700)	(586)
Group loss available for offset	4.2 -	-	200	234
Deferred tax expense permanent adjustments	-	14	-	-
Deferred tax expense/(credit) not recognised	4.3 -	-	(184)	241
Income tax expense recognised on the Income Statement	2,926	585	-	-
Comprising:				
Current tax expense	2,632	1,816	-	-
Deferred tax expense/(credit)	294	(1,231)	-	-
Total tax expense	2,926	585	-	-

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	
	2017	2016
	\$ '000	\$ '000
Profit before income tax expense	2,445	399
Plus/(less) tax adjustments:		
Non-taxable expense/(income)		
Subvention receivable	(277)	(326)
Dividend revenue	(2,500)	(2,092)
(Gains)/losses on derivative financial instruments	(658)	859
Total tax losses to be utilised within the Group	(990)	(1,160)
Transferred by:		
Subvention receivable	277	326
Loss offset	713	834

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	\$' 000
Balance at 1 July 2015	(554)	6,489	2,602	72	(499)	8,110
Recognised in:						
Profit or loss	(699)	(85)	(430)	72	(89)	(1,231)
Other comprehensive income (restated)	-	5,384	-	-	-	5,384
Balance at 30 June 2016	(1,253)	11,788	2,172	144	(588)	12,263
Recognised in:						
Profit or loss	535	(248)	140	24	(157)	294
Other comprehensive income	-	31	-	-	-	31
Balance at 30 June 2017	(718)	11,571	2,312	168	(745)	12,588

Deferred tax on Derivative financial instruments (interest rate swaps)

A deferred tax credit of \$184,000 (2016: -\$241,000) (see note 4.1) has not been recognised in the parent entity in relation to the parent financial instruments gains of \$658,000 (2016: -\$859,000) (see note 3.2).

The above deferred tax credit of \$535,000 (2016: -\$699,000) has instead been recognised at Group level in regards to the Group financial instruments gains of \$1,914,000 (2016: -\$2,496,000) (see note 3.2).

5. Trade and other receivables

	Group		Parent	
	2017 \$ '000	Restated 2016 \$ '000	2017 \$ '000	2016 \$ '000
Trade and other receivables	1,989	2,417	-	-
Allowance for doubtful debts	(60)	(60)	-	-
Other - related party	-	-	422	506
Total trade and other receivables	1,929	2,357	422	506

Trade and other receivables policies

Trade and other receivables are measured on initial recognised at fair value. An allowance for doubtful debts has been made for estimated irrecoverable amounts when there is objective evidence that the asset will be impaired. Any movement in the allowance is recognised in the Income Statement and measured as the difference between the asset's carrying and expected recoverable amount, which has considered customer creditor history and historical recovery of receivables.

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 2016	Cost/ valuation	Accumulated depreciation	Carrying amount	Additions	Disposals	Disposals depreciation adjustment	Impairment	Depreciation	Transfers	Transfers depreciation adjustment	Revaluation cost adjustment	Revaluation depreciation adjustment	Cost/ revaluation	Accumulated depreciation	Restated carrying amount
	1 July 2015			30 June 2016											
	\$ '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)	23,677	(507)	23,170	-	-	-	(1,121)	(334)	511	-	8,685	841	32,873	(1,121)	31,752
Buildings and wharf infrastructure (i)	40,402	(2,925)	37,477	1	-	-	159	(1,417)	3,725	-	11,359	4,102	55,487	(81)	55,406
Plant, equipment, furniture and vehicles (ii)	8,488	(4,263)	4,225	273	(68)	43	-	(566)	46	-	(297)	376	8,442	(4,410)	4,032
Work in progress (ii)	560	-	560	4,060	-	-	-	-	(4,282)	-	-	-	338	-	338
	73,127	(7,695)	65,432	4,334	(68)	43	(962)	(2,317)	-	-	19,747	5,319	97,140	(5,612)	91,528
Marlborough Airport Limited assets															
Freehold land and improvements (ii)	1,651	(543)	1,108	16	(3)	-	-	(66)	-	-	-	-	1,664	(609)	1,055
Buildings (ii)	1,405	(981)	424	4,633	(336)	286	-	(238)	-	-	-	-	5,702	(933)	4,769
Plant, equipment, furniture and vehicles (ii)	925	(433)	492	358	(105)	90	-	(95)	-	-	-	-	1,178	(438)	740
Work in progress (ii)	3,654	-	3,654	-	-	-	-	-	(3,654)	-	-	-	-	-	-
	7,635	(1,957)	5,678	5,007	(444)	376	-	(399)	(3,654)	-	-	-	8,544	(1,980)	6,564
Total Group Assets	80,762	(9,652)	71,110	9,341	(512)	419	(962)	(2,716)	(3,654)	-	19,747	5,319	105,684	(7,592)	98,092

