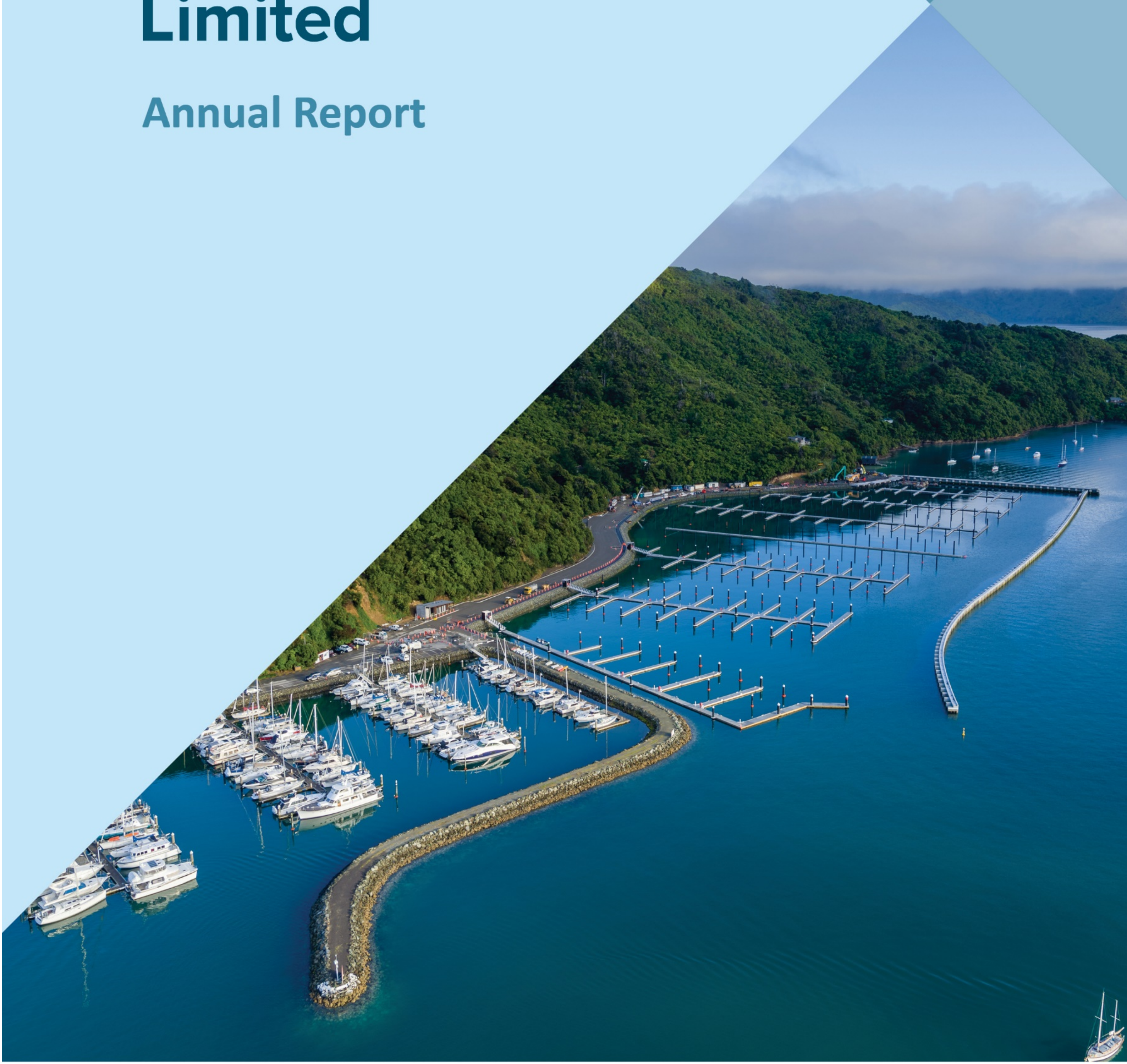
2023

MDC Holdings Limited

Annual Report



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Chair Report

This year has been a reasonably positive one for the group. With the exception of a significant investment property write down at Port Marlborough New Zealand Limited (PMNZL), both subsidiaries achieved record revenues. The Waikawa Marina extension was largely completed and works began on the much-anticipated Waitohi Picton Ferry Precinct Redevelopment as part of the iReX project (Inter-island Resilient Connection Project).

