

2014

MDC Holdings Limited

Annual Report

For the financial year ended 30 June 2014



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Directors' Report

The Directors of MDC Holdings Limited are pleased to present to the Shareholder their Annual Report and financial statements for the year ended 30 June 2014.

The Directors are responsible for presenting financial statements, in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of MDC Holdings Limited and its subsidiaries, Marlborough Airport Limited and Port Marlborough New Zealand Limited, as at 30 June 2014 and the results of the Group's operations and cash flows for the year ended on that date.

Auditors

Andy Burns of Audit New Zealand is the auditor of MDC Holdings Limited for the year ended 30 June 2014. Michael Wilkes of Deloitte, acting as agent on behalf of the Auditor General, is the auditor for Port Marlborough New Zealand Limited, its subsidiaries and Marlborough Airport Limited for the year ended 30 June 2014.

Employee remuneration

MDC Holdings Limited

MDC Holdings Limited has no employees.

Marlborough Airport Limited

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

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	Number of employees	
	2014	2013
\$100,000 - 110,000	2	1
\$130,000 - 139,000	2	1
\$170,000 - 179,000	2	1
\$180,000 - 189,000	1	-
\$190,000 - 199,000	-	1
\$210,000 - 219,000	-	1
\$330,000 - 339,000	-	1
\$340,000 - 350,000	1	-

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



Interest Register

Directors' remuneration and benefits

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

MDC Holdings Limited

	2014	2013
	\$	\$
P J M Taylor (Chairman)	17,000	17,000
A T Sowman	8,500	8,500
F D Maher (resigned)	2,833	8,500
J C Leggett	5,667	-
R W Olliver	8,500	8,500
A R Besley (unpaid director)	-	-

Marlborough Airport Limited

The directors of MDC Holdings Limited are also the directors of Marlborough Airport Limited. No remuneration or benefits were paid during the year ended 30 June 2014 (2013: Nil).

Port Marlborough New Zealand Limited

	2014	2013
	\$	\$
E G Johnson (Chairman)	57,500	55,000
D A H Brown	28,750	27,500
D R Wilkie	28,750	27,500
K Taylor	28,750	27,500
K Hitchcock	28,750	27,500
M F Fletcher (paid to Marlborough District Council)	28,750	27,500

Directors' and Officers' Liability Insurance

The parent 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. Port Marlborough has arranged a similar policy with QBE Insurance International Limited.

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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 Audit & Finance committee
Martin Jenkins & Associates	Chairman
Ngati Awa Group Holdings Limited	Member Audit & Finance committee
Ryland Estate Limited	Director / Shareholder
Te Runanga o Ngati Awa	Member Audit & Finance committee

A T Sowman

Custom Copy Limited	Shareholder
Kimi Hauora Wairau Marlborough PHO Trust	Community Representative
Marlborough District Brass Band Incorporated	President
Marlborough District Council	Mayor
Marlborough Employment Enterprises Trust	Trustee
Marlborough Environment Awards Trust	Trustee
Wairau Products Limited	Director / Shareholder

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	Councillor
Res Ipsa Loquitur Limited	Director / Shareholder
TWL & PRL Trust	Trustee
Willowgrove Dairies Limited	Shareholder
Wisheart McNab & Partners Solicitors Nominee Co Ltd	Director / Shareholder
Wisheart McNab & Partners	Director / Shareholder / Partner

R W Olliver

Indevin Estates Gisborne Limited	Director
Indevin Estates Limited	Director
Indevin Gisborne Limited	Director
Indevin Group Limited	Director
Indevin Limited	Director
Indevin Supply Limited	Director
Kenepuru Forests Limited	Director
Rangitane Holdings Limited	Director
Ridgeback Trustees Limited	Director / Shareholder
Toi Downs Limited	Director
Wine Export Partners New Zealand Limited	Director

A R Besley

Black Dog Vineyards Limited	Director / Shareholder
Marlborough District Council	CEO
Redwood Development Limited	Shareholder

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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
National Institute of Water and Atmospheric Research	Director
Port Otago Limited	Director
Stone Farm Holdings Limited	Director / Shareholder

D A Brown

Bishopdale Theological College Foundation	Board Member
Hornby Trust	Trustee
Link Pathway Trust	Trustee

M F Fletcher

Calmar Cherries Limited	Director / Shareholder
Marlborough District Council	Manager Corporate Finance CFO

K Hitchcock

22 Stoddards Road Limited	Director
342 Lambton Quay Limited	Director
36 Sel Peacock Drive Limited	Director
99 Albert Street Limited	Director
Bay Investments Trust Company Limited	Director
Charta Funds Management Limited	Director
Charta Limited	Director
Charta Management Holdings Limited	Director
Charta Management Limited	Director
Charta Real State Limited	Director
Cresent Management Limited	Director
Eastgate Shopping Centre Limited	Director
Forte Management Limited	Director
Hornby Mall Limited	Director
K D Investment Trust Company Limited	Director
Kauri Property Fund Limited	Director
Kauri Tamaki Limited	Director
Kerry D Hitchcock Limited	Director
NPT Capital Limited	Director
NPT Limited	Director
NPT Management Team Limited	Director
Ocean Boulevard Shopping Centre Limited	Director
Tamaki Investment Trust Company Limited	Director
Tamaki Station Limited	Director
The National Property Trust Investments Limited	Director
The National Property Trust No1 Limited	Director
The National Property Trust No2 Limited	Director
Unicentre Limited	Director

Port Marlborough New Zealand Limited continued

K Taylor

Butlands Management Services Limited	Director
Carey Baptist Theological College	Board Member
Earthquake Commision	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
Speirs Group Limited	Chairman

D Wilkie

Smart Alliances Limited	Director
Wilkie Harris Family Trust	Trustee

Directors' Loans

There were no loans by the Company to Directors.

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.

Statement of Responsibility

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year ended on that date.

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 1993.

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

Outlook

Port Marlborough's primary task is to conclude commercial arrangements with its inter-island ferry customers with appropriate recognition of the need for further investment. Port Marlborough is also planning for replacement, upgrade and expansion of core port infrastructure. The renewal of the infrastructure to provide for long term contracts with ferry customers should be achievable with an extension of existing funding lines.

With the removal of the uncertainty created by the Clifford Bay investigation the scene is well set for Port Marlborough to further develop modern, flexible port facilities and responsive business systems that enable excellent delivery to Port Marlborough's customers and for which the region be justifiably proud.

Tender documents for the terminal development at Marlborough Airport were issued on April 2014 and work commenced in July 2014. Directors also look forward to investigating future prospects of growth within the Marlborough Airport facilities to better service the operations of the Airport Company.



P J M Taylor - Chairman



A R Besley - Director

For and on behalf of the Board of Directors

Date 30 Sep 2014

Corporate Governance Statement

Corporate Governance Statement

The Board of Directors 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, Marlborough District 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 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 five Directors, a Chairman and four 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 3 to 7 of this report.

MDC Holdings Limited'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 a draft Statement of Intent (SOI) for the coming financial year. The SOI sets out the Company's overall objectives, intentions, and financial and performance targets. The SOI is approved by the shareholder, Marlborough District Council.

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.

Financial Statements

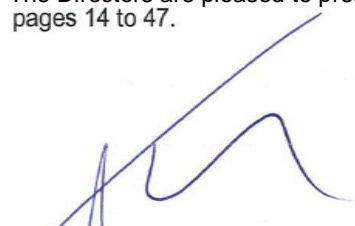
Directors' Approval of Financial Statements for the year ended 30 June 2014.

Authorisation for Issue

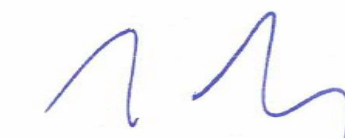
The Board of Directors authorised the issue of these Financial Statements on 30 September 2014.

Approval by Directors

The Directors are pleased to present the Financial Statements of MDC Holdings Limited for the year ended 30 June 2014 on pages 14 to 47.



