2021

MDC Holdings Limited

Annual Report

Table of Contents

Chair Report

Overall it has been another positive year for the Group. Port Marlborough New Zealand Limited (PMNZL) achieved a record profit before tax of $19.63 million with strong performance across most of its business, the exception being cruise and tourism related activities. Good progress was also made on the Waikawa Marina Extension, which is expected to be completed in 2022, and the Waitohi Picton Ferry Precinct Redevelopment project. During the year MDC Holdings Limited (MDCH Ltd) received a fully imputed dividend of $3.64 million from PMNZL, a record result for both companies.

Marlborough Airport Limited (MAL) had a more challenging year with the impacts of the COVID-19 pandemic reducing passenger numbers by approximately 25%. As a result the airport made a loss for the year, however this was actually an improvement on budget. The airport has a strong balance sheet and is well positioned for the future when travel demand returns to historical levels.

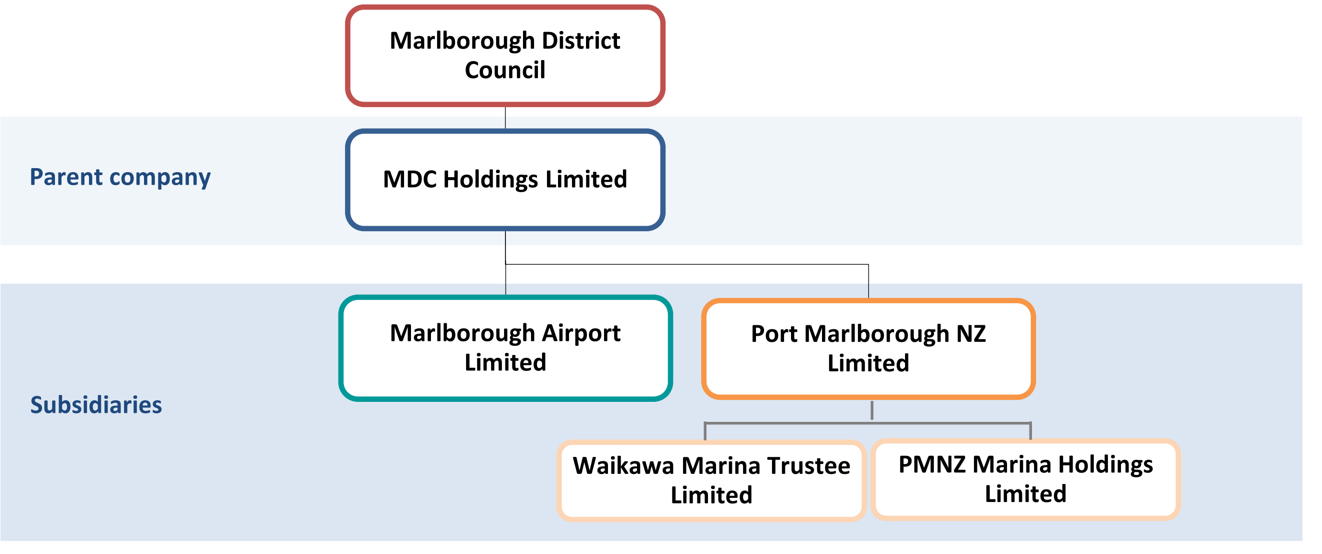
The MDCH Ltd Board also oversees the Boulevard Park on Taylor (BPOT) residential subdivision project on behalf of Marlborough District Council. The final stage of the project was completed in April 2021 with all remaining lots sold at market prices, which is a great outcome for the rate payers of Marlborough. 352 residential sections have been developed since 2007 and these have contributed $33.7 million towards the costs of Council activities.

We would like to take this opportunity to thank the governance and management teams of each entity for their hard work during the year. We also look forward to the coming year and making further progress particularly on the Ferry Precinct at PMNZL and the car park development at MAL.

R W Olliver - Chairman

Group Operations

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



Parent company

Statement of Intent

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

2020-21 Performance targets

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

2020 21 Performance targets	Results
Governance	
To facilitate a good ongoing working relationship with subsidiaries and monitor their performance, including: - reports and presentations from the Chair and Chief Executive of PMNZL on current issues, the six monthly results, Draft Statement of Corporate Intent (SCI) and Annual Report; and - a report on the steps taken to ensure shareholder value is being maximized, on a regular basis.	**Achieved.** Regular reports and meetings took place between PMNZL and the Company during the financial year to enable the Board of the parent Company to be comfortable with the performance targets proposed and actual achievement against those targets. The Annual General Meeting of the respective organisations are held following each other to allow discussions to be held on an informal basis between the Company and PMNZL Board. MDC Holdings Limited Directors also actively participated in the Governance Group established for the major redevelopment of the Picton Ferry Terminal.
Develop a letter of shareholder expectations by 31 December, should it have any specific expectations it wants to incorporate into its forth coming SCI.	**Not applicable** The Company Board decided that a letter of expectation was not required.

Financing	
To continue to review the financing needs of PMNZL and its subsidiaries and MAL with a view to having adequate cost effective debt facilities in place.	**Achieved.** The AA Long Term Positive Credit Watch received by Council has enabled the Group to access lower cost finance. Discussions are held on an ongoing basis regarding the Group funding needs as per budgets and agreed SOI & SCI. In 2021 all financing requirements for the Group were met and adequate facilities were in place.
Financial	
The ratio of shareholders' funds to total assets is projected to be greater than 12%. The long-term ratio of shareholders' funds to total assets is to be greater than 7%.	**Achieved.** Ratio of shareholder's funds to total assets = 16% (2020: 14%) Three year average = 15% (2020: 15%)
Return after tax (excluding IFRS revaluations) on opening shareholders' funds is projected to be greater than 12%. The long-term return after tax (excluding IFRS revaluations) on opening shareholders' funds is to be greater than 7%.	**Achieved.** Return after tax (excluding IFRS revaluations) on opening shareholders' funds = 34% (2020: 29%) Three year average = 31% (2020: 29%)

Report on activities

	Parent Actuals			Parent Budget	
	Jun-21	**Jun-20**		**Jun-21**	
	$ '000	**$ '000**	*Variance*	**$ '000**	*Variance*
Income	4,831	4,794	*37*	4,566	*265*
Operating costs	(1,676)	(1,919)	*243*	(1,979)	*303*
Gain/(loss) on derivatives revaluation	1,000	(598)	*1,598*	0	*1,000*
Profit for the year	**4,155**	**2,277**	*1,878*	**2,587**	*1,568*
Remove derivatives revaluation	(1,000)	598	*(1,598)*	0	*(1,000)*
Profit for the year before revaluation	**3,155**	**2,875**	*280*	**2,587**	*568*

The parent's profit for the year ended 30 June 2021 is $4.16 million. Excluding the non-cash gain on derivatives yielded a profit of $3.16 million which was a $568,000 improvement on budget.

The increase in profit compared to budget and last year's actual of $568,000 and $280,000 respectively is mainly due to increased dividends received from PMNZL as well as reduced interest costs.

Subsidiaries

PMNZL's & MAL's targets for financial and operational performance specific to their respective SCI (Statement of Corporate Intent) and SOI for 2020-21, are compared below to actual results. This is followed by a Report on Activities for each entity for the year.