(i) at Fair value

(ii) at Cost

GROUP 2017	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	Carrying amount									
	1 July 2016													30 June 2017											
	\$ '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)	32,873	(1,121)	31,752	-	-	-	-	-	(499)	659	-	-	-	33,532	(1,620)	31,912									
Buildings and wharf infrastructure (i)	55,487	(81)	55,406	140	(67)	67	-	-	(1,636)	(111)	229	(1,582)	-	53,867	(1,421)	52,446									
Plant, equipment, furniture and vehicles (ii)	8,442	(4,410)	4,032	635	(82)	75	-	-	(550)	(420)	12	-	-	8,575	(4,873)	3,702									
Work in progress (ii)	338	-	338	2,669	-	-	-	-	-	(2,708)	-	-	-	299	-	299									
	97,140	(5,612)	91,528	3,444	(149)	142	-	-	(2,685)	(2,580)	241	(1,582)	-	96,273	(7,914)	88,359									
Marlborough Airport Limited assets																									
Freehold land and improvements (i)	1,664	(609)	1,055	118	(10)	10	-	-	(97)	549	(220)	(242)	916	2,079	-	2,079									
Buildings (i)	5,702	(933)	4,769	49	-	-	-	-	(293)	(618)	9	450	1,217	5,583	-	5,583									
Plant, equipment, office furniture and fittings (ii)	1,178	(438)	740	193	(84)	48	-	-	(80)	(471)	211	-	-	816	(259)	557									
Work in progress (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-									
	8,544	(1,980)	6,564	360	(94)	58	-	-	(470)	(540)	-	208	2,133	8,478	(259)	8,219									
Total Group Assets	105,684	(7,592)	98,092	3,804	(243)	200	-	-	(3,155)	(3,120)	241	(1,374)	2,133	104,751	(8,173)	96,578									

(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.

MAL now applies the fair value method to these assets in accordance with NZ IAS 16. Prior to this MAL applied the cost method as per NZ IAS 16. MAL believes that the fair value method is preferable as it closely aligns with MAL's status as a profit-orientated company and to the way other entities within the MDCH Group account for similar classes of assets.

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 2016. The valuation was performed by 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.

This is the first year MAL performed the revaluation of its Freehold land and 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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Property, plant and equipment	731	995	-	-

9. Investment property

	Group		Parent	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Balance at beginning of the year	75,017	75,756	-	-
Additions from subsequent expenditure	654	1,140	-	-
Transfer from property, plant and equipment	2,879	-	-	-
Capital work in progress	(110)	539	-	-
Net loss from fair value adjustments	(751)	(2,418)	-	-
Balance at end of the year	77,689	75,017	-	-

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 2017 by Alexander Hayward Limited, independent registered valuers and associates of the NZ Institute of Valuers.

PMNZL's investment properties were valued on 30 June 2017 by Crighton Anderson Property and Infrastructure Limited t/a Colliers International and on 30 June 2016 by 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 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 8.0%.

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	2016	2015
Picton Marina	8.00%	6.50%
Waikawa Marina	8.50%	6.85%
Havelock Marina	9.00%	7.40%

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 8.0% and 9.0% (2016: 6.5% and 7.4%). The rates are post tax.