P. J. M. Taylor - Chairman



A. R. Besley - Director

For and on behalf of the Board of Directors

Date 30 Sep 2014

Independent Auditor's Report

To the readers of MDC Holdings Limited and group's financial statements and statement of service performance for the year ended 30 June 2014

The Auditor-General is the auditor of MDC Holdings Limited (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 statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 14 to 47, that comprise the statement of financial position as at 30 June 2014, 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 statement of service performance of the company and group on pages 12 to 13.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company and group on pages 14 to 47:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company and group's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company and group on pages 12 to 13:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company and group's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

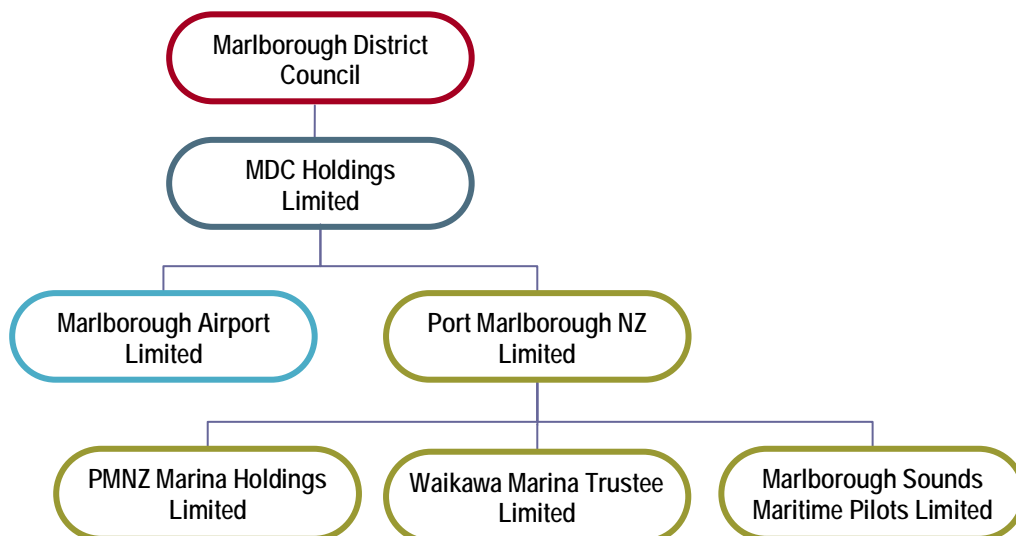
Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.



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

Review of Activities – Statement of Intent

The Statement of Intent (SOI) specifies for the parent, MDC Holdings Limited (“MDCH”), 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. The Group structure is summarised below:



The performance targets specified in the SOI are compared here with the actual performance of MDC Holdings Limited and its subsidiaries and material variances are explained:

1. To continue to review the financing needs of:
 - Port Marlborough New Zealand Limited (“PMNZL”) and its subsidiaries; and
 - Marlborough Airport Limited (“MAL”)with a view to having adequate cost effective debt facilities in place.

The parent has two loan agreements, \$30 million each, to fund its investments in subsidiaries and to advance money to them. Discussions are held between the parent and its subsidiaries as to their financing requirements during the budget/SOI agreement and on an ongoing basis.

In January 2014 a three year facility was put in place and in December 2014 the other facility is due for renewal. The Board will discuss the projected financing needs of the subsidiaries and any need to increase the facility prior to its maturity.

All financing requirements for the Group were met and adequate facilities were in place for the year end 30 June 2014, as evidenced by the balance of facility unused as at 30 June 2014.

2. To facilitate a good ongoing working relationship with subsidiaries and monitor their performance. This will include:
 - 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.

Regular reports and meetings took place between PMNZL and MDCH Boards during the financial year. PMNZL presents its draft SOI, six monthly reports and Annual Report to the Board of MDCH to enable the Board to be comfortable with the direction that has been followed, the performance targets proposed and actual achievement against those targets.

The Annual General Meeting of respective organisations are held following each other to allow discussions to be held on an informal basis between MDCH and PMNZL Boards.

3. Develop a letter of shareholder expectations by 31 December, should it have any specific expectations it wants the subsidiary to incorporate into its forth coming SOI/SCI.

The need for a letter of expectation was considered but it was decided it was not required.

4. Financial targets

	Notes	Budget as per SOI \$ '000	Actual \$ '000	Variance \$ '000	%
Income					
Dividend Income	a	1,830	1,766 -	64	-3%
Other Income	b	2,891	2,844 -	47	-2%
Total Income		4,721	4,610 -	111	-2%
Less Expenses					
Interest Paid	c	3,193	2,921	272	9%
Operating and Administration		335	323	12	4%
Total Expenses		3,528	3,244	284	8%
Net Profit before income tax expense		1,193	1,366	173	15%
Less tax		-	-	-	-
Net profit after tax		1,193	1,366	173	15%
Proposed Dividends	d	688	1,323	635	92%
Tax paid return on Opening Shareholders' funds		15.3%	16.2%		1.0 pp
Ratio of Shareholders funds to Total Assets		11.4%	13.1%		1.7 pp

The parent profits are \$173,000 above budget. Removing the impact of the non-cash valuation gain on derivatives (\$544,000 actual vs \$429,000 target) the profit before swap valuations is \$58,000 higher than budget (\$822,000 vs \$764,000). The various components that make up this increase in profit are described below:

- Dividend Income, \$64,000 less than projected due to reduced dividend from PMNZL following lower than budget profit in 2012-13.
- Interest Income, \$124,000 less than projected mainly due to lower than projected advances to PMNZL (actual of \$33.5m vs budget \$37.6m) and \$20,000 unbudgeted interest received from MDC.

Changes in capital expenditure due to uncertainties associated with Clifford Bay investigations and increased income from record log volumes have contributed to the reduction in advances to PMNZL.

Subvention Payment Income, \$33,000 less than projected as budget has a greater loss available to offset.

Fair Value gain on derivatives, \$115,000 more than projected. The fair value adjustment was budgeted at \$429,000 compared to an actual \$544,000.

- Finance Costs, \$272,000 less than projected due to a lower level of borrowings for PMNZL, refer 'b', and lower effective interest rate for MDCH.
- Dividend paid, \$635,000 more, mainly due to MDCH \$600,000 Interim Dividend payment to Council based on June 2014 Forecast profits.

Income Statement

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Revenue	2(a)	25,179	24,281	4,610	4,545
Other income	2(b)	55	70	-	-
Investment Property Revaluation	9	406	760	-	-
Operations and Maintenance		(8,035)	(7,866)	(281)	(276)
Employee benefits expense	4	(5,265)	(5,152)	(42)	(42)
Depreciation, impairment and amortisation expense	2(c)	(2,329)	(2,509)	-	-
Finance Costs	2(c)	(2,921)	(2,859)	(2,921)	(2,859)
Profit before income tax expense		7,090	6,725	1,366	1,368
Income tax expense	3	(1,779)	(1,447)	-	-
Profit for the year		5,311	5,278	1,366	1,368

Statement of Comprehensive Income

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Profit for the year		5,311	5,278	1,366	1,368
Other Comprehensive Income, net of tax					
Revaluation of Property, plant and equipment	17(b)	-	7,079	-	-
Total Comprehensive Income for the year, net of tax		5,311	12,357	1,366	1,368
Comprehensive income attributable to equity holders of the parent entity		5,311	12,357	1,366	1,368

Statement of Changes in Equity

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Equity at beginning of the year		75,026	63,348	8,423	7,734
Total Comprehensive income for the year, net of tax		5,311	12,357	1,366	1,368
Dividends	19	(1,323)	(679)	(1,323)	(679)
Balance at end of the year		79,014	75,026	8,466	8,423

Notes to the financial statements are included on pages 17 to 47 and are an integral part of, and should be read in conjunction with, these financial statements.

Statement of Financial Position

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Current assets					
Cash and cash equivalents	25	1,545	738	8	22
Trade and other receivables	6	2,469	2,384	599	570
Inventories	7	330	275	-	-
Other financial assets - derivatives	22	-	137	12	137
Other financial assets - loans to MDC	22	484	958	484	958
Total current assets		4,828	4,492	1,103	1,687
Non-current assets					
Other financial assets - derivatives	22	-	(137)	272	796
Other financial assets - loans to subsidiaries	22	-	-	34,790	31,800
Investment in subsidiaries	22	-	-	28,536	28,536
Property, plant and equipment	8	67,555	67,353	-	-
Investment property	9	74,034	69,358	-	-
Other intangible assets	10	867	44	-	-
Total non-current assets		142,456	136,618	63,598	61,132
Total assets		147,284	141,110	64,701	62,819
Current liabilities					
Trade and other payables	11	2,783	3,074	345	304
Borrowings	15	28,895	23,200	28,895	23,200
Other financial liabilities - derivatives	14	12	137	12	137
Current tax liabilities	3(c)	353	105	-	-
Provisions	12	56	46	-	-
Total current liabilities		32,099	26,562	29,252	23,641
Non-current liabilities					
Borrowings	15	26,500	29,205	26,500	29,205
Deferred tax liabilities	3(d)	8,476	8,234	-	-
Other financial liabilities - derivatives	14	483	1,550	483	1,550
Provisions	13	712	533	-	-
Total non-current liabilities		36,171	39,522	26,983	30,755
Total liabilities		68,270	66,084	56,235	54,396
Net Assets		79,014	75,026	8,466	8,423
Equity					
Capital and other equity instruments	16	6,000	6,000	6,000	6,000
Capital reserve	17	2,616	2,616	2,992	2,992
Revaluation reserve	17	33,076	33,076	-	-
Retained earnings	18	37,322	33,334	(526)	(569)
Total Equity		79,014	75,026	8,466	8,423