Subsidiaries

Port Marlborough New Zealand Limited

2020 21 Statement of Corporate Intent (financial and operational performance)

Perspective	KEY PERFORMANCE INDICATOR	Targets	Results	Achieved
Financial	Projected NOPAT[1] (excluding asset and derivative revaluations)	$6.4m	$7.04m	✓
	NOPAT[1] / Return on average Shareholder's Funds	4.1%	4.5%	✓
	EBITDA[2] (excluding asset and derivative revaluations)	$13.38m	$15.48m	✓
	Equity Ratio	65.6%	75.1%	✓

Customers	Ferry sector revenue vs prior year	2.4%	13.3%	✓
	Export Log Volumes (JAS)	600,000	769,800	✓
	Cruise ships (number berthed)	12	0	✗
	Marina Berth occupancy	92.0%	94.4%	✓
	Marina Boatshed occupancy	95.5%	99.6%	✓

Health, Safety, Wellness	**SAFETY LEAD INDICATORS** Near Hits Reported	25	18	✓
	SAFETY LAG INDICATORS LTI per 100,000 work hrs	0	1.6	✗
	MTI per 100,000 work hours	<2	0.8	✓
	WELLNESS INDICATORS Annual health checks & healthcare insurance made available to staff	100%	100%	✓
Sustainability	Employee Diversity – Gender Employee Diversity - Age	Diversity plan & Succession Plan Strategy Implemented by 30 June 2021	Gender diversity focus through internal and external recruitment.	✓
	Fresh Water withdrawal (Megalitres)	124 (nil increase)	114	✓
	General waste to landfill (Tonnes)	-3% (792)	- 22% (640)	✓
	Recycling as a % of general waste to landfill	8.0%	14.7%	✓
	Greenhouse Gas Net Emissions Scopes 1 – 2[3]	-795 T CO_{2e} (no increase)	-995 T CO_{2e}	✓

1 NOPAT = Net Operating Profit after Tax

2 EBITDA = Earnings before interest, tax, depreciation and amortisation

3 GHG Net Emissions = Scopes 1+ 2 emissions (715 T Co2e) offset by GHG reductions Shakespeare bay forest (-1,509 CO2e) = -795 t CO2e

PMNZL Report on Activities

Overview

Port Marlborough is values led organisation, committed to driving success for Marlborough across the perspectives of people, planet and prosperity through partnerships.

The strength of its diversified business portfolio and agility to respond to changing customer circumstances underpinned a successful – if somewhat challenging – year for Port Marlborough.

With New Zealand's borders closed from late summer 2020, cruise and international tourism was prohibited throughout the year. Although anticipated, this strongly impaired commercial outcomes for many small businesses in particular.

In welcome relief, very strong domestic tourism over summer supported Marlborough operators and service providers. Cook Strait ferries carried record numbers of private vehicles as New Zealanders ventured between the islands, exploring their own back yard in the absence of international travel options. Unprecedented activity through Marlborough Sounds Marina translated to ongoing high demand for berth rental, boding well for the North West Waikawa Marina currently under construction.

Total commercial freight across Cook Strait recovered strongly to reach record levels reflecting continuing economic buoyancy. The strong market for New Zealand export logs continued as alternative source countries struggled with impacts of the pandemic. Export customers overcame the challenges of securing vessels to ship close to 770,000 JAS through Shakespeare Bay in another record year.

Port Marlborough's work to understand and shape its environmental footprint continues, this year delivering its first comparative Sustainability Scorecard. Capital investment planning for the Waitohi Picton Ferry Precinct Redevelopment achieved milestones with resource consents for the project granted, and KiwiRail's order placement for two new ships endorsing the need for development at Picton.

PMNZL Financial Performance

The Group achieved revenue of $31.4m [2020:$30.2m]. Trading performance at $10.8 million [measured by pre-tax profit adjusted for non-cash revaluations and subvention payments] was marginally up on the previous year [2020:$10.7m], with strong log exports and marina performance counterbalancing the loss of cruise trade.

Value of Group total assets at $217.0m [2020:$203.2m] reflects continued investment in productive assets, and revaluation gains of $8.8m due to lowering of capital rates which is reflective of lower investor yield expectations. The Group's equity ratio at 75.1% is consistent with the prior year and places the Company in a good position to take on additional capital projects.

Marlborough Airport Limited

2020-21 SOI results

Performance targets and Key performance indicators	2020 - 2021 Targets	2020 - 2021 Results	
Our People Ensure safe and efficient aircraft operations including a safe and healthy environment for staff and other stakeholders.	100% compliant with Health & safety at Work Act (2015).	✓	100% compliant.
	Lost time injuries Nil	✓	Nil
	New position created and increased professional development for existing staff.	✓	A new Safety Officer position was established. All staff attended development courses during the year.
Customers Be a welcoming gateway for travellers and airlines and pursue opportunities to increase the value of commercial activities.	From the customer survey results identify key areas and implement improvements in a timely fashion.	✓	An improved PA system was installed in the terminal and overflow car parking was expanded to accommodate additional vehicles while the new car park is built.
	>225,000 passengers hosted	✓	238,024
	Landside revenue per passenger >$3.50	✓	$3.51
Infrastructure Facilitate economic development through timely investment in infrastructure.	Car park extension completed by 30 June 2021.	✗	Still at the development stage due to resource consenting complexities.
Financial Manage financial performance to ensure MAL achieves its strategic goals, maintains a sustainable business.	EBITDAF* >$100,000	✗	$57,917
	Cashflow from operations <$300,000 deficit	✓	$445,000
	SH funds/Total assets >22.8%	✓	31.4%
	Peak debt <$5.6 million	✓	$3,035,000
	Capital Expenditure (Phase 1 of parking project) <$3.3 million	✗	Capital expenditure was less than $3 million but the car park project is not yet complete.

*EBITDAF = Earnings Before Interest, Tax, Depreciation,Amortisation and Fair value movements.

Performance targets and Key performance indicators	2020 - 2021 Targets		2020 - 2021 Results
Sustainability Implement policies and programmes that operate effectively and reflect our commitment to a sustainable and successful airport business.	Maintain CAA Part 139 Certification.	✓	Just one minor audit finding, rectified and maintained certification.
	Waste management & reduction culture firmly embedded in organisation. Adopt & implement the Tourism Industry Association Sustainability programme.	✓	Reduced the number of skips by 1/3. Introduced more efficient lighting to car park. Airport policy reflects the goals of the NZ tourism association policy.
	Annual assessment of whether airport capabilities and development projects are in harmony with the long-term startegic plan.	✓	The location of the current RNZAF fire station is not in harmony with the long-term plan. MAL has approached them to look at alternatives.
Risk and Compliance All known risks managed and best practice adhered to.	Saftey management System - Risks identified and controlled to as low as reaonable practical (ALARP).	✓	The average safety risk profile for the year was low < 7 (green)
	Compliance with audit standards - Unmodified audit opinion.	✓	An unmodifed financial audit opinion was issued on the 2021 Annual Report.
	Independent internal audit and CAA audit - No major findings.	✓	No major findings identified.

MAL Report on Activities

Once again it has been a challenging year for Marlborough Airport Limited (MAL). After the first round of lockdowns last year there were further disruptions in quarter one and quarter three from alert level changes. These had a negative impact on passenger numbers and revenue levels. However, the changes in alert levels in 2021 had noticeably less impact than 2020 as COVID-19 outbreaks were confined mainly to Auckland and were less severe.

The last quarter of 2021, which included the opening of the long anticipated trans-Tasman Travel Bubble, was also very encouraging and saw passenger numbers briefly return to approximately 95% of pre-COVID 19 levels.

During the year we worked with airport tenants to ensure they were able to offer continued services at MAL. We completed significant runway repairs along the runway slurry edges. We also continued to invest in our carpark project which was delayed due to design and consenting issues and is now expected to be completed in 2022.

Our balance sheet remains strong with relatively low debt and strong working capital. However, our overall result for the year ended 30 June 2021 reflects a turbulent year and the loss after tax of $455,000, although a significant improvement on budget expectations, is the largest in the airport's history.

The countrywide Alert Level four lockdown starting in August 2021 reinforces the current uncertainty and disruption which continues to hamper the recovery of our industry and business.

However, looking into the near future seat capacity schedules remain strong and once alert levels reduce we expect passenger levels to follow the pattern of the past year and recover strongly.

Corporate Governance Statement

Directors’ commitment

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

Role of the Board of Directors

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

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

Board operations and membership

The Board comprises a Chairman and six Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors’ details are set out on page 47 of this report.

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

Statement of Intent

In accordance with Schedule 8 of the Local Government Act 2002 the Board submits an annual Statement of Intent (SOI). The SOI sets out the Company’s overall objectives, intentions, and financial and performance targets. The SOI is approved by the shareholder, Council. The Company’s 2020-21 SOI results are outlined on pages 4 and 5 of this report.

Risk management

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

Directors Responsibility Statement

The Directors are responsible for ensuring that the Financial Statements present fairly, in all material aspects, the financial position of the Company and the Group as at 30 June 2021, and their financial performance and cash flows for the year ended 30 June 2021.

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

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

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

The Directors have approved and are pleased to present the Company Financial Statements for the year ended 30 June 2021 on pages 15 to 46.

The Board authorised the issue of these Consolidated Financial Statements on 15 October 2021.