10. Intangible assets

	Group		Parent	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Software gross carrying amount				
Balance at beginning of the year	1,263	1,247	-	-
Additions	14	16	-	-
Balance at end of the year	1,277	1,263	-	-
Software accumulated amortisation and impairment				
Balance at beginning of the year	523	386	-	-
Amortisation (i)	130	137	-	-
Balance at end of the year	653	523	-	-
Software net book value at end of the year	624	740	-	-

(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	
	2017 \$ '000	Restated 2016 \$ '000	2017 \$ '000	2016 \$ '000
Trade creditors	1,185	887	28	21
Property, plant and equipment	96	460	-	-
Employee expenses	977	838	-	-
Bank interest	245	289	245	289
Total trade and other payables	2,503	2,474	273	310

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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Borrowings at amortised cost	54,340	56,855	54,340	56,855
Classified as:				
Current	-	-	-	-
Non-current	54,340	56,855	54,340	56,855
Total facility	64,340	65,000	64,340	65,000
Amount used	54,340	56,855	54,340	56,855
Amount unused	10,000	8,145	10,000	8,145

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. MAL's capitalised borrowing costs in 2016 of \$63,000 reflect the hedged interest rate at the time interest is incurred.

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.

The Company also holds a \$10 million multi-option facility agreement with ASB Limited (ASB). The facility was initially agreed for three years expiring in January 2018, however, ASB has supported the renewal of the facility to January 2021.

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 3.51% and 5.58% (2016: 3.51% and 5.90%).

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

	2017 \$ '000	2016 \$ '000
Bank:		
BNZ	29,800	29,800
Westpac	24,000	27,500
ASB	4,400	4,400
Total swap contracts	58,200	61,700
Classified as:		
Active swaps	37,400	40,900
Forward dated swaps	20,800	20,800

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

	Group		Parent	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Interest rate swap asset at FVTPL - between the Company and subsidiaries	-	-	1,765	3,021
Classified as:				
Current asset	-	-	-	-
Non-current asset	-	-	1,765	3,021
Interest rate swap (liability) at FVTPL - between the Company and the bank	(2,557)	(4,471)	(2,557)	(4,471)
Classified as:				
Current liability	(106)	-	(106)	-
Non-current liability	(2,451)	(4,471)	(2,451)	(4,471)
Net interest rate swap	(2,557)	(4,471)	(792)	(1,450)

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 \$792,000 (2016: \$1,450,000) represents the valuation of the parent's own swaps. The parent movement ((gain)/loss) between the two years of -\$658,000 (2016: \$859,000) is recorded under parent 'Expenses' in the Income Statement (see note 3.2).

The net interest rate swap position of \$2,557,000 (2016: \$4,471,000) represents the valuation of the Group swaps. The Group net interest rate movement ((gain)/loss) between the two years of -\$1,914,000 (2016: \$2,496,000) 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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Balance at beginning of the year	1,402	1,048	-	-
Additional provision recognised	476	354	-	-
Balance at end of the year	1,878	1,402	-	-
Classified as:				
Non-current	1,878	1,402	-	-

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 5.5% interest factor were applied to the ROC to calculate the amount to be provided each year up until 2030, 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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
6,000,000 fully paid ordinary shares (2016: 6,000,000)	6,000	6,000	6,000	6,000

At balance date the Company had issued 76,000,000 shares (2016: 76,000,000) of which 6,000,000 are fully paid. The remaining 70,000,000 shares (2016: 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	
	2017 \$ '000	Restated 2016 \$ '000	2017 \$ '000	2016 \$ '000
Capital reserve	2,616	2,616	2,992	2,992
Asset revaluation reserve	46,462	46,382	-	-
	49,078	48,998	2,992	2,992

16.1. Capital reserve

	Group		Parent	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Balance at beginning of the year	2,616	2,616	2,992	2,992
Balance at end of the year	2,616	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

	Notes	Group		Parent	
		2017 \$ '000	Restated 2016 \$ '000	2017 \$ '000	2016 \$ '000
Balance at beginning of the year		46,382	33,076	-	-
Revaluation increments		759	25,066	-	-
Deferred tax - Property revaluations	4.3	(31)	(5,384)	-	-
Transfer from Retained Earnings	17	(648)	(6,376)	-	-
Balance at end of the year		46,462	46,382	-	-