Notes to the financial statements are included on pages 17 to 47 and are an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statement

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Cash flows from operating activities					
Receipts from customers		23,930	22,705	141	158
Interest received		7	(31)	1,752	1,606
Dividends received		-	-	1,766	1,685
Subvention receipts		-	-	374	407
Payments to suppliers and employees		(13,484)	(12,165)	(318)	(314)
Interest and other costs of finance paid		(3,020)	(3,056)	(2,880)	(2,878)
Income tax paid (net of refunds)		(1,289)	(1,285)	-	-
Net cash provided by/(used in) operating activities	25(e)	6,144	6,168	835	664
Cash flows from investing activities					
Payment for property, plant and equipment		(2,393)	(2,804)	-	-
Proceeds from sale of property, plant and equipment		-	40	-	-
Advances received		474	-	474	250
Advances made		-	(19)	(2,990)	(4,769)
Payment for intangible assets		(779)	(37)	-	-
Payment for investment property		(4,306)	(7,036)	-	-
Net cash provided by/(used in) investing activities		(7,004)	(9,856)	(2,516)	(4,519)
Cash flows from financing activities					
Proceeds from borrowings		2,990	4,750	2,990	4,750
Repayment of borrowings		-	(250)	-	(250)
Dividends paid		(1,323)	(679)	(1,323)	(679)
Net cash provided by/(used in) financing activities		1,667	3,821	1,667	3,821
Net increase in cash and cash equivalents		807	133	(14)	(34)
Cash and cash equivalents at the beginning of the financial year		738	605	22	56
Cash and cash equivalents at the end of the financial year	25(a)	1,545	738	8	22

Notes to the financial statements are included on pages 17 to 47 and are an integral part of, and should be read in conjunction with, these financial statements.

Notes to the Financial Statements

1. Statement of Accounting Policies

1.1 Statement of Compliance

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, Port Marlborough New Zealand Limited provides port and marina facilities at the northern tip of the South Island of New Zealand. The other subsidiary Marlborough Airport Limited operates Marlborough's principal airport at Woodbourne, west of Blenheim. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The parent entity is Marlborough District Council.

The 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") and other applicable financial reporting standards as appropriate for profit-oriented entities.

The consolidated and Parent financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 30 September 2014.

The financial statements comprise the activities of the MDC Holdings Limited and the other entities in which the Company has a controlling interest.

The Group consists of:

- Port Marlborough New Zealand Limited
- Marlborough Airport Limited.
- MDC Holdings Limited.

1.2 Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments as outlined below. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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.

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

Significant judgements, estimates and assumptions made by Management in the preparation of these financial statements are outlined below:

- Asset revaluation (notes 8 and 9)
- Financial instruments (note 26)
- Allowance for doubtful debts (note 6)
- Current provision (note 12)
- Non-current provisions (note 13)
- Contingent liabilities (note 23)

1.3 Significant Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014, and the comparative information presented in these financial statements for the year ended 30 June 2013.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

1.4 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:

- a. has power over the investee;
- b. is exposed, or has rights, to variable returns from its involvement with the investee; and
- c. 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.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as Goodwill (Discount on Acquisition). If, after reassessment, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is credited to the Income Statement.

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. 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.

All significant inter-group transactions and balances between Group enterprises are eliminated on consolidation.

1.5 Investments in subsidiaries

Investments in subsidiaries are recorded in the parent entity's financial statements at cost less any subsequent accumulated impairment losses.

1.6 Revenue recognition

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

Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer which is usually when the goods are delivered and title has passed.

Interest income is accrued on an effective interest rate method, by reference to the principal outstanding and at the effective interest rate applicable.

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

Other income is recognised as revenue when control over the assets is obtained.

1.7 Interest & dividends paid

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

1.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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 Group lessee exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.9 Finance Costs

Interest expenses are accrued on a time basis using the effective interest method.

Borrowing Costs

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.

To the extent that fixed rate borrowings are used to finance a qualifying asset, the capitalised borrowing costs reflect the hedged interest rate.

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.

1.10 Income Tax

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when MDC Holdings Limited has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from Goodwill (or Discount on Acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised.

Deferred tax is charged or credited in the Income Statement, except when it relates to transactions recognised in other comprehensive income or items charged or credited directly to equity, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1.11 Fair Value Measure

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.

Valuation Techniques

The Group determines the fair values and net fair values of financial assets and financial liabilities as follows:

- the fair value of 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
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Fair Value measurements recognised in the Statement of Financial Position

The financial instruments that are measured subsequent to initial recognition at fair value are categorised into a three level hierarchy based on the degree that the fair value is observable and the significance of the inputs used in making the measurements:

- Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1.12 Property, Plant and Equipment, and Depreciation

The subsidiaries of the Group have the following classes of Property Plant and Equipment:

1.12.1 Port Marlborough New Zealand Limited

- Freehold Land
- Improvements
- Buildings
- Wharves Infrastructure
- Plant, Equipment, Furniture and Vehicles
- Work in Progress

Freehold Land, Improvements, Buildings and Wharves Infrastructure are initially stated at cost, and subsequently revalued to fair value at the date of revaluation, as determined by an independent valuer and by reference to the assets highest and best use, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

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

All other items of Property, Plant and Equipment are stated 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 it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to 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.

Work in Progress

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

Infrastructural Assets

Infrastructural Assets, principally wharves and jetty facilities, are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation is provided on a straight line basis on all property, plant and equipment other than land and work in progress, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation 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 useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- | | |
|--|----------------|
| • Improvements | 20 – 50 years |
| • Buildings | 30 – 100 years |
| • Wharves Infrastructure | 10 – 50 years |
| • Plant, Equipment, Furniture and Vehicles | 2 – 10 years |

The useful lives and estimated residual values are reviewed at each balance date and amended if necessary.

1.12.2 Marlborough Airport Limited

- Car park and Land Improvements
- Buildings
- Plant, Equipment, Office Furniture and Fittings
- Work in Progress

All items of Property, Plant and Equipment are stated at their cost or deemed cost less any subsequent accumulated depreciation and impairment losses (if any).

Work in Progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they related. If a resource consent application is declined then all capitalised costs are written off.

Depreciation is charged on all Property, Plant and Equipment as to write off the cost of the assets, other than properties under construction (work in progress), over their estimated useful lives, using the straight-line method (SL). The useful lives and estimated residual values are reviewed at each balance date and amended if necessary. Depreciation on work in progress commences when the assets are ready for their intended use.

Depreciation is charged to 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 profit or loss.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Carpark and Land Improvements 3.0 – 6.0% SL
- Buildings 2.5 – 12.5% SL
- Plant, Equipment, Office Furniture and Fittings 5.5 – 40.0% SL

1.13 Investment property

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes Port Marlborough's marinas, reclamation land and their supporting facilities.

Investment property is stated at its fair value at balance date. An external, independent valuation firm, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

1.14 Impairment

At each reporting date, 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 and for indefinite life intangibles, 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 class.

Where 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. An impairment of goodwill is not subsequently reversed.

1.15 Intangibles

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

1.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Inventories are held for maintenance purposes only.

1.17 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.

Employee entitlements

Provision is made in respect of the Company's and Group's liability for retiring gratuity allowances, annual and long service leave, and sick leave.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for accumulating short-term compensated absences (e.g. annual and sick leave) are measured as the additional amount of unused entitlement accumulated at balance date.

1.17.1 Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

1.17.2 Financial assets

Financial assets are classified into the following categories: "fair value through profit loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets as determined at the time of initial recognition. Policies in respect of individual categories of financial assets are outlined as follows:

Cash & Cash Equivalents

Cash and cash fall into the "loans and receivables" category, and 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.

Trade & Other Receivables

Trade receivables fall into the "loans and receivables" category, and are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.17.3 Financial liabilities

Financial liabilities are classified into the following specified categories: "fair value through profit or loss" and "other financial liabilities". Policies in respect of individual categories of financial liabilities are outlined as follows:

Trade & Other Payables

Trade and other payables fall into the category of "other financial liabilities" and are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are classified as "other financial liabilities" and are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, these loans and borrowings are subsequently measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the loan or borrowing. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Loans are classified as current liabilities (either advances or current portion of term debt) unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.18 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.19 Derivative Financial Instruments

The Group enters into interest rate swaps to manage interest rate risk. Derivative financial instruments fall into the "fair value through profit or loss" category. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Derivative instruments entered into by the Company and Group do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income Statement. The Group does not use derivative financial instruments for speculative purposes. Further information on the recognition of derivatives assets/liabilities is disclosed under note 14.