R W Olliver - Chairman

M S Wheeler - Director

On behalf of the Directors of MDC Holdings Limited.

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of MDC Holdings Limited and group's financial statements and performance information for the year ended 30 June 2021

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

Opinion

We have audited:

- the financial statements of the Company and group on pages 11, 15 to 46, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 4 to 5.

In our opinion:

- the financial statements of the Company and group on pages 11, 15 to 46:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Company on pages 4 to 5 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2021.

Our audit was completed on 15 October 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Company and group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company and group for assessing the Company and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Company and group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 3, 6 to 10 and 47 to 50, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

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

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

Rehan Badar
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Consolidated Financial Statements

Income Statement

For the financial year ended 30 June	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Revenue	3.1	36,629	33,092	5,828	4,791
Other income		(16)	573	3	3
Investment property revaluation	9	8,810	(6,867)	-	-
Operations and maintenance		(11,552)	(10,647)	(54)	(56)
Employee benefits expense		(7,463)	(7,556)	(76)	(68)
Depreciation, impairment and amortisation expense	3.2	(4,400)	(4,110)	-	-
Finance costs	3.2	(1,606)	(2,744)	(1,546)	(2,392)
Subvention payment		(868)	(760)	-	-
Profit before income tax expense		**19,534**	**981**	**4,155**	**2,278**
Income tax expense	4.1	(3,806)	984	-	-
Profit for the year		**15,728**	**1,965**	**4,155**	**2,278**

Statement of Comprehensive Income

For the financial year ended 30 June	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Profit for the year		**15,728**	**1,965**	**4,155**	**2,278**
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of property, plant and equipment	18.2	-	922	-	-
Income tax relating to valuation of property, plant and equipment	18.2	-	(259)	-	-
Revaluation of property, plant and equipment		-	663	-	-
Total comprehensive income for the year, net of tax		**15,728**	**2,628**	**4,155**	**2,278**

Statement of Changes in Equity

For the financial year ended 30 June	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Balance at beginning of the year		**135,192**	**135,633**	**9,302**	**10,093**
Total comprehensive income for the year, net of tax		15,728	2,628	4,155	2,278
Dividends	20	(2,876)	(3,069)	(2,876)	(3,069)
Balance at end of the year		**148,044**	**135,192**	**10,581**	**9,302**

Notes to the Consolidated Financial Statements are included on pages 18 to 46 and are an integral part of, and should be read in conjunction with, these Consolidated Financial Statements.

Statement of Financial Position

As at 30 June	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Current assets					
Cash and cash equivalents		7,795	3,078	30	47
Trade and other receivables	5	3,087	5,678	243	272
Inventories		306	324	-	-
Current tax assets		423	20	-	-
Derivative financial instruments	15.2	-	-	10	165
Loans to Marlborough District Council	23.4	3,541	3,223	3,541	3,223
Total current assets		**15,152**	**12,323**	**3,824**	**3,707**
Non-current assets					
Derivative financial instruments	15.2	-	-	1,629	2,653
Loans to subsidiaries	23.2	-	-	34,035	31,035
Investment in subsidiaries	23.1	-	-	28,536	28,536
Property, plant and equipment	7	108,955	110,992	-	-
Right-of-use asset	11	790	833	-	-
Investment property	9	106,180	91,832	-	-
Rent concession provision	5.1	40	57		
Intangible assets	10	307	419	-	-
Total non-current assets		**216,272**	**204,133**	**64,200**	**62,224**
Total assets		**231,424**	**216,456**	**68,024**	**65,931**
Current liabilities					
Trade and other payables	12	4,836	5,482	133	140
Lease liability	14	31	30	-	-
Derivative financial instruments	15.2	10	244	10	243
Current tax liabilities		-	65	-	-
Provisions	16.1	-	550	-	-
Total current liabilities		**4,877**	**6,371**	**143**	**383**
Non-current liabilities					
Borrowings	13	54,640	51,640	54,640	51,640
Lease liability	14	1,043	1,052	-	-
Derivative financial instruments	15.2	2,660	4,606	2,660	4,606
Deferred tax liabilities	4.3	16,374	14,346	-	-
Provisions	16.2	3,786	3,249	-	-
Total non-current liabilities		**78,503**	**74,893**	**57,300**	**56,246**
Total liabilities		**83,380**	**81,264**	**57,443**	**56,629**
Net assets		**148,044**	**135,192**	**10,581**	**9,302**
Equity					
Capital and other equity instruments	17	6,000	6,000	6,000	6,000
Capital reserve	18.1	-	-	2,992	2,992
Asset revaluation reserve	18.2	60,100	60,380	-	-
Retained earnings	19	81,944	68,812	1,589	310
Total equity		**148,044**	**135,192**	**10,581**	**9,302**

Notes to the Consolidated Financial Statements are included on pages 18 to 46 and are an integral part of, and should be read in conjunction with, these Consolidated Financial Statements.

Statement of Cash Flows

For the financial year ended 30 June	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Cash flows from operating activities					
Receipts from customers		35,417	31,986	3	3
Wage subsidy NZ Government		-	556	-	-
Interest received		15	81	1,001	1,205
Dividends received		-	-	3,642	3,424
Subvention receipts		-	-	213	228
Subvention payments		(760)	-	-	-
Payments to suppliers and employees		(17,956)	(16,899)	(129)	(129)
Interest and other costs of finance paid		(1,589)	(1,945)	(1,553)	(1,865)
Income tax paid (net of refunds)		(2,244)	(2,270)	-	-
Net cash provided by operating activities		**12,883**	**11,509**	**3,177**	**2,866**
Cash flows from investing activities					
Payment for property, plant and equipment		(1,566)	(3,087)	-	-
Proceeds from sale of property, plant and equipment		27	18	-	-
Advances received		3,530	3,806	3,530	4,571
Advances made		(3,848)	(3,610)	(6,848)	(5,110)
Payment for intangible assets		(33)	(40)	-	-
Payment for investment property		(6,371)	(5,080)	-	-
Net (cash used in)/provided by investing activities		**(8,261)**	**(7,993)**	**(3,318)**	**(539)**
Cash flows from financing activities					
Proceeds from borrowings		3,000	1,500	3,000	1,500
Repayment of borrowings		-	(765)	-	(765)
Repayment of lease liability		(29)	(32)	-	-
Dividends paid	20	(2,876)	(3,069)	(2,876)	(3,069)
Net cash used in financing activities		**95**	**(2,366)**	**124**	**(2,334)**
Net increase/(decrease) in cash and cash equivalents		**4,717**	**1,150**	**(17)**	**(7)**
Cash and cash equivalents at the beginning of the financial year		**3,078**	**1,928**	**47**	**54**
Cash and cash equivalents at the end of the financial year		**7,795**	**3,078**	**30**	**47**

Notes to the Consolidated Financial Statements are included on pages 18 to 46 and are an integral part of, and should be read in conjunction with, these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the Financial Year ended 30 June 2021

1. Company information

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

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

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

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

2. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Consolidated Financial Statements for the year ended 30 June 2021, and the comparative information presented for the year ended 30 June 2020:

2.1. Statement of compliance

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

The consolidated Financial Statements were authorised for issue on 15 October 2021.

2.2. Basis of preparation

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

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

The consolidated Financial Statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

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

- Property, plant and equipment and Investment property which are revalued in accordance with the accounting policies set out in notes 7 and 9.

- Certain non-current assets and derivative financial instruments (interest rate swaps) that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the notes to the Financial Statements. Historical cost is generally based on the fair values of the consideration given in exchange for assets.
- The categories of financial instruments and corresponding valuation techniques are listed under note 24.

2.3. Basis of consolidation

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

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

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

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

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

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

2.4. Statement of cash flows policies

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

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

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

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

Cash balances not available for use Nil (2020: Nil).

2.5. Accounting estimates and judgements

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

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

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

- Right-of-use Assets & Lease liabilities (notes 11 and 14)
- Asset revaluation (notes 7 and 9)

- Financial instruments valuation (note 15)
- Loss allowance – expected credit losses (note 5)
- Non-current provisions (note 16.2)
- Contingent liabilities (note 22.2)

2.6. Covid – 19 Pandemic Impacts

MDC Holdings Limited (Parent)

The COVID-19 pandemic had little to no impact on the financial performance or financial position of MDC Holdings Limited (Parent), during 2021 year. In the 2022 year MDC Holdings Limited (Parent) is expecting to maintain budgeted dividend receipts from its subsidiary PMNZL.