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

	Notes	Group		Parent	
		2017 \$ '000	Restated 2016 \$ '000	2017 \$ '000	2016 \$ '000
Balance at beginning of the year		46,608	41,060	(730)	16
Net profit after tax		7,266	317	2,445	399
Dividends paid	18	(1,256)	(1,145)	(1,256)	(1,145)
Transfer to asset revaluation reserve	16.2	648	6,376	-	-
Balance at end of the year		53,266	46,608	459	(730)

18. Dividends

	2017 Cents per Share	2017 Total \$ '000	2016 Cents per Share	2016 Total \$ '000
Recognised amounts:				
Fully paid ordinary shares	21	1,256	19	1,145

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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Not longer than 1 year	76	57	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-

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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Not longer than 1 year	4,691	5,806	-	-
Longer than 1 year and not longer than 5 years	11,068	11,219	-	-
Longer than 5 years	9,545	10,812	-	-

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 (2016: 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	
		2017 %	2016 %
Port Marlborough New Zealand Limited	New Zealand	100	100
Marlborough Airport Limited	New Zealand	100	100

21.1. Investment in subsidiaries

	Group		Parent	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Current asset portion				
Advances to Marlborough District Council	2,097	1,525	2,097	1,525
Non-current asset portion				
Advances to subsidiaries	-	-	33,735	36,250
Non-current liability portion				
Loans from Marlborough District Council	54,340	-	54,340	-

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 \$1,863 (2016: \$1,380) from PMNZL.

Port Marlborough New Zealand Limited

Transactions between MDC Holdings Limited and PMNZL are as follows:

	2017 \$	2016 \$
Amounts received from PMNZL during the year:		
Dividends	2,500,128	2,092,499
Finance costs recovered	1,523,746	1,804,729
Subvention payment	325,511	373,255
Amounts receivable from PMNZL at balance date:		
Advance	29,500,000	31,500,000
Interest on advance	123,595	154,806
Subvention payment	276,663	325,511

Marlborough Airport Limited

Transactions between MDC Holdings Limited and MAL are as follows:

	2017 \$	2016 \$
Amounts received from MAL during the year:		
Interest on advance	184,275	189,779
Finance fee reimbursement	6,474	13,384
Swap valuation fee reimbursement	1,111	753
Amounts receivable from MAL at balance date:		
Interest on advance	21,939	25,067
Advance	4,235,000	4,750,000

21.4. Transactions and balances with Marlborough District Council

MDC Holdings Limited

Transactions between Council and MDC Holdings Limited are as follows:

	2017 \$	2016 \$
Amounts paid to MDC during the year:		
Dividends	1,256,000	1,145,000
Interest on loans	678,590	-
Amounts payable to MDC at balance date:		
Loans	54,340,000	-
Interest on loans	167,435	-
Amounts received from MDC during the year:		
Interest on advance	21,398	39,826
Swap valuation fee reimbursement	178	125
Amounts receivable from MDC at balance date:		
Advance	2,096,990	1,525,000

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

Port Marlborough New Zealand Limited

Transactions between Council and PMNZL are as follows:

	2017 \$	2016 \$
Amounts received from PMNZL during the year:		
Rates	914,250	864,800
Services provided	494,500	494,500
Amounts paid to PMNZL during the year:		
Services provided	60,950	71,300
Land purchases	-	59,000

Marlborough Airport Limited

Transactions between Council and MAL are as follows:

	2017 \$	2016 \$
Received from MAL during the year	75,244	24,309
Receivables from MAL at balance date	-	46,000
Paid to MAL during the year	4,870	27,760

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 (2016: Nil).