1.20 Goods and services tax (GST)

MDC Holdings Limited is not registered for GST, Marlborough Airport Limited and Port Marlborough New Zealand Limited are registered for GST therefore revenue, expenses and assets are recognised net of the amount of GST, except those from MDC Holdings Limited which are recognised inclusive of GST.

1.21 Statement of cash flows

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.

1.22 New standards adopted

In the current year, the Company and Group are adhering to the following new standards and amendments to relevant standards that are mandatorily effective for an accounting period beginning on or after 1 July 2013;

- NZ IAS 1 Presentation of Financial Statements: presentation of items of other comprehensive income.
- NZ IFRS 13 Fair Value Measurement: additional disclosures.
- NZ IFRS 10 Consolidated Financial Statements: revised interpretation on definition of control.
- NZ IFRS 12 Disclosure of Interests in Other Entities

The application to the amendments to the above standards does not result in any material impact on the amounts recognised in the consolidated financial statements.

1.23 New standards and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company and Group, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement, effective from 1 July 2017.
- IFRS 15 Revenue from Contract with Customers, effective from 1 July 2017.
- Amendment to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities, effective from 1 July 2014.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation, effective from 1 July 2016.
- Amendments to NZ IAS 19 Employee benefits, effective from 1 January 2014.
- Annual improvements to NZ IFRS 2010-2012 cycle, including amendments to NZ IFRS 13 Fair Value Measurement, effective from 1 July 2014.
- Annual improvements to NZ IFRS 2011-2013 cycle, including amendments to NZ IFRS 13 Fair Value Measurement and NZ IAS 40 Investment Property, effective from 1 July 2014.

1.24 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.

1.25 New accounting standards framework

In April 2012 the External Reporting Board issued a new accounting standards framework for New Zealand, mandatory for periods starting 1 July 2013. The framework provides for different accounting standards for 'for-profit' and 'public benefit' entities. The framework has four reporting tiers determined by set criteria or election. The Company and Group meet the Tier 1 criteria.

Currently within the Group, the Company and Port Marlborough New Zealand Limited (PMNZL) are designated as 'for-profit' entities, while Marlborough Airport Limited (MAL) is designated as a 'public benefit' entity. The new framework for for-profit entities has been adopted by the Company and PMNZ and has been applied from 1 July 2013.

The new framework for public benefit entities is mandatory from 1 July 2014. During this transitional period MAL has continued to prepare its financial statements in compliance with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for public benefit entities.

There are no significant adjustments required and no implications to the Company or Group in applying the new accounting standards framework to date, or derived from the differences in accounting framework applied by MAL. However, in 2014-15 the Group will reassess whether it is more appropriate for MAL to transition to the new Public Benefit Entity standards or to reclassify itself as a 'for-profit' entity and adopt the same standards as the other entities within the Group.

2. Profit from operations

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
(a) Revenue				
Revenue from the rendering of services	15,839	14,992	142	158
Rental income from investment properties	8,102	7,748	-	-
Dividend revenue	-	-	1,766	1,685
Subvention	-	-	367	374
Total revenue	23,941	22,740	2,275	2,217
Interest revenue				
Bank deposits/ IRD use of money	25	29	-	-
Related party loans	21	17	1,791	1,683
Total interest revenue	46	46	1,791	1,683
Gain on financial derivatives	1,192	1,495	544	645
Total revenue attributable to operations	25,179	24,281	4,610	4,545

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
(b) Other income				
Gain on disposal of property, plant and equipment	-	20	-	-
Other	55	50	-	-
Total other income attributable to operations	55	70	-	-

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
(c) Expenses					
Finance costs					
Interest on loans and swaps		2,921	2,859	2,921	2,859
Total finance costs attributable to operations		2,921	2,859	2,921	2,859
Other expenditure disclosures					
Donations/ Sponsorship		48	44	-	-
Employer contribution to superannuation		221	202	-	-
Operating lease rental properties		23	23	-	-
Expenses from investment properties generating income		3,164	3,081	-	-
Depreciation, impairment & amortisation					
Depreciation of non-current assets	8	2,305	2,057	-	-
Amortisation of non-current assets	10	24	29	-	-
Impairment of non-current assets	8	-	423	-	-
Total depreciation, impairment & amortisation attributable to operations		2,329	2,509	-	-

3. Income Taxes

	Group		Parent	
	2014	2013	2014	2013
	\$ '000	\$ '000	\$ '000	\$ '000
(a) Income tax recognised in profit or loss				
Tax expense comprises:				
Current tax expense	1,536	1,365	-	-
Prior year adjustment to current tax	-	1	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	243	81	-	-
Total tax expense attributable to operations	1,779	1,447	-	-

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

	2014	2013	2014	2013
Profit before taxation	7,090	6,725	1,366	1,368
Income tax expense calculated at 28%	1,984	1,883	382	383
Non-deductible expenses	(6)	17	-	-
Non taxable income	(199)	(453)	(494)	(472)
Group loss offsets	-	-	264	270
Other - deferred tax asset not recognised	-	-	(152)	(181)
	1,779	1,447	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2013: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

Current year tax losses of \$1,311,521 (2013: \$1,336,702) will be utilised within the Group to reduce Group tax payments in the year ended 30 June 2014. During the financial year, MDC Holdings Limited received subvention payments of \$374,277 from Port Marlborough New Zealand Limited (2013: \$406,514) and accrued for subvention receipts of \$367,226 at balance date (2013: \$374,277).

	Group		Parent	
	2014	2013	2014	2013
	\$ '000	\$ '000	\$ '000	\$ '000
(b) Income tax recognised in other comprehensive income				
The following current and deferred amounts were charged directly to equity during the period:				
Deferred tax on property revaluations	-	2,860	-	-
(c) Current tax assets and liabilities				
Current tax (liabilities)/assets comprise:				
Tax (Payable)/Receivable	(353)	(105)	-	-
(d) Deferred tax assets and liabilities				
Deferred tax (liabilities)/assets comprise:				
Temporary differences	(8,476)	(8,234)	-	-

A deferred tax asset has not been recognised in relation to derivatives temporary differences of \$211,000 (2013: \$754,000) in the parent entity. The deferred tax asset has been recognised at Group level.

Taxable and deductible temporary differences arising from the following:

2014	Group			Closing Balance \$'000
	Opening Balance \$'000	Charged to income \$'000	Charged to Other Comprehensive Income \$'000	
Gross deferred tax liabilities:				
Property, plant & equipment	6,967	(239)	-	6,728
Investment Property	2,070	204	-	2,274
	9,037	(35)	-	9,002
Gross deferred tax assets:				
Derivative Instruments	472	(333)	-	139
Provisions	331	56	-	387
	803	(277)	-	526
Attributable to operations	8,234	242	-	8,476

2013	Group			Closing Balance \$'000
	Opening Balance \$'000	Charged to income \$'000	Charged to Other Comprehensive Income \$'000	
Gross deferred tax liabilities:				
Derivative Instruments	-	-	-	-
Property, plant & equipment	4,389	(282)	2,860	6,967
Investment Property	2,066	4	-	2,070
	6,455	(278)	2,860	9,037
Gross deferred tax assets:				
Derivative Instruments	891	(419)	-	472
Provisions	272	59	-	331
	1,163	(360)	-	803
Attributable to operations	5,292	82	2,860	8,234

(e) Imputation credit account balance	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Imputation credits available for subsequent use	17,360	16,969	7,876	7,704

Balances are prepared on accrual basis in accordance with IFRS 44.

4. Key Management

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	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Employee benefits	1,157	1,173	-	-
Directors fees	243	234	42	42
	1,400	1,407	42	42

5. Remuneration of Auditors

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Audit of the financial statements	88	83	17	17

6. Current Trade & Other Receivables

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Trade and other receivables	2,135	2,027	6	10
Allowance for doubtful debts	(60)	(37)	-	-
	2,075	1,990	6	10
Other - related party	394	394	593	560
	2,469	2,384	599	570

Trade and other receivables are non-interest bearing and receipt is normally within 30 – 90 days, therefore the carrying value of trade and other receivables approximates their fair values. Interest may be charged on past due trade receivables depending on circumstances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience. Any movement in the allowance for doubtful debts is recognised in the profit or loss for the current financial year. No trade and other receivables have been pledged as security (2013: nil).