Port Marlborough New Zealand Limited

The port is an essential service provider and continued operations throughout the heightened alert levels of the 2020 COVID-19 response. With the exception of cruise ship activity, Group revenues have not been adversely impacted by COVID-19 disruptions.

The previously buoyant cruise sector has been completely inactive through the year due to border closures and a government ban on cruise activity. We continue to work with industry in preparation for safe return of cruise, in whatever form that may take and whenever it may occur. The loss of cruise revenue has been offset by log exports, which reached record levels during the year.

Marlborough Airport Limited

This year has been an unprecedented year and extremely challenging time for Marlborough Airport Limited. Back in April 2020 our passenger numbers dropped to less than 1% of the same month in the previous year.

Alert level disruptions have continued at various times during the year, albeit with significantly less impact on traveller numbers than the initial lock downs had.

However, being a domestic only airport our passenger numbers have recovered strongly and total passenger numbers for the year ended 20 June 2021 reached 75% of those in June 2019 which was the last full pre-Covid 19 year. Domestic airline capacity has remained relatively strong, especially in the last quarter of the year where seat capacity was close to pre-Covid 19 levels and passenger number reached above 90%.

As part of its COVID-19 response MAL continued to abate rentals for its rental car and retail tenants out to 31 March 2021. These abatements ceased in the last quarter as trading levels have continued to improve. All other areas of the business have largely operated normally.

With regard to MAL's annual report, COVID-19 has specifically impacted certain areas of financial reporting. Where applicable these impacts have been disclosed in the relevant notes in the financial statements based on information available at the time of preparation. Whilst there is still great uncertainty around future impacts of COVID-19, the scheduled capacity for the next six months remains strong and the Directors' consider MAL's long-term business fundamentals also remain strong.

2.7. New standards adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting period for the Group. These standards are not expected to have a material impact on the current or future reporting periods, nor on foreseeable transactions.

2.8. Changes in accounting policies

There have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these Financial Statements.

2.9. Specific accounting policies

Specific accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

3. Profit from operations

3.1. Revenue

Revenue from operations consisted of the following items:

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Revenue				
Revenue from the rendering of services	13,665	13,585	-	-
Lease rental investment property	10,105	9,612	-	-
Lease rental other property	10,667	9,866	-	-
Dividend revenue	-	-	3,641	3,424
Subvention receivable	-	-	189	213
Interest revenue				
Bank deposits / IRD use of money	6	12	-	-
Related party loans	6	17	998	1,154
Other finance income				
Gains on derivative financial instruments	2,180	-	1,000	-
Total revenue	**36,629**	**33,092**	**5,828**	**4,791**

Revenue from the rendering of services				
Pilotage & Towage	2,151	2,417	-	-
Log Ships & Storage	5,899	4,359	-	-
Cruise Ship visit	-	1,648	-	-
Marina Services	1,656	1,392	-	-
Port & Marine Farm Services	1,464	1,458	-	-
Landing charges	2,029	1,944	-	-
Parking	466	367	-	-
Total	**13,665**	**13,585**	**-**	**-**

Timing of revenue recognition				
At a point in time	10,538	9,481	-	-
Over time	3,127	4,104	-	-
Total	**13,665**	**13,585**	**-**	**-**

Revenue recognition policies

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

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

Rental income from investment properties & other rental property - The Group's policy for recognition of revenue from operating leases is described in note 21.2 below.

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

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

3.2. Expenses

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

		Group		Parent	
		2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Interest costs					
Interest on borrowings and swaps		1,553	1,799	1,546	1,794
Other interest expense (lease liabilities)		53	42	-	-
Other finance costs					
(Gains)/losses on derivative financial instruments		-	903	-	598
Other expenditure disclosures					
Donations and sponsorship		86	86	-	-
Employer contribution to superannuation		295	294	-	-
Operating lease rental properties		21	21	-	-
Expenses from investment properties generating income		3,936	3,377	-	-
Depreciation, impairment and amortisation					
Depreciation of non-current assets	7	4,121	3,926	-	-
Amortisation of Intangibles	10	145	142	-	-
Amortisation right-of-use assets	11	42	42	-	-
Impairments recovered	7	92	-	-	-
Remuneration of auditors					
Audit of the financial statements		113	118	18	18

Expense recognition policies

Interest expense – Interest expense is accrued on a time basis using the effective interest method. Interest paid is classified as an expense consistently with the Statement of Financial Position classification of the related debt. During the year the Group and the Company interest rates ranged between 0.57% and 5.21% (2020: 0.48% and 5.21%).

4. Taxation

Income tax policies

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

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

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

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

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

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

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

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

4.1. Reconciliation of income tax

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

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Profit before income tax expense	**19,534**	**981**	**4,155**	**2,278**
Tax at current rate 28%	**5,469**	**281**	**1,163**	**638**
Plus/(less) tax adjustments:				
Reinstatement of building depreciation	-	(614)		
Non-deductible expenses	159	(98)	-	-
Non-taxable expense/(income)	(1,060)	(87)	(1,019)	(959)
Group loss available for offset	-	-	136	153
Prior year adjustment	(137)	-	-	-
Group loss offset ex MDC	(625)	(467)	-	-
Deferred tax expense/(credit) not recognised	-	1	(280)	168
Income tax expense recognised on the Income Statement	**3,806**	**(984)**	**-**	**-**
Comprising:				
Current tax expense	1,915	2,300	-	-
Prior year adjustment to current tax	(137)	-	-	-
Deferred tax expense/(credit)	2,028	(3,284)	-	-
Total tax expense/(credit)	**3,806**	**(984)**	**-**	**-**

4.2. Reconciliation of tax losses utilised within the Group

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

	Parent	
	2021	2020
	$ '000	$ '000
Profit before income tax expense	**4,155**	**2,278**
Plus/(less) tax adjustments:		
Non-taxable expense/(income)		
Subvention receivable	(189)	(213)
Dividend revenue	(3,641)	(3,424)
(Gains)/losses on derivative financial instruments	(1,000)	598
Total tax losses to be utilised within the Group	**(675)**	**(761)**
Transferred by:		
Subvention receivable	189	213
Loss offset	486	548

4.3. Deferred tax liability

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

	Group					
Deferred tax liability/(asset)	**Derivative financial instruments**	**Property, plant and equipment**	**Investment property**	**Intangible assets**	**Provisions**	**Totals**
	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
Balance at 1 July 2019	**(1,106)**	**15,771**	**3,546**	**133**	**(974)**	**17,370**
Recognised in:						
Profit or loss	(247)	(1,118)	(1,553)	(24)	(339)	(3,284)
Other comprehensive income	-	259	-	-	-	259
Balance at 30 June 2020	**(1,353)**	**14,912**	**1,993**	**109**	**(1,313)**	**14,346**
Recognised in:						
Profit or loss	611	(507)	1,928	(23)	21	2,028
Other comprehensive income	-	-	-	-	-	-
Balance at 30 June 2021	**(742)**	**14,405**	**3,921**	**86**	**(1,292)**	**16,374**

Deferred tax on Derivative financial instruments (interest rate swaps)

The parent Company has not recognised a deferred tax asset in relation to temporary differences of $1,031,000 (2020: $2,031,000). However, this asset has been recognised at group level.

5. Trade and other receivables

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Trade and other receivables	2,909	5,596	-	-
Loss Allowance	(50)	(54)	-	-
Other - related party	-	1	243	272
Prepayments	228	135	-	-
Total trade and other receivables	**3,087**	**5,678**	**243**	**272**

5.1 Rent Concession Provision

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Classified as:				
Current (Trade and other receivables)	63	30	-	-
Non-current	40	57	-	-
	103	**87**	**-**	**-**

Trade and other receivables policies

Trade and other receivables are initially recognised at fair value. The Group has measured the loss allowance for trade receivables at an amount equal to lifetime ECL (Expected Credit Losses). The ECL on trade receivables are estimated using a provision matrix and are adjusted by reference to past default experience of the debtor and are adjusted for factors looking forward that are specific to the debtor and general economic conditions. PMNZL recognises a loss allowance of 100% against all receivables over 12 months while MAL recognises a loss allowance of 100% against all receivables over 24 months.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Movements in Allowances are recognised in the Consolidated Income Statement.