21.7. Directors' transactions

Mr EG Johnson is chairman of PMNZL and also a shareholder or Director of:

- Fulton Hogan Limited who undertook construction work for the year totalling \$90,270 (2016: \$417,165).
- Goldpine Group Limited who provided fencing materials during the year totalling \$3,548 (2016: \$3,513). \$Nil (2016: \$3,305) was payable to Goldpine Group Limited as at 30 June.
- ECL Group Limited who provided fuel equipment and servicing during the year totalling \$14,007 (2016: \$42,453). \$455 (2016: \$Nil) was payable to ECL Group Limited as at 30 June.

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

- Southern Cross Medical Care Society, whom subsidiary PMNZL paid \$70,699 (2016: \$58,614) for employee health insurance.
- Gough Group Limited who provided machinery services during the year totalling \$4,214 (2016: \$Nil).

Mr P Drummond is a Director of PMNZL and was also a Director of Watercare Services Limited, whom the company paid \$13,106 (2016: \$12,098) for TSP and deposited dust monitoring. \$Nil (2016: \$1,008) was payable as at 30 June.

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	
	2017 \$ '000	2016 \$ '000	2017 \$ '000	2016 \$ '000
Employee benefits	1,131	1,103	-	-
Directors fees	298	257	58	47
	1,429	1,360	58	47

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)					
		Loans and Receivables at cost	Financial liabilities at cost	Financial assets/ (liabilities) at FVTPL ^(*)	Totals
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents		679	-	-	679
Trade and other receivables (restated)	5	2,357	-	-	2,357
Loans to Marlborough District Council	21.2	1,525	-	-	1,525
Trade and other payables (restated)	11	-	(2,474)	-	(2,474)
Borrowings	12	-	(56,855)	-	(56,855)
Derivative financial instruments	13	-	-	(4,471)	(4,471)
Balance at 30 June 2016		4,561	(59,329)	(4,471)	(59,239)
Cash and cash equivalents		3,371	-	-	3,371
Trade and other receivables	5	1,929	-	-	1,929
Loans to Marlborough District Council	21.2	2,097	-	-	2,097
Trade and other payables	11	-	(2,503)	-	(2,503)
Borrowings	12	-	(54,340)	-	(54,340)
Derivative financial instruments	13	-	-	(2,557)	(2,557)
Balance at 30 June 2017		7,397	(56,843)	(2,557)	(52,003)
Parent financial assets/(liabilities)					
		Loans and Receivables at cost	Financial Liabilities at cost	Financial assets/ (liabilities) at FVTPL ^(*)	Total
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents		60	-	-	60
Trade and other receivables	5	506	-	-	506
Related party loans	21.2	37,775	-	-	37,775
Trade and other payables	11	-	(310)	-	(310)
Borrowings	12	-	(56,855)	-	(56,855)
Derivative financial instruments	13	-	-	(1,450)	(1,450)
Balance at 30 June 2016		38,341	(57,165)	(1,450)	(20,274)
Cash and cash equivalents		66	-	-	66
Trade and other receivables	5	422	-	-	422
Related party loans	21.2	35,832	-	-	35,832
Trade and other payables	11	-	(273)	-	(273)
Borrowings	12	-	(54,340)	-	(54,340)
Derivative financial instruments	13	-	-	(792)	(792)
Balance at 30 June 2017		36,320	(54,613)	(792)	(19,085)

(*) 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 (2016: 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 2017. 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 2017.

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	
	2017	2016
\$100,000 - 110,000	4	3
\$110,000 - 120,000	2	2
\$120,000 - 130,000	1	1
\$140,000 - 150,000	-	2
\$150,000 - 160,000	1	1
\$160,000 - 170,000	1	-
\$180,000 - 190,000	1	1
\$200,000 - 210,000	1	1
\$210,000 - 220,000	1	-
\$360,000 - 370,000	-	1
\$370,000 - 380,000	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

	2017	2016
	\$	\$
P J M Taylor (Chairman)	20,640	19,024
A T Sowman - resigned	3,057	9,512
J C Leggett	10,320	9,512
R W Olliver	10,320	9,512
T E Hook	7,039	-
M A Peters	7,039	-
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 2017 (2016: Nil).