7. Current inventories

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Goods held for maintenance - At cost	330	275	-	-

No inventories have been pledged as security for liabilities (2013: Nil)

8. Property, Plant & Equipment

GROUP 2013	Cost/	Accumulated	Carrying amount	Disposals					Revaluation		Revaluation		Cost/	Accumulated	Carrying amount
	valuation	depreciation		Additions	Disposals	depreciation	Impairment	Depreciation	Transfer	Cost	Depreciation	Cost/	depreciation		
	1 July 2012	1 July 2012		30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	30 June 2013	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	
Port Marlborough New Zealand Limited Assets															
Freehold Land (i)	15,144	-	15,144	-	-	-	-	-	-	-	(275)	-	14,869	-	14,869
Improvements (i)	6,686	452	6,234	-	-	-	(279)	232	-	-	636	(963)	7,322	-	7,322
Buildings (i)	6,749	425	6,324	82	-	-	-	212	1,320	962	(632)	-	9,113	5	9,108
Wharf Infrastructure (i)	25,119	1,932	23,187	-	-	-	(144)	919	23	4,189	(2,772)	-	29,331	223	29,108
Plant, Equipment, Furniture and Vehicles (ii)	7,431	3,473	3,958	969	(91)	(71)	-	515	-	(261)	(321)	-	8,048	3,596	4,452
Work in Progress (ii)	244	-	244	1,647	-	-	-	-	(1,404)	-	-	-	487	-	487
	61,373	6,282	55,091	2,698	(91)	(71)	(423)	1,878	(61)	5,251	(4,688)	-	69,170	3,824	65,346
Marlborough Airport Limited Assets															
Freehold Carpark and Land Improvements (ii)	1,442	359	1,083	15	-	-	-	60	-	-	-	-	1,457	419	1,038
Buildings (ii)	1,117	771	346	-	-	-	-	56	-	-	-	-	1,117	827	290
Plant, Equipment, Office Furniture and Fittings (ii)	898	346	552	160	(29)	(24)	-	63	-	-	-	-	1,029	385	644
Work in Progress (ii)	35	-	35	-	-	-	-	-	-	-	-	-	35	-	35
	3,492	1,476	2,016	175	(29)	(24)	-	179	-	-	-	-	3,638	1,631	2,007
Total Group Assets	64,865	7,758	57,107	2,873	(120)	(95)	(423)	2,057	(61)	5,251	(4,688)	-	72,808	5,455	67,353

(i) at Fair Value

(ii) at Cost

MDC Holdings Limited
Annual Report
For the year ended 30 June 2014

GROUP 2014	Cost/	Accumulated	Carrying	Disposals					Transfer	Revaluation	Revaluation	Cost/	Accumulated	Carrying
	valuation	depreciation	amount	Additions	Disposals	depreciation	Impairment	Depreciation	adjustment	Cost	Depreciation	Cost/	Accumulated	Carrying
	01 July 2013	01 July 2013	01 July 2013	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014	30 June 2014
\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Port Marlborough New Zealand Limited Assets														
Freehold Land (i)	14,869	-	14,869	-	-	-	-	-	-	-	-	14,869	-	14,869
Improvements (i)	7,322	-	7,322	10	-	-	-	246	-	-	-	7,332	246	7,086
Buildings (i)	9,113	5	9,108	13	(47)	(6)	-	246	-	-	-	9,079	245	8,834
Wharf Infrastructure (i)	29,331	223	29,108	59	-	-	-	1,064	886	-	-	30,276	1,287	28,989
Plant, Equipment, Furniture and Vehicles (ii)	8,048	3,596	4,452	245	(260)	(258)	-	552	400	-	-	8,433	3,890	4,543
Work in Progress (ii)	487	-	487	1,453	(19)	-	-	-	(1,302)	-	-	619	-	619
	69,170	3,824	65,346	1,780	(326)	(264)	-	2,108	(16)	-	-	70,608	5,668	64,940
Marlborough Airport Limited Assets														
Freehold Carpark and Land Improvements (ii)	1,457	419	1,038	198	(9)	(3)	-	61	-	-	-	1,646	477	1,169
Buildings (ii)	1,117	827	290	93	(38)	(30)	-	60	-	-	-	1,172	857	315
Plant, Equipment, Office Furniture and Fittings (ii)	1,029	385	644	23	(34)	(33)	-	76	-	-	-	1,018	428	590
Work in Progress (ii)	35	-	35	506	-	-	-	-	-	-	-	541	-	541
	3,638	1,631	2,007	820	(81)	(66)	-	197	-	-	-	4,377	1,762	2,615
Total Group Assets	72,808	5,455	67,353	2,600	(407)	(330)	-	2,305	(16)	-	-	74,985	7,430	67,555

(i) at Fair Value

(ii) at Cost

(a) Valuation basis

An independent valuation of Port Marlborough’s land, buildings, improvements and wharf infrastructure is performed on a three yearly basis. Valuers are rotated on a three to four year cycle basis.

Land, buildings, improvements and wharf infrastructure were last value done 30 June 2013 by Crighton Anderson, independent registered valuers and associates of the NZ Institute of Valuers. 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.

Port Marlborough’s valuation reports are provided to both the CEO and CFO of Port Marlborough for review. The review focuses on checking material movements and ensuring all additions and disposals are captured. The CEO is a qualified valuer and has an extensive background in property management. The Valuation Reports are also reviewed by a sub-committee of the Board. A summary report on valuation movements is provided to Port Marlborough’s Board and full copies of the valuer’s reports are available to Directors.

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 (refer note 17).

(b) Fair Value Measurement

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
- Generally specialised structures located in particular geographical locations for business reasons

Wharf structures and improvements (hardstand, roads, services etc) 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
- Depreciated Replacement Cost Value (DRC)
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cashflow

Details of Port Marlborough New Zealand Limited property and infrastructure assets and information about their fair value hierarchy as at 30 June 2014 are as follows:

	Level 1	Level 2	Level 3	Fair value
	\$ '000	\$ '000	\$ '000	as at 30/6/14
				\$ '000
Freehold land	-	-	14,869	14,869
Improvements	-	-	7,086	7,086
Buildings	-	-	8,834	8,834
Wharf infrastructure	-	-	28,989	28,989

There are no transfers between levels during the year.

(c) Cost Model

The carrying amount of Port Marlborough New Zealand Limited land, improvements, buildings and wharf infrastructure had been recognised under the cost model as follows:

	2014	2013
	\$ '000	\$ '000
Freehold land	5,706	5,706
Improvements	5,989	6,285
Buildings	3,210	3,356
Wharf infrastructure	14,913	14,445

9. Investment Property

	Group		Parent	
	2014	2013	2014	2013
	\$ '000	\$ '000	\$ '000	\$ '000
Balance at beginning of financial year	69,358	61,562	-	-
Additions from subsequent expenditure	3,261	3,205	-	-
Capital work in progress	1,045	3,831	-	-
Disposals	(36)	-	-	-
Net gain/(loss) from fair value adjustments	406	760	-	-
Balance at the end of financial year	74,034	69,358	-	-

(a) Valuation basis

Investment properties were valued on 30 June 2014 by Colliers International (2013: Crighton Anderson), independent registered valuers and associates of the NZ Institute of Valuers. 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 item being valued. The fair value of the assets represents the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

At each reporting date, the valuation reports are provided to both the CEO and CFO of Port Marlborough for review. The review focuses on checking material movements and ensuring all additions and disposals are captured. The CEO is a qualified valuer and has an extensive background in property management.

The Valuation Reports are also reviewed by a sub-committee of the Board. A summary report on valuation movements is provided to Port Marlborough's Board and full copies of the valuer's reports are available to Directors.

(b) Fair Value Measurement of Group Investment Properties

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 Cashflow.

The Marinas comprise the bulk of investment properties. Discounted cashflow valuations were completed for the three marinas using the following discount rates:

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 7.00% and 8.25%.

Discounted Cashflow Summary

Property	Discount rate
Picton Marina	9.25%
Waikawa Marina	9.75%
Havelock Marina	10.25%

Details of the Groups investment properties and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Fair value as at 30/6/14 \$ '000
Investment property located in Marlborough, New Zealand	-	-	74,034	74,034

There are no transfers between levels during the year.