6. Impairment policies

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

Recoverable amount is the greater of market value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. For non-revalued assets, impairment losses are recognised as an expense immediately. For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset.

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

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

7. Property, plant and equipment

GROUP 2020	Cost/ valuation	Accumulated depreciation	Carrying amount	Asset reclassification Opening Balances	Asset depreciation adjustment	Additions	Disposals	Disposals depreciation adjustment	Transfers from Investment properties	Impairment	Depreciation	Transfer/ Classification	Revaluation depreciation write back	Revaluation Accum Depn write back	Revaluation depreciation adjustment	Cost/ revaluation	Accumulated depreciation	Restated carrying amount
	1 July 2019			30 June 2020														
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Port Marlborough New Zealand Limited assets																		
Freehold land and improvements (i)	38,632	(1)	38,631	-	-	-	-	-	-	-	(541)	-	-	-	-	38,632	(542)	38,090
Buildings and wharf infrastructure (i)	61,740	(324)	61,416	-	-	-	(12)	-	-	-	(2,063)	-	-	-	-	61,728	(2,387)	59,341
Plant, equipment, furniture and vehicles (ii)	9,543	(5,532)	4,011	-	-	-	(213)	203	-	-	(712)	-	-	-	-	9,330	(6,041)	3,289
Work in progress (ii)	342	-	342	-	-	2,002	-	-	-	-	-	-	-	-	-	2,344	-	2,344
	110,257	**(5,857)**	**104,400**	**-**	**-**	**2,002**	**(225)**	**203**	**-**	**-**	**(3,316)**	**-**	**-**	**-**	**-**	**112,034**	**(8,970)**	**103,064**
Marlborough Airport Limited assets																		
Freehold land and improvements (i)	2,422	(333)	2,089	-	-	-	(2)	1	-	-	(169)	-	(371)	501	-	2,049	-	2,049
Buildings (i)	5,583	(708)	4,875	-	-	-	-	-	-	-	(354)	-	(268)	1,062	-	5,315	-	5,315
Plant, equipment, furniture and vehicles (ii)	866	(430)	436	-	-	19	(3)	3	-	-	(87)	-	-	-	-	882	(514)	368
Work in progress (ii)	21	-	21	-	-	175	-	-	-	-	-	-	-	-	-	196	-	196
	8,892	**(1,471)**	**7,421**	**-**	**-**	**194**	**(5)**	**4**	**-**	**-**	**(610)**	**-**	**(639)**	**1,563**	**-**	**8,442**	**(514)**	**7,928**
Total Group Assets	**119,149**	**(7,328)**	**111,821**	**-**	**-**	**2,196**	**(230)**	**207**	**-**	**-**	**(3,926)**	**-**	**(639)**	**1,563**	**-**	**120,476**	**(9,484)**	**110,992**

(i) at Fair value

(ii) at Cost

GROUP 2021	Cost/ valuation	Accumulated depreciation	Carrying amount	Asset reclassification Opening Balances	Asset depreciation adjustment	Additions	Disposals	Disposal depreciation adjustment	Transfers from investment properties	Impairment	Depreciation expense	Transfer - reclassification	Revaluation depreciation write back	Revaluation Accum Depn Write back	Impairment Loss Recovery	Cost/ revaluation	Accumulated depreciation	Carrying amount
	1 July 2020			30 June 2021														
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Port Marlborough New Zealand Limited assets																		
Freehold land and improvements (i)	38,632	(542)	38,090	547	-	-	-	-	-	-	(566)	10	-	-	-	39,189	(1,108)	38,081
Buildings and wharf infrastructure (i)	61,728	(2,387)	59,341	187	-	-	(52)	2	-	(92)	(2,156)	1,641	-	-	-	63,504	(4,633)	58,871
Plant, equipment, furniture and vehicles (ii)	9,330	(6,041)	3,289	523	-	-	(146)	144	-	-	(736)	1,000	-	-	-	10,707	(6,633)	4,074
Work in progress (ii)	2,344	-	2,344	(1,257)		2,016	-	-	-	-	-	(2,651)	-	-	-	452	-	452
	112,034	**(8,970)**	**103,064**	**-**	**-**	**2,016**	**(198)**	**146**	**-**	**(92)**	**(3,458)**	**-**	**-**	**-**	**-**	**113,852**	**(12,374)**	**101,478**
Marlborough Airport Limited assets																		
Freehold land and improvements (i)	2,049	-	2,049	-	-	-	-	-	-	-	(184)	-	-	-	-	2,049	(184)	1,865
Buildings (i)	5,315	-	5,315	-	-	-	-	-	-	-	(403)	-	-	-	-	5,315	(403)	4,912
Plant, equipment, office furniture and fittings (ii)	882	(514)	368	-	-	10	-	-	-	-	(76)	-	-	-	-	892	(590)	302
Work in progress (ii)	196	-	196		-	201	-	-	-	-	-	-	-	-	-	397	-	397
	8,442	**(514)**	**7,928**	**-**	**-**	**211**	**-**	**-**	**-**	**-**	**(663)**	**-**	**-**	**-**	**-**	**8,653**	**(1,177)**	**7,476**
Total Group Assets	**120,476**	**(9,484)**	**110,992**	**-**	**-**	**2,227**	**(198)**	**146**	**-**	**(92)**	**(4,121)**	**-**	**-**	**-**	**-**	**122,505**	**(13,551)**	**108,954**

(i) at Fair value

(ii) at Cost

Property, plant and equipment policies

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

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

Additions between valuations are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service, including professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy (see note 13).

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

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

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

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

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

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

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

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

7.1. Valuation basis

An independent valuation of PMNZL land, buildings, improvements and wharf infrastructure is performed on a three yearly basis. The latest review was at 30 June 2019. The valuation was performed by Crighton Anderson & Infrastructure Limited t/a Colliers international, independent registered valuers and associates of the NZ Institute of Valuers, with engineering input from WSP. 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. Management's assessment is that there has been no material movement in value in the twenty-four months since the last valuation at 30 June 2019. The key assumptions used in making this judgement are set out below:

- Minimal impact on replacement cost valuations due to the low inflation environment
- No technology changes that would have impact significantly on replacement cost methodology
- No physical damage has occurred to facilities which affects either their operation or remaining life of assets
- Majority of COVID-19 monetary impact cruise related, the company does not hold specialised cruise assets.

MAL's last revaluation of its Freehold car park, land improvements and buildings was at 30 June 2020. MAL's Freehold car park and land improvements and Buildings were valued by WSP, independent registered valuers and associates of the NZ Institute of Valuers who have experience in the location and category of the items being valued. WSP were subsequently engaged in 2021 to conduct a carrying value review. The report concluded that there had not been a material change to MAL's infrastructure valuation as at 30 June 2021.

Valuations have been updated for subsequent additions at cost, less any subsequent depreciation or impairment losses. Any revaluation surplus net of deferred income taxes is credited to other comprehensive income and is shown in Reserves (see note 18).

7.2. Fair value model

Assets have been categorised as specialised or non-specialised:

Specialised

In general terms these assets are:

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

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

Non-specialised

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

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

8. Capital expenditure commitments

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

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Property, plant and equipment	18,539	4,145	-	-

9. Investment property

	Notes	Group		Parent	
		2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Balance at beginning of the year		**91,832**	**93,090**	**-**	**-**
Additions from subsequent expenditure		5,538	5,609	-	-
Net gain/(loss) from fair value adjustments		8,810	(6,867)	-	-
Balance at end of the year		**106,180**	**91,832**	**-**	**-**

Investment property policies

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

Where investment property is leased, at commencement date of the lease the right of use asset is measured at cost and is comprised of:

- the initial measure of the corresponding lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any direct costs.

They are subsequently measured at fair value when the asset meets the definition of investment property.

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

9.1. Valuation basis

MAL's investment properties were valued on 30 June 2021 by Alexander Hayward Limited, independent registered valuers and associates of the NZ Institute of Valuers.

Due to the uncertain impact of COVID-19 on market values, the valuation of investment properties performed by Alexander Hayward limited has reported on the basis of having 'significant market uncertainty'. Furthermore they stated as a consequence that a "high degree" of caution should be attached to the valuation than normally would be. PMNZL's investment properties were valued on 30 June 2021 by Crighton Anderson Property and Infrastructure Limited t/a Colliers International, 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 are based on market values, being the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

The Valuers included the following commentary in their valuation report:

"Market Risk: The ongoing social and economic impact of COVID-19, both domestically and on a global basis, is providing elevated market risk at the current time.