Port Marlborough New Zealand Limited

	2017	2016
	\$	\$
E G Johnson (Chairman)	60,000	60,000
A R Besley	30,000	-
I R Boyd	30,000	15,000
P S Drummond	30,000	30,000
M B J Kerr	30,000	30,000
K B Taylor	30,000	30,000
M F Fletcher (paid to Council)	30,000	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

P J M Taylor

Marsh New Zealand Advisory Board	Member
Fire and Emergency New Zealand	Member of Audit, Finance and Risk Committee
Ngati Awa Group Holdings Limited	Chairman of Audit Committee
Ryland Estate Limited	Director / Shareholder
Te Runanga o Ngati Awa	Chairman of Audit Committee

J C Leggett

BJM Forests Limited	Director / Shareholder
Bryce Trustee Limited	Director
JAHB Properties Limited	Director / Shareholder
JCL Trust	Trustee
JSJ Trust	Trustee
MDC Holdings Limited	Director
Res Ipsa Loquitur Limited	Director / Shareholder
Riverlands Viticulture Limited	Director / Shareholder
TWL & PRL Trust	Trustee
Willowgrove Dairies Limited	Shareholder
Wisheart McNab & Partners Solicitors Nominee Co Ltd	Director / Shareholder
Wisheart McNab & Partners Trustee Company Limited	Director / Shareholder / Partner

M A Peters

Gaynor Arthur Family Trust	Trustee
Gill Family Trust	Trustee
HE & ME Griffiths Family Trust	Trustee
Holtrop Family Trust	Trustee
Kerry Hodges Family Trust	Trustee
MA & VF Peters Limited	Director / Shareholder
MA Peters Family Trust	Trustee
Marlborough District Council	Councilor
Marlborough Garlic Limited	Director
MJ Simmons Family Trust	Trustee
NZ Rugby Foundation Inc	Director
Peters Doig Trustee Company Limited	Director
Pure New Zealand Garlic Limited	Director

M S Wheeler

Marlborough District Council	CEO
CAMA Trust	Trustee

R W Olliver

Fulton Hogan 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

T E Hook

Marlborough District Council	Councilor
Te Mahia Bay Resort	Partner

Port Marlborough New Zealand Limited

E G Johnson

ECL Group Limited	Director
E G and D M Johnson Family Trust	Trustee
Fulton Hogan Limited	Shareholder
Goldpine Group Limited	Chairman / Shareholder
Indevin Limited	Chairman / Shareholder
Port Otago Limited	Director
Stone Farm Holdings Limited	Director / Shareholder

A R Besley

Black Dog Vineyards Limited	Director / Shareholder
Redwood Developments Limited	Shareholder

I R Boyd

Aroona Holdings Limited (and subsidiaries)	Chairman / Director
OTPP NZ Forest Investment Limited	CEO
Te Arawa Group Holdings Limited	Director

P Drummond

Appliance Connexion Limited	Chairman
Fish Pot New Zealand	Chairman
NARTA Australia Pty Limited	Director
NARTA NZ Limited	Director
Ngati Awa	Director
Fire and Emergency New Zealand	Director
Watercare Harbour Clean Up Trust	Chairman

M F Fletcher

Calmar Cherries Limited	Director / Shareholder
Marlborough District Council	CFO

K Taylor

Auckland Council Investments Limited	Chairman
Butlands Management Services Limited	Chairman
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
Winstanley Kerridge Chartered Accountants Limited	Director

Port Marlborough New Zealand Limited continued

K Taylor

Auckland Council Investments Limited	Chairman
Butlands Management Services Limited	Director
Carey Baptist Theological College	Board Member
Earthquake Commission	Deputy Chairman
Gough Holdings Limited	Chairman
Government Superannuation Fund	Chairman
Reserve Bank of New Zealand	Deputy Chairman
Southern Cross Medical Care Society, Healthcare Trust and Hospitals Limited	Director / Trustee

M Kerr

Kakapo Bay Forests (2004) Limited	Director
Saints Investments Limited	Director
Winstanley Kerridge Chartered Accountants Limited	Director

Company Directory

Directors

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

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