10. Intangible assets

	Group Software \$ '000	Parent Software \$ '000
Gross carrying amount		
Balance at 1 July 2012	382	-
Additions	43	-
Balance at 30 June 2013	425	-
Additions	847	-
Disposals	(114)	-
Balance at 30 June 2014	1,158	-
Accumulated amortisation & impairment		
Balance at 1 July 2012	352	-
Amortisation (i)	29	-
Balance at , 30 June 2013	381	-
Disposals	(114)	-
Amortisation (i)	24	-
Balance at 30 June 2014	291	-
Net book value		
As at 30 June 2013	44	-
As at 30 June 2014	867	-

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

11. Current trade & other payables

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Trade Creditors	881	972	23	22
Property, plant & equipment	362	685	-	-
Rentals received in advance	487	477	-	-
Employment entitlements	723	650	-	-
Other	330	290	322	282
	2,783	3,074	345	304

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

12. Current Provisions

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Movement in employee benefits provision				
Opening balance	46	59	-	-
Additional provision/(reduction to provision) for the current period	10	(13)	-	-
Closing balance	56	46	-	-

13. Non-current provisions

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Movement in runway provision				
Opening balance	533	362	-	-
Additional provision recognised	179	171	-	-
Closing balance	712	533	-	-

To reflect the Company's obligation to maintain the runway under their licence agreement with New Zealand Defence Force the provision for resealing is reviewed each year. The provision is based upon the actual cost of runway reseal incurred in 2010. The Berl (Business and Economic Research Limited) price level adjustors plus a 5% interest factor are applied to the cost to calculate the amount to be provided each year up until 2030 when the runway is expected to be resealed.

14. Other financial liabilities

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
At fair value:				
Interest Rate swap	(495)	(1,687)	(495)	(1,687)
Classified as:				
Current	(12)	(137)	(12)	(137)
Non current	(483)	(1,550)	(483)	(1,550)
	(495)	(1,687)	(495)	(1,687)

The parent entered into interest rate swap agreements with the Bank of New Zealand (BNZ) of \$28,200,000 (2013: \$56,700,000) and with Westpac New Zealand Limited (Westpac) of \$26,000,000 (2013: Nil) on behalf of the Group (refer note 26(b)). The total fair value of the Group interest rate swaps is a liability of \$495,000 (2013: \$1,687,000).

The parent recognises fair value on swap on a gross basis. The Current and Non-Current Asset amounts relate to the swaps effectively between the parent and subsidiaries while the Current and Non-Current Liability amounts represent the swaps between the parent and the bank.

The 30 June 2014 net liability position of \$211,000 (2013: \$754,000) represents the valuation of the parent own swaps. The movement between the two years of \$544,000 (2013: \$645,000) is recorded under 'Revenue' in the Income Statement (Note 2).

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

15. Borrowings

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Secured - at amortised cost:				
Loans from Bank	55,395	52,405	55,395	52,405
Classified as:				
Current	28,895	23,200	28,895	23,200
Non current	26,500	29,205	26,500	29,205
	55,395	52,405	55,395	52,405

Loan Maturities

Funds have been raised under a \$60 million multi-option facility agreement. The terms of that agreement includes two facilities of \$30 million one each with BNZ and Westpac. The BNZ \$30 million facility was agreed for two years and expires December 2014, while the Westpac \$30 million facility was entered into for three years and expires December 2016.

Security

Term loans 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 Port Marlborough New Zealand Limited.

16. Share Capital

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
6,000,000 fully paid ordinary shares (2013: 6,000,000)	6,000	6,000	6,000	6,000

At balance date MDC Holdings had issued 71,000,000 shares (2013: 71,000,000) of which 6,000,000 are fully paid. The remaining 65,000,000 shares (2013: 65,000,000) 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.

17. Reserves

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Capital (a)	2,616	2,616	2,992	2,992
Asset revaluation (b)	33,076	33,076	-	-
	35,692	35,692	2,992	2,992

(a) Capital reserve

Balance at the beginning of financial year	2,616	2,616	2,992	2,992
Balance at end of financial year	2,616	2,616	2,992	2,992

The Capital reserve is used from time to time to transfer capital profits from retained profits. There is no policy of regular transfer.

(b) Asset revaluation reserve

Balance at the beginning of financial year	33,076	25,997	-	-
Revaluation increments/(decrements)	-	9,939	-	-
Deferred tax - Property revaluations	-	(2,860)	-	-
Balance at end of financial year	33,076	33,076	-	-

The asset revaluation reserve arises on the revaluation of Port Marlborough's wharves and jetty facilities, operational land and buildings (excludes Investment Property). Where 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.

18. Retained earnings

Notes	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Balance at the beginning of financial year	33,334	28,735	(569)	(1,258)
Net profit after tax	5,311	5,278	1,366	1,368
Dividends provided for or paid	(1,323)	(679)	(1,323)	(679)
Balance at end of financial year	37,322	33,334	(526)	(569)

19. Dividends

	2014		2013	
	Cents per Share	Total \$ '000	Cents per Share	Total \$ '000
Recognised amounts:				
Fully paid ordinary shares	22.05	1,323	11.32	679

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.

20. Commitments for Expenditure

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
(a) Capital expenditure commitments				
Land	225	225	-	-
Property Plant and Equipment	4,470	4,000	-	-

(b) Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 21 to the financial statements. There are no finance lease commitments.

21. Leases

Operating leases as lessee

(a) Leasing arrangements

Operating leases relate to Port Marlborough's motor vehicles and Marlborough Airport's ATM. Port Marlborough's operating lease contracts contain market review clause in the event that Port Marlborough exercises its option to renew. Port Marlborough and Marlborough Airport do not have an option to purchase the leased asset at the expiry of the lease period.

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
(b) Non-cancellable operating lease payments				
Not longer than 1 year	54	59	-	-
Longer than 1 year and not longer than 5 years	-	2	-	-
Longer than 5 years	-	-	-	-
	54	61	-	-

Disclosures for lessors

(a) Leasing arrangements

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

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
(b) Non-cancellable operating lease receivables				
Not longer than 1 year	4,943	4,671	-	-
Longer than 1 year and not longer than 5 years	8,251	10,816	-	-
Longer than 5 years	5,210	4,649	-	-
	18,404	20,136	-	-

22. Other financial assets

Subsidiaries

Details of the Group's subsidiaries are as follows:

Subsidiaries	Country of Incorporation	Ownership Interest	
		2014 %	2013 %
Port Marlborough New Zealand Limited	New Zealand	100	100
Marlborough Airport Limited	New Zealand	100	100

MDC Holdings Limited is the head entity within the consolidated Group.

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Current asset portion				
Derivatives - Interest rate swaps	-	137	12	137
Loans to related parties - MDC	484	958	484	958
Total current asset portion	484	1,095	496	1,095
Non-current asset portion				
Loans to related parties - subsidiaries	-	-	34,790	31,800
Derivatives - Interest rate swaps	-	(137)	272	796
Unlisted shares in Port Marlborough NZ Ltd	-	-	26,725	26,725
Unlisted shares in Marlborough Airport Ltd	-	-	1,811	1,811
Total non-current asset portion	-	(137)	63,598	61,132
Total other Financial Assets	484	958	64,094	62,227

23. Contingent assets & liabilities

2014 Group and Parent Contingent assets

There are no contingent assets (2013: Nil).

2014 Group and Parent Contingent liabilities

In the normal course of business the Port Marlborough New Zealand Ltd 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.

24. Related party disclosures

(a) Parent entities

The parent entity in the consolidated entity is MDC Holdings Limited which 100% is owned by the ultimate parent entity, Marlborough District Council.

(b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements.

(c) Related transactions/balances with subsidiary entities

Amounts receivable from and payable to related parties at balance date are disclosed in notes 6, 11 and 22 of these financial statements. Port Marlborough New Zealand Limited and Marlborough Airport Limited are related parties as they have the same parent. During the year Marlborough Airport Limited received a payment of \$1,387 (2013: \$2,475) from Port Marlborough New Zealand Limited.

Port Marlborough New Zealand Limited

During the financial year, MDC Holdings Limited received subvention payments of \$374,276 (2013: \$406,514) from Port Marlborough New Zealand Limited and accrued for subvention receipts of \$367,226 at balance date (2013: \$374,276).

During the financial year, MDC Holdings Limited received interest income of \$1,711,569 (2013: \$1,601,702) from Port Marlborough New Zealand Limited and accrued for interest receivable of \$194,300 at balance date (2013: \$159,419).

During the financial year, MDC Holdings Limited received dividend payments of \$1,766,395 (2013: \$1,684,869) from Port Marlborough New Zealand Limited.

During the financial year, MDC Holdings Limited received finance fee payments of \$137,016 (2013: \$147,916) from Port Marlborough New Zealand Limited.

During the financial year, MDC Holdings Limited received \$Nil (2013: \$805) for valuation fee payments and was owed \$805 (2013: \$Nil) from Port Marlborough New Zealand Limited as at 30 June 2014. Amounts owing to MDC Holdings Limited from advances to Port Marlborough New Zealand Limited at balance date were \$33,500,000 (2013: \$30,700,000).