In some markets there is more certainty regarding 'post-COVID pricing' than others due to the subsequent transactional evidence, however there is increased latent risk across all asset classes and property sectors due to the impact of the pandemic. This risk relates to how the future will play out over the coming weeks, months and even years. As such this is not a variable than can be explicitly priced.

As per the accepted definition, a market value is "as at the valuation date" and is based on events and evidence up to that date. It reflects the sentiment at that point in time and the value on that day. Given these comments we note the current economic conditions and latent potential volatility should be considered by the reader(s) of this report and factored into future considerations when referring to this valuation.

COVID-19 Alert Level Comment: the Alert System was introduced in March 2020 to manage and minimise the risk of COVID-19 in New Zealand, with Alert level 4 being a full lockdown and Alert Level 1 only having border closures and minimal other requirements. The country was placed in Alert Level 4 on 25 March 2020, eventually moving down through to Alert Level 3 on 27 April 2020 to Level 2 on 13 May 2020 and finally Alert level 1 on 8 June 2020.

There have been subsequent periods of increased levels in August 2020 and February/March 2021 in which Auckland was moved back up to Alert level 3 and the balance of the country to Alert level 2 before working back down to Alert Level 1 status.

Significant Valuation Uncertainty: The market that Area 701, Sanford Area and Marine farms, within which the Havelock Marina is transacted is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer(s) could not reasonably have been aware of as at the date of valuation). We do not accept responsibility for any losses arising from such subsequent changes in value.

Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically."

9.2. Fair value model

MAL's Aircraft hangar is located in Woodbourne, west of Blenheim. The valuation was undertaken using a slightly modified investment approach based on an assessment of market rental potential capitalised at current market investment rates analysed from market transactions. The rental capitalisation rate adopted was 6.75% (2020: 7.5%).

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

Total land area is 84.8672 hectares.

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

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

The marinas comprise the bulk of investment properties.

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

Discounted Cashflow Summary (rates) Property	2021	2020
Picton Marina	6.35%	7.10%
Waikawa Marina	6.50%	8.00%
Havelock Marina	7.90%	8.75%

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 5.54% and 9.50% (2020: 6.00% and 9.50%). The rates are post tax.

10. Intangible assets

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Software gross carrying amount				
Balance at beginning of the year	1,188	1,215	-	-
Additions	33	40	-	-
Disposals	-	(67)	-	-
Balance at end of the year	**1,221**	**1,188**	**-**	**-**
Software accumulated amortisation and impairment				
Balance at beginning of the year	769	694	-	-
Disposals	-	(67)	-	-
Amortisation (i)	145	142	-	-
Balance at end of the year	**914**	**769**	**-**	**-**
Software net book value at end of the year	**307**	**419**	**-**	**-**

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

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

11. Right–of-use assets

	Group		Parent	
	2021	2020	2021	2020
Gross carrying amount	$ '000	$ '000	$ '000	$ '000
Balance at beginning of the year	875	-	-	-
Additions/(disposals)	-	875	-	-
Balance at end of the year	**875**	**875**		
Accumulated amortisation and impairment:				
Balance at beginning of the year	42	-	-	-
Amortisation	43	42	-	-
Balance at end of the year	85	42		
Net Book value at end of year	**790**	**833**	**-**	**-**

Right-of-use assets policies
Right-of-use assets are measured initially at the present value of the remaining lease liability at inception plus indirect costs and less estimates of any make good provisions in the lease. Amortisation is charged on a straight line basis over the lease term.

12. Trade and other payables

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Trade creditors	2,918	1,807	5	5
Property, plant and equipment	148	1,951	-	-
Employee expenses	774	829	-	-
Bank interest	128	135	128	135
Related party - Subvention payments	868	760	-	-
Total trade and other payables	**4,836**	**5,482**	**133**	**140**

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

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

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

13. Borrowings

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Borrowings at amortised cost	**54,640**	**51,640**	**54,640**	**51,640**
Classified as:				
Non-current	54,640	51,640	54,640	51,640
Total facility	**66,390**	**66,390**	**66,390**	**66,390**
Amount used	54,640	51,640	54,640	51,640
Amount unused	11,750	14,750	11,750	14,750

Borrowings policies

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

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

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

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

13.1. Loan maturities

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

13.2. Borrowings security

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

14. Lease Liabilities

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Lease liabilities	**1,074**	**1,082**	**-**	**-**
Classified as:			-	
Current	31	30	-	-
Non-current	1,043	1,052	-	-

Lease liability policies

Lease liabilities are measured at the present value of the remaining lease payments. Lease payments are discounted using either the interest rate implicit in the lease or the relevant group entities incremental borrowing rate.

15. Derivative financial instruments (interest rate swaps)

Interest rate swap policies

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

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

15.1. Interest rate swap contracts

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

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

During the year the interest rates for the Group and parent active swaps ranged between 0.05% and 5.21% (2020: 3.77% and 5.21%).

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

	2021 $ '000	2020 $ '000
Bank:		
BNZ	23,400	27,400
Westpac	12,250	15,000
ASB	400	900
Total swap contracts	**36,050**	**43,300**
Classified as:		
Active swaps	30,050	28,300
Forward dated swaps	6,000	15,000

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

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Interest rate swap asset at FVTPL - between the Company and subsidiaries	-	-	**1,639**	**2,818**
Classified as:				
Current asset	-	-	10	165
Non-current asset	-	-	1,629	2,653
Interest rate swap (liability) at FVTPL - between the Company and the bank	**(2,669)**	**(4,850)**	**(2,669)**	**(4,849)**
Classified as:				
Current liabilty	(10)	(244)	(10)	(243)
Non-current liability	(2,660)	(4,607)	(2,660)	(4,606)
Net interest rate swap	**(2,670)**	**(4,851)**	**(1,031)**	**(2,031)**

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

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

The net interest rate swap position of $1,031,000 (2020: $2,031,000) represents the valuation of the parent's own swaps. The parent movement ((gain)/loss) between the two years of $999,665 (2020: -$598,000) is recorded under parent 'Revenue' in the Income Statement (see note 3.1).

16. 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.

16.1. Current provisions – Rescue Fire Service

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Balance at beginning of the year	**550**	**-**	**-**	**-**
Increase/(decrease) in provision for the current period	(550)	550	-	-
Balance at end of the year	**-**	**550**	**-**	**-**

16.2. Non-current provisions – runway reseal

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Balance at beginning of the year	**3,249**	**2,785**	**-**	**-**
Additional provision recognised	537	464	-	-
Balance at end of the year	**3,786**	**3,249**	**-**	**-**
Classified as:				
Non-current	3,786	3,249	-	-

The provision for resealing was last reviewed in March 2021. MAL commissioned Beca Limited to undertake a desktop feasibility assessment and prepare a high level Rough Order Cost (ROC) estimate of the surfacing of the runway.

Business and Economic Research Limited (Berl) price level adjustors plus a 2.0% (2020: 3.5%) interest factor were applied to the ROC to calculate the amount to be provided each year up until 2025, when the runway is expected to be resealed.

Runway reseal policies

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

17. Share capital and other equity instruments

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
6,000,000 fully paid ordinary shares (2020: 6,000,000)	**6,000**	**6,000**	**6,000**	**6,000**

At balance date the Company had issued 76,000,000 shares (2020: 76,000,000) of which 6,000,000 are fully paid. The remaining 70,000,000 shares (2020: 70,000,000) were issued for $1 per share and are yet to be called up.

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

Equity instruments policies

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

18. Reserves

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Capital reserve	-	-	2,992	2,992
Asset revaluation reserve	60,100	60,380	-	-
	60,100	**60,380**	**2,992**	**2,992**

18.1. Capital reserve

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Balance at beginning of the year	**-**	**-**	**2,992**	**2,992**
Movements	-	-	-	-
Balance at end of the year	**-**	**-**	**2,992**	**2,992**

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

18.2. Asset revaluation reserve

	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Balance at beginning of the year		**60,380**	**59,717**	**-**	**-**
Revaluation increments		-	922	-	-
Deferred tax - Property revaluations	4.3	-	(259)	-	-
Transfer to Retained Earnings	19	(280)	-	-	-
Balance at end of the year		**60,100**	**60,380**	**-**	**-**

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

19. Retained earnings

	Notes	Group 2021 $ '000	Group 2020 $ '000	Parent 2021 $ '000	Parent 2020 $ '000
Balance at beginning of the year		**68,812**	**69,916**	**310**	**1,101**
Net profit after tax		15,728	1,965	4,155	2,278
Dividends paid	20.2	(2,876)	(3,069)	(2,876)	(3,069)
Transfer from revaluation reserve	18.2	280	-	-	-
Balance at end of the year		**81,944**	**68,812**	**1,589**	**310**

20. Dividends

Recognised amounts:	2021 Cents per Share	2021 Total $ '000	2020 Cents per Share	2020 Total $ '000
Fully paid ordinary shares	**48**	**2,876**	**51**	**3,069**

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

Dividends payment policies

Dividends paid are classified as distributions of profit.

21. Operating lease arrangements

21.1. The Group as lessee

Maturity analysis of lease liabilities:

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Year 1	61	61	-	-
Year 2	71	61	-	-
Year 3	92	71	-	-
Year 4	92	92	-	-
Year 5	92	92	-	-
Year 6 onwards	1,392	1,482	-	-
	1,800	**1,859**	**-**	**-**

Lessee policies

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

PMNZL and MAL leasing arrangements

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

21.2. The Group as lessor

Maturity analysis of lease payments due:

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Year 1	10,356	6,796	-	-
Year 2	9,793	4,664	-	-
Year 3	9,325	4,113	-	-
Year 4	5,525	3,716	-	-
Year 5	3,412	3,425	-	-
Year 6 onwards	9,504	11,534	-	-
	47,915	**34,248**	**-**	**-**

Lessor policies

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

PMNZL leasing arrangements

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

MAL leasing arrangements

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

22. Contingent assets and contingent liabilities

22.1. Contingent assets

There are no contingent assets (2020: Nil).

22.2. Contingent liabilities

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

23. Parent and Subsidiaries disclosures

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

Details of the Group's subsidiaries are as follows:

	Country of incorporation	2021 %	2020 %
Port Marlborough New Zealand Limited	New Zealand	100	100
Marlborough Airport Limited	New Zealand	100	100

23.1. Investment in subsidiaries

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Unlisted shares in Port Marlborough NZ Ltd	-	-	26,725	26,725
Unlisted shares in Marlborough Airport Ltd	-	-	1,811	1,811
Total investment in subsidiaries	**-**	**-**	**28,536**	**28,536**

Investments in subsidiaries policies

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

23.2. Related party loans and advances

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Current asset portion				
Advances to Marlborough District Council	3,541	3,223	3,541	3,223
Non-current asset portion				
Advances to subsidiaries	-	-	34,035	31,035
Non-current liability portion				
Loans from Marlborough District Council	54,640	51,640	54,640	51,640

23.3. Transactions and balances with PMNZL and MAL

All related party disclosures are inclusive of GST where applicable.

PMNZL and MAL are related parties as they have the same parent, MDC Holdings Limited. During the year MAL received a payment of $1,725 (2020: $1,725) from PMNZL.

Port Marlborough New Zealand Limited

Transactions between MDC Holdings Limited and PMNZL are as follows:

	2021 $ '000	2020 $ '000
Amounts received from PMNZL during the year:		
Dividends	3,641	3,424
Finance costs recovered	942	1,056
Subvention payment	189	228
Amounts receivable from PMNZL at balance date:		
Advance	31,000	29,000
Interest on advance	50	53
Subvention payment	189	213

Marlborough Airport Limited

Transactions between MDC Holdings Limited and MAL are as follows:

	2021 $ '000	2020 $ '000
Amounts received from MAL during the year:		
Interest on advance	50	81
Swap valuation fee reimbursement	1	-
Amounts receivable from MAL at balance date:		
Interest on advance	4	5
Advance	3,035	2,035

23.4. Transactions and balances with Marlborough District Council

MDC Holdings Limited

Transactions between Council and MDC Holdings Limited are as follows:

	2021 $ '000	2020 $ '000
Amounts paid to MDC during the year:		
Dividends	2,876	3,069
Interest on loans	408	816
Amounts payable to MDC at balance date:		
Loans	54,640	51,640
Interest on loans	53	49
Amounts received from MDC during the year:		
Interest on advance	6	17
Swap valuation fee reimbursement	1	1
Amounts receivable from MDC at balance date:		
Advance	3,541	3,223

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

Port Marlborough New Zealand Limited

Transactions between Council and PMNZL are as follows:

	2021 $ '000	2020 $ '000
Amounts received from PMNZL during the year:		
Rates & other services	952	1,026
Harbour & Navigational levies	494	495
Operating lease (truck park & car parks)	-	121
Subvention payments	648	
Amounts receivable from PMNZL at balance date:		
Services provided	-	31
Subvention receivable	868	648
Amounts paid to PMNZL during the year:		
Services provided	101	64
Amounts paid in advance by PMNZL		
Operating lease (truck park & car parks)	-	95

Marlborough Airport Limited

Transactions between Council and MAL are as follows:

	2021 $ '000	2020 $ '000
Services charged by MDC during the year	243	231
Subvention payment	-	112
Services payable to MDC at balance date	14	116
Paid to MAL during the year	6	12

23.5. Transactions eliminated on consolidation

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

23.6. Guarantees provided or received

There are no guarantees provided or received (2020: Nil).

23.7. Directors’ transactions

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

- Southern Cross Medical Care Society, who PMNZL paid $84,672 (2020: $79,855) for employee health insurance.

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

- Fulton Hogan Limited who undertook maintenance work for the year at MAL for $444,334 (2020: $29,247).

23.8. Key management personnel remuneration

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

	Group		Parent	
	2021 $ '000	2020 $ '000	2021 $ '000	2020 $ '000
Employee benefits	1,397	1,241	-	-
Directors' fees	340	329	76	68
	1,737	**1,570**	**76**	**68**

23.9. PMNZL marina facilities

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

24. Categories of financial instruments

	Notes	Group financial assets/(liabilities) Financial assets at Amortised cost $ '000	Financial liabilities at Amortised cost $ '000	Financial assets/ (liabilities) at FVTPL(*) $ '000	Totals $ '000
Cash and cash equivalents		3,078	-	-	3,078
Trade and other receivables	5	5,678	-	-	5,678
Loans to Marlborough District Council	23.4	3,223	-	-	3,223
Trade and other payables	12	-	(5,482)	-	(5,482)
Borrowings	13	-	(51,640)	-	(51,640)
Lease liabilities	14	-	(1,052)		(1,052)
Derivative financial instruments	15.2	-	-	(4,849)	(4,849)
Balance at 30 June 2020		**11,979**	**(58,174)**	**(4,849)**	**(51,044)**
Cash and cash equivalents		7,795	-	-	7,795
Trade and other receivables	5	3,087	-	-	3,087
Loans to Marlborough District Council	23.4	3,541	-	-	3,541
Trade and other payables	12	-	(4,836)	-	(4,836)
Borrowings	13	-	(54,640)	-	(54,640)
Lease liabilities	14	-	(1,043)	-	(1,043)
Derivative financial instruments	15.2	-	-	(2,670)	(2,670)
Balance at 30 June 2021		**14,423**	**(60,519)**	**(2,670)**	**(48,766)**

	Notes	Parent financial assets/(liabilities) Financial assets at Amortised cost $ '000	Financial liabilities at Amortised cost $ '000	Financial assets/ (liabilities) at FVTPL(*) $ '000	Total $ '000
Cash and cash equivalents		47	-	-	47
Trade and other receivables	5	272	-	-	272
Related party loans	23.2	34,258	-	-	34,258
Trade and other payables	12	-	(140)	-	(140)
Borrowings	13	-	(51,640)	-	(51,640)
Derivative financial instruments	15	-	-	(2,031)	(2,031)
Balance at 30 June 2020		**34,577**	**(51,780)**	**(2,031)**	**(19,234)**
Cash and cash equivalents		30	-	-	30
Trade and other receivables	5	243	-	-	243
Related party loans	23.2	37,576	-	-	37,576
Trade and other payables	12	-	(133)	-	(133)
Borrowings	13	-	(54,640)	-	(54,640)
Derivative financial instruments	15	-	-	(1,031)	(1,031)
Balance at 30 June 2021		**37,849**	**(54,773)**	**(1,031)**	**(17,955)**

(*) FVTPL – Fair Value through Profit or Loss

Fair value measurement policies

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

Valuation techniques

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

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

25. Events after the reporting period

At the time of preparation of these Financial Statements, due to an outbreak of the Delta variant of COVID-19 Auckland was at Alert Level 3 and the rest of New Zealand at Alert Level 2.