Current year tax losses of \$1,311,521 (2013: \$1,336,702) will be utilised within the Group to reduce Group tax payments in the year ended 30 June 2014. Current year losses will be transferred by loss offset of \$944,295 (2013: \$962,425) and subvention payment of \$367,226 (2013: 374,277).

Marlborough Airport Limited

Amounts owing to MDC Holdings Limited from Marlborough Airport Limited at balance date were \$1,290,000 (2013: \$1,100,000).

During the financial year, MDC Holdings Limited received interest income of \$58,701 (2013: \$63,806) from Marlborough Airport Limited and accrued for interest receivable of \$10,569 at balance date (2013: \$9,245).

During the financial year, MDC Holdings Limited received finance fee payments of \$4,460 (2013: \$8,661) and loan valuation fee payments of \$115 (2013: \$115) from Marlborough Airport Limited.

(d) Related transactions/balances with Marlborough District Council

Port Marlborough New Zealand Limited

During the financial year, Marlborough District Council received \$1,011,107 (2013: \$904,062) from Port Marlborough New Zealand Limited, and owed \$Nil (2013: \$Nil) at balance date.

During the financial year, Marlborough District Council paid \$64,585 (2013: \$84,326) to Port Marlborough New Zealand Limited, and owed \$372,500 (2013: \$376,400).

During the financial year, there were no assets sold from Marlborough District Council to Port Marlborough New Zealand Limited (2013: \$963,000). At balance date there was an amount outstanding of \$372,500 (2013: \$372,500), in relation to the relocation of a tenant with the ultimate parent Marlborough District Council.

Marlborough Airport Limited

During the financial year, Marlborough District Council received \$63,162 from Marlborough Airport Limited (2013: \$48,231) and was owed \$46,488 (2013: \$40,093) at balance date.

During the financial year, Marlborough District Council paid \$600 (2013: \$ 2,981) to Marlborough Airport Limited, and owed \$Nil (2013: \$Nil) at balance date.

MDC Holdings Limited

During the financial year, MDC Holdings Limited made dividend payments of \$1,323,000 (2013: \$679,000) to Marlborough District Council. MDC Holdings balance of loans to Marlborough District Council at balance date came to \$484,000 (2013: \$958,000).

During the financial year, MDC Holdings Limited received interest income of \$20,907 (2013: \$16,651) from Marlborough District Council and accrued for interest receivable of \$19,967 at balance date (2013: \$16,651).

During the current and previous financial year, the Group received management services from the ultimate New Zealand parent entity, Marlborough District Council, for no charge.

(e) Transactions eliminated on consolidation

Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

(f) Guarantees provided or received Nil (2013: Nil)

(g) Directors

Mr EG Johnson is chairman of Port Marlborough New Zealand Limited and also a shareholder of Fulton Hogan Limited who undertook construction work for the year totalling \$173,682 (2013: \$1,641,133), \$0 (2013: \$65,136) was payable to Fulton Hogan Limited as at 30 June 2014.

Mr KB Taylor is a Director of Southern Cross Medical Care Society, whom subsidiary Port Marlborough New Zealand Limited paid \$71,268 (2013: \$64,726) for employee health insurance.

(h) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

25. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the Statement of Financial Position as follows:

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Cash and cash equivalents	1,545	738	8	22

(b) Business acquired

No businesses were acquired or disposed of during the financial year. (2013: Nil).

(c) Financing facilities

Secured bank loan facility with Bank of New Zealand and Westpac (Refer Note 15):

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Amount Used	55,395	52,405	55,395	52,405
Amount Unused	4,605	7,595	4,605	7,595
	60,000	60,000	60,000	60,000

(d) Cash balances not available for use Nil (2013: Nil)

(e) Reconciliation of profit for the period to net cash flows from operating activities

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Profit after tax for the period		5,311	5,278	1,366	1,368
(Gain)/Loss on sale or disposal of non-current assets		15	(20)	-	-
Gain on revaluation of investment property	9	(406)	(760)	-	-
Gain on revaluation of FVTPL financial assets	2(a)	(1,192)	(1,495)	(544)	(645)
Depreciation, impairment and amortisation of non-current assets	2(c)	2,329	2,507	-	-
Increase in deferred tax balances		242	82	-	-
Changes in net assets and liabilities:					
(Increase)/decrease in assets:					
Current receivables		(85)	-	(29)	(44)
Current inventories		(55)	(11)	-	-
Increase/(decrease) in liabilities:					
Current payables		(290)	335	42	(15)
Current tax liability		248	81	-	-
Current provisions		10	-	-	-
Non-current provisions		179	171	-	-
Deduct items reclassified as investing activities		(162)	-	-	-
Net cash from operating activities		6,144	6,168	835	664

26. Financial instruments

(a) Financial risk and capital management

The parent and Group's capital includes share capital reserves, retained earnings and a secured bank loan facility. The objective of the parent and Group's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value.

The parent and Group's capital is managed at parent Company level. The parent and Group are subject to externally imposed capital requirements for the twelve months ended 30 June 2014 and 30 June 2013.

The parent and Group's capital structure is managed and adjustments are made, with Board approval, to the structure in light of economic conditions at the time. There were no changes to objectives, policies or processes during the year.

The parent and Group do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the board of directors, which provide written principles on the use of derivative financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the parent and Group may be affected by changes in the general level of interest rates. The consolidated entity is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swaps contracts.

During the year the parent entity interest rates ranged between 3.15% and 6.80% (2013: 3.43% and 7.88%) and the Group interest rates ranged between 3.15% and 6.80% (2013: 3.43% and 7.88%).

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 consolidated entity to mitigate the risk of changing interest rates on debt held.

The interest rate for market to market valuations is based on the outstanding balances at the start of the financial year and is calculated to reflect the net present value of the remaining fixed and floating cash flow obligations.

The total fair value of the Group interest rate swaps is a liability of \$495,000 (2013: \$1,687,000) and is based on market values of equivalent instruments at the reporting date.

The fair value of the parent interest rate swaps reflect the parent related swaps. The 30 June 2014 net liability position of \$211,000 (2013: \$754,000) represents the valuation of the parent own swaps.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Group	Average Contract Fixed Interest rate		Notional Principal Amount		Fair Value	
	2014 %	2013 %	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Outstanding Fixed for Floating Contracts						
Less than 1 year	5.27%	5.17%	800	7,500	(12)	(137)
1 to 2 years	5.31%	5.27%	16,500	800	(318)	(34)
2 to 5 years	4.63%	5.28%	18,900	33,400	10	(1,513)
5+ years	4.95%	4.22%	18,000	15,000	(175)	(3)
			54,200	56,700	(495)	(1,687)

Parent	Average Contract Fixed Interest rate		Notional Principal Amount		Fair Value	
	2014 %	2013 %	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Outstanding Fixed for Floating Contracts						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	5.75%	-	8,000	-	(204)	-
2 to 5 years	4.91%	5.38%	6,400	14,400	(114)	(795)
5+ years	4.47%	4.47%	6,000	6,000	107	41
			20,400	20,400	(211)	(754)

Swaps agreements entered into by the Group for a period in time are less than the loan balances of the Group. The notional principal amount is sum of all the swap agreements including those with future start dates therefore the Notional Principal is greater than the loan amount.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the parent and Group. Financial assets, which potentially subject the parent and Group to concentration of credit risk, consist principally of cash, bank balances, trade and other receivables and advances to subsidiaries. The Group's cash equivalent is placed with high credit quality financial institutions.

The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

Trade accounts receivable consist of a large number of customers, spread across a range of industries that have operations in the northern half of the South Island and predominantly in Marlborough. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, guarantees or other arrangements with a similar effect are put in place.

Approximately 55% (2013: 54%) of Port Marlborough New Zealand Limited Trade Receivables is due from eight customers. Approximately 77% (2013: 79%) of Marlborough Airport Limited Trade Receivables is due from four customers. With these exceptions the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Total credit risk was comprised as follows:

	Notes	Group		Parent	
		2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Cash and cash equivalents	25	1,545	738	8	22
Trade and other receivables	6	2,529	2,421	599	570
Other financial liabilities - derivatives	14	(495)	(1,687)	(495)	(1,687)
Other financial assets - loans	22	484	958	35,274	32,758
Total credit risk		4,063	2,430	35,386	31,663

Collateral and other credit enhancements obtained

The parent and Group do not hold any collateral as security or other credit enhancements over trade and other receivables.