Statistory Information

Auditors

Rehan Badar of Audit New Zealand, acting on behalf of the Auditor-General, is the auditor of MDC Holdings Limited for the year ended 30 June 2021. Nicole Dring of Deloitte, acting on behalf of the Auditor-General, is the auditor for PMNZL, its subsidiaries and MAL for the year ended 30 June 2021.

Employee remuneration

MDC Holdings Limited

The Company has no employees.

Port Marlborough New Zealand Limited

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

	Number of employees	
Remuneration range	2021	2020
$100,000 - 110,000	2	4
$110,000 - 120,000	7	3
$120,000 - 130,000	1	-
$130,000 - 140,000	3	2
$140,000 - 150,000	2	1
$150,000 - 160,000	-	2
$170,000 - 180,000	1	1
$180,000 - 190,000	1	1
$200,000 - 210,000	1	1
$210,000 - 220,000	-	-
$220,000 - 230,000	2	2
$350,000 - 360,000	1	1

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

Marlborough Airport 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:

Marlborough Airport Ltd

	Number of employees	
Remuneration range	2021	2020
$110,000 - 120,000	1	1

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

Interest register

Directors' loans

There were no loans by the Company to Directors.

Directors' remuneration and benefits

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

MDC Holdings Limited

MDC Holdings Ltd

	2021 $	2020 $
R W Olliver (Chairman)	22,305	22,106
J C Leggett	11,228	11,128
T E Hook (resigned Octo ber 2019)	-	4,536
D D Oddie	11,228	6,592
M A Peters	11,228	11,128
A M Barton (Leslie O'Donnell Limited)	12,912	12,797
M B J Kerr	7,190	-
M S Wheeler (unpaid Director)	-	-

Marlborough Airport Limited

The Directors of the Company are also the Directors of MAL. No remuneration or benefits were paid during the year ended 30 June 2021 (2020: Nil).

Port Marlborough New Zealand Limited

	2021 $	2020 $
K B Taylor (Chairman)	64,700	63,700
A R Besley	32,350	31,850
I R Boyd	35,436	34,885
P S Drummond	16,100	31,850
M B J Kerr (resigned December 2020)	17,635	34,885
WB McNabb	17,283	-
J C Moxon	32,350	31,850
M F Fletcher (paid to Council)	32,350	31,850

Directors' and officers' liability insurance

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

Use of Company information

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

Directors' interests in contracts

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

MDC Holdings Limited and Marlborough Airport Limited

R W Olliver	
Fulton Hogan Limited	Director / Shareholder
Fulton Hogan Land Development Limited	Director
Goldpine Group Limited	Shareholder
Kenepuru Forests Limited	Director
Ridgeback Trustees Limited	Director / Shareholder
St Andrews Property Group Limited	Director
Stone Farm Holdings Limited	Shareholder
The Bottling Company Limited	Director
Toi Downs Limited	Director
Lancewood Forest Limited	Director
J C Leggett	
BJM Forests Limited	Director / Shareholder
Bryce Trustee Limited	Director
Erina view farm limited	Shareholder (trustee)
JAHB Properties Limited	Director / Shareholder
JCL Trust	Trustee
JSJ Trust	Trustee
Marlborough District Council	Mayor
Ocean Marine Farm limited	Shareholder
Pigeon Bay Aquaculture Limited	Shareholder
Res Ipsa Loquitur Limited	Director / Shareholder
Riverlands Viticulture Limited	Director / Shareholder
TWL Trust	Trustee
Walnuts new Zealand Co-operative Limited	Shareholder
Willowgrove Dairies limited	Shareholder
Wisheart MacNab & Partners Solicitors Nominee Co Ltd	Director / Shareholder
Wisheart MacNab & Partners Trustee Company Limited	Director / Shareholder
Wisheart MacNab & Partners	Partner
M A Peters	
Goodwin Bay Communal Jetty co. Limited	Shareholder
MA & VF Peters Limited	Director / Shareholder
MA Peters Family Trust	Trustee
Marlborough District Council	Councillor
M J Simmons Trust	Trustee
Hawkesbury Farm Limited	Director
NZ Rugby Foundation Trustee company Limited	Director
Peters Doig Trustee Company Limited	Director
Seymour Building	Director/Shareholder
Simmons Plumbing Limited	Shareholder (As a Trustee)
The Philpott family Trust	Trustee
M S Wheeler	
Marlborough District Council	CEO
CAMA Trust	Trustee
A M Barton	
Leslie & O'Donnell Trustees Limited	Director
Leslie & O'Donnell Limited	Director/shareholder
Malbec Trust	Trustee
Barton Food Limited	Director/shareholder
Marlborough lines Limited	Director
Seaview Capital Limited	Director
Ngāti Apa ki te Rā Tō Trust Board Audit & Risk sub-committee	Member
Village to Village Charitable Trust	Trustee
D D Oddie	
Marlborough District Council	Councillor
Boatsmart Limited	Director/Shareholder
David Oddie Investment Trust	Trustee
David Oddie Investment No.2 Trust	Trustee
D & W Oddie Family Trust	Trustee
M B J Kerr (appointed December 2020)	
Kakapo Bay Forests (2004) Limited	Director
Marlborough Grape Growers Cooperative	Director
Saints Investments Limited	Director
Winstanley Kerridge Chartered Accountants Limited	Director

Port Marlborough New Zealand Limited

K Taylor	
Butlands management Services Limited	Director
Resolution Life NOHC Pty Limited, Director	Director
AMP Life, Director	Director
Southern Cross Medical Care Society, Healthcare Trust and Hospitals Limited	Director/Trustee
A R Besley	
Black Dog Vineyards Limited	Director / Shareholder
I R Boyd	
OTPP NZ Forest Investment Limited	CEO
Te Arawa Group Holdings Limited	Director
AustOn Corporation Pty Ltd,	Director
Wood Industry Development and Education Trust	Trustee
M F Fletcher	
Calmar Cherries Limited	Director / Shareholder
Marlborough District Council	CFO
C Crampton (appointed December 2020)	
Engineering NZ	Board Member
Lifelines Wellington	Deputy Chair
University of Canterbury	Advisory Board Member
Wellington Water	Chief Executive
J Moxon	
Fisher Funds Management Limited	Director
Marlborough Skills Leadership Group	Deputy Chair
NZ Trade & Enterprise - Beachhead	Strategic Advisory Board member
Warren McNabb (appointed December 2020)	
Alpine Energy Limited	Director
Boyce Investments Limited	Director / Shareholder
Energy 3 limited	Director / Shareholder
Infratec Limited	Director
Infratec renewables (Rarotonga) Limited	Director
Lancewood Forests Limited	Director
Lulworth Wind Farm Limited	Director
The Bluffs Vineyard Company Limited	Director / Shareholder
Weld Cone Wind Farm Limited	Director
M B J Kerr (retired December 2020)	
Kakapo Bay Forests (2004) Limited	Director
Marlborough Grape Growers Cooperative	Director
Saints Investments Limited	Director
Winstanley Kerridge Chartered Accountants Limited	Director
P Drummond (retired December 2020)	
Appliance Connexion Limited	Chairman
NARTA Australia Pty Limited	Director
NARTA NZ Limited	Director
Ngati Awa	Director
P S Drummond Ltd	Chairman
Watercare Harbour Clean Up Trust	Chairman
Whip Around Ltd	Chairman
White Island Tours	Director

Company Directory

Directors
R W Olliver (Chairman)
J C Leggett
M A Peters
M S Wheeler
D D Oddie
A M Barton
M B J Kerr

Registered Office
Marlborough District Council
15 Seymour Street
Blenheim

Company Number
814159

Auditor
Rehan Badar of Audit New Zealand acting on behalf of the Auditor-General

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

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

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

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

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