Trade and other receivables that are past due but not impaired

The table below sets out information regarding the ageing of trade and other receivables which are past due, but which have not been assessed as impaired as management believes these amounts will be fully recoverable:

	Group		Parent	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
30 - 60 days	103	173	-	-
61 - 90 days	20	30	-	-
Over 90 days	70	38	-	-
Total	193	241	-	-

Ageing of impaired trade and other receivables:

Over 90 days	60	37	-	-
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Renegotiated trade and other receivables

There are no significant amounts included within trade and other receivables whose terms have been negotiated.

(d) Liquidity risk

Liquidity risk is the risk that the Group and parent will not be able to meet their financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the parent and Group's short, medium, and long-term funding and liquidity management requirements. The parent and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The parent and Group manages liquidity risk by maintaining adequate reserves, intra-group funding facilities, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(e) Liquidity and interest rate profile

The following table details the consolidated entity's exposure to liquidity risk and interest rate risk:
The contractual cashflows includes interest payments.

Group	Notes	Carrying Amount \$ '000	Contractual cash flows \$ '000	Fixed Maturity Date			
				Less than 1 year \$ '000	1-2 Years \$ '000	2-5 Years \$ '000	5+ Years \$ '000
2014							
Financial assets							
Cash and cash equivalents	25	1,545	1,545	1,545	-	-	-
Trade and other receivables	6	2,529	2,529	2,529	-	-	-
Related party loans - MDC	22	484	504	504	-	-	-
		4,558	4,578	4,578	-	-	-
Financial Liabilities							
Trade and other payables	11	2,783	2,783	2,783	-	-	-
Borrowings	15	55,395	66,090	31,363	2,152	31,476	1,099
Other financial Liabilities - derivatives	14	495	495	12	318	(10)	175
		58,673	69,368	34,158	2,470	31,466	1,274

Group	Notes	Carrying Amount \$ '000	Contractual cash flows \$ '000	Fixed Maturity Date			
				Less than 1 year \$ '000	1-2 Years \$ '000	2-5 Years \$ '000	5+ Years \$ '000
2013							
Financial assets							
Cash and cash equivalents	25	738	738	738	-	-	-
Trade and other receivables	6	2,421	2,421	2,421	-	-	-
Related party loans - MDC	22	958	983	983	-	-	-
		4,117	4,142	4,142	-	-	-
Financial Liabilities							
Trade and other payables	11	3,074	3,074	3,074	-	-	-
Borrowings	15	52,405	60,210	25,568	31,185	2,932	525
Other financial Liabilities - derivatives	14	1,687	1,687	137	34	1,513	3
		57,166	64,971	28,779	31,219	4,445	528

The following table details the parent entity's exposure to liquidity risk and interest risk:

Parent	Notes	Carrying Amount \$ '000	Contractual cash flows \$ '000	Fixed Maturity Date			
				Less than 1 year \$ '000	1-2 Years \$ '000	2-5 Years \$ '000	5+ Years \$ '000
2014							
Financial assets							
Cash and cash equivalents	25	8	8	8	-	-	-
Trade and other receivables	6	599	599	599	-	-	-
Related party loans	22	35,274	42,357	10,248	1,345	30,020	744
		35,881	42,964	10,855	1,345	30,020	744
Financial Liabilities							
Trade and other payables	11	345	345	345	-	-	-
Borrowings	15	55,395	66,090	31,363	2,152	31,476	1,099
Other financial Liabilities - derivatives	14	495	211	-	204	114	(107)
		56,235	66,646	31,708	2,356	31,590	992

Parent	Notes	Carrying Amount \$ '000	Contractual cash flows \$ '000	Fixed Maturity Date			
				Less than 1 year \$ '000	1-2 Years \$ '000	2-5 Years \$ '000	5+ Years \$ '000
2013							
Financial assets							
Cash and cash equivalents	25	22	22	22	-	-	-
Trade and other receivables	6	570	570	570	-	-	-
Related party loans	22	32,758	36,959	2,341	15,287	18,966	365
		33,350	37,551	2,933	15,287	18,966	365
Financial Liabilities							
Trade and other payables	11	304	304	304	-	-	-
Borrowings	15	52,405	60,210	25,568	31,185	2,932	525
Other financial Liabilities - derivatives	14	1,687	754	-	-	795	(41)
		54,396	61,268	25,872	31,185	3,727	484

(f) Categories of financial instruments

Group 2014	Notes	Loans and	Financial	Financial /	Total
		Receivables	Liabilities at	Assets	
		\$ '000	cost	Liabilities at	\$ '000
		\$ '000	\$ '000	FVTPL	\$ '000
		\$ '000	\$ '000	\$ '000	\$ '000
Financial assets					
Cash and cash equivalents	25	1,545	-	-	1,545
Trade and other receivables	6	2,529	-	-	2,529
Related party loans	22	484	-	-	484
Total financial assets		4,558	-	-	4,558
Financial Liabilities					
Trade and other payables	11	-	2,783	-	2,783
Borrowings	15	-	55,395	-	55,395
Other financial Liabilities - derivatives	14	-	-	495	495
Total Financial Liabilities		-	58,178	495	58,673

Group 2013	Notes	Loans and	Financial	Financial /	Total
		Receivables	Liabilities at	Assets	
		\$ '000	cost	Liabilities at	\$ '000
		\$ '000	\$ '000	FVTPL	\$ '000
		\$ '000	\$ '000	\$ '000	\$ '000
Financial assets					
Cash and cash equivalents	25	738	-	-	738
Trade and other receivables	6	2,421	-	-	2,421
Related party loans	22	958	-	-	958
Total financial assets		4,117	-	-	4,117
Financial Liabilities					
Trade and other payables	11	-	3,074	-	3,074
Borrowings	15	-	52,405	-	52,405
Other financial Liabilities - derivatives	14	-	-	1,687	1,687
Total Financial Liabilities		-	55,479	1,687	57,166

Parent 2014	Notes	Loans and	Financial	Financial /	Total
		Receivables	Liabilities at	Assets	
		\$ '000	\$ '000	Liabilities at	\$ '000
				FVTPL	
				\$ '000	
Financial assets					
Cash and cash equivalents	25	8	-	-	8
Trade and other receivables	6	599	-	-	599
Related party loans	22	35,274	-	-	35,274
Total financial assets		35,881	-	-	35,881
Financial Liabilities					
Trade and other payables	11	-	345	-	345
Borrowings	15	-	55,395	-	55,395
Other financial Liabilities - derivatives	14	-	-	495	495
Total Financial Liabilities		-	55,740	495	56,235

Parent 2013	Notes	Loans and	Financial	Financial /	Total
		Receivables	Liabilities at	Assets	
		\$ '000	\$ '000	Liabilities at	\$ '000
				FVTPL	
				\$ '000	
Financial assets					
Cash and cash equivalents	25	22	-	-	22
Trade and other receivables	6	570	-	-	570
Related party loans	22	32,758	-	-	32,758
Total financial assets		33,350	-	-	33,350
Financial Liabilities					
Trade and other payables	11	-	304	-	304
Borrowings	15	-	52,405	-	52,405
Other financial Liabilities - derivatives	14	-	-	1,687	1,687
Total Financial Liabilities		-	52,709	1,687	54,396

(g) Fair value of financial instruments

The fair value of interest rates swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The Group has categorised these assets/liabilities as Level 2 under the fair value hierarchy.

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Total \$ '000
Group and Parent 2014				
Financial Liabilities at FVTPL				
Derivative financial liabilities	-	495	-	495
Group and Parent 2013				
Financial Liabilities at FVTPL				
Derivative financial liabilities	-	1,687	-	1,687

(h) Sensitivity Analysis

The parent and Group have undertaken an analysis to determine the impact on the current year profit if there is a significant change in the general level of interest rates. This analysis showed the following:

	2014		2013	
	+ 50bps \$ '000	- 50bps \$ '000	+ 50bps \$ '000	- 50bps \$ '000
Group				
Financial assets				
Related party loans	2	(2)	5	(5)
	2	(2)	5	(5)
Financial Liabilities				
Borrowings	68	(68)	51	(51)
Other financial Liabilities - derivatives	588	(1,003)	829	(877)
	656	(1,071)	880	(928)
Parent				
Financial assets				
Related party loans	49	(49)	35	(35)
	49	(49)	35	(35)
Financial Liabilities				
Borrowings	68	(68)	51	(51)
Other financial Liabilities - derivatives	179	(366)	340	(362)
	247	(434)	391	(413)

A 50 basis point increase is deemed reasonable by management. The sensitivity analysis has been prepared taking into consideration all interest bearing assets and liabilities.

27. Post balance date events

At the time of preparation of these financial statements there were no post balance date events requiring disclosure (2013: nil).

Company Directory

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A R Besley
A T Sowman
J C Leggett
R W Olliver

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Company Number

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