Marlborough Airport implemented new licence plate recognition technology in its existing car park and started construction on the new one. This is on track for delivery in September and is expected to bring a much-improved experience for airport users.

Both entities saw record revenue levels but like so many other businesses also had to navigate increasing costs. This included interest rates which saw the Group's average cost of funds jump significantly. However, the Group has a reasonable level of hedging in place which helped mitigate the impact of the current higher interest environment.

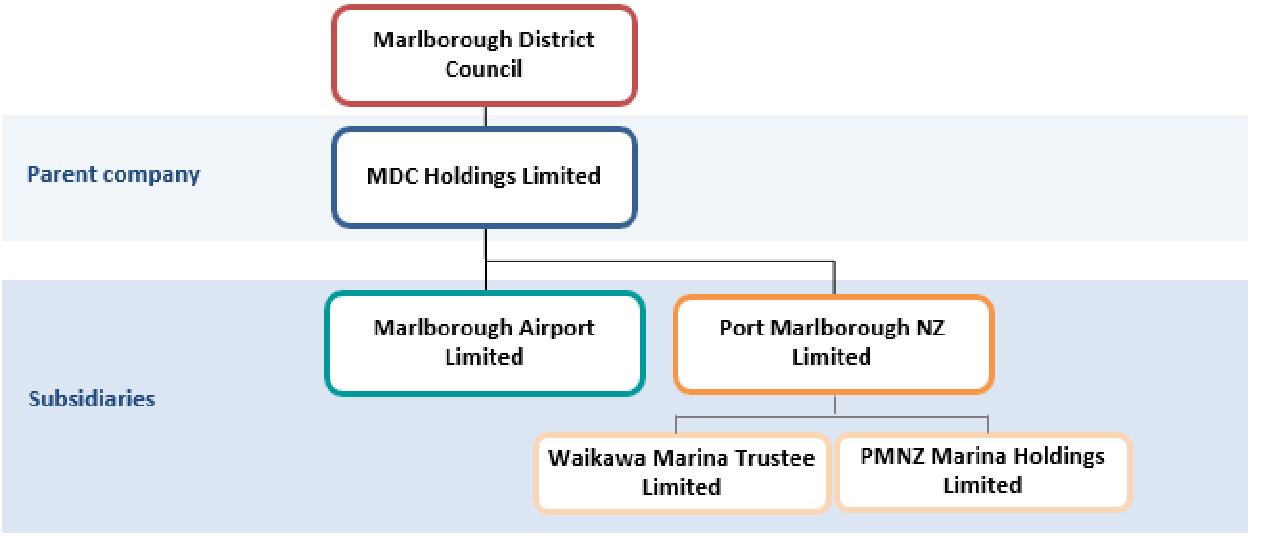
Moving forward the challenge for the Group remains navigating a high inflationary environment while building on the strong income levels experienced in 2023.

I would like to take this opportunity to thank the governance and management teams of each entity for their hard work during the year. We look forward to the coming year with the subsidiaries well placed to deliver value and support to the communities they serve as well as providing critical national infrastructure.

M B J Kerr - Chairperson

Group Operations

MDC Holdings Limited (the Company) is a 100% owned Marlborough District Council (Council) Controlled Trading Organisation. 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:



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.

Report on activities

	Group Actuals		
	2023	**2022**	
	$ '000	**$ '000**	*Variance*
Income	20,426	35,629	(15,203)
Operating costs	(30,587)	(30,759)	172
Gain/(Loss) on derivatives revaluation	729	3,523	(2,794)
Profit for the year	**(9,432)**	**8,393**	(17,825)
Remove fair value revaluations	729	(3,523)	4,252
Operating Profit/(loss) for the year	**(10,161)**	**4,870**	(15,031)

1) The 2022-23 SOI did not include the Group Budget.

2) The below targets were selected as they're consistent factors across the Group and focus on the Group's concern for people, planet, and prosperity.

2022- 23 Group performance	Target	Result	Achieved
PMNZL LTI[1] per 100,000 work hrs	<0.5	2.8	✗
MAL LTI (Nil)	Nil	Nil	✓
PMNZL Greenhouse Gas Net Emissions[2] (Tonnes of CO_2 equivalent)	<820	851	✗
Total Borrowing per SOI	$88.2 million	$71.5 million	✓

1 LTI = Lost time injury

2 Greenhouse Gas Net Emissions of Port Marlborough New Zealand Limited (PMNZL) - please see Approach to Measurement and Reporting of Greenhouse Gases (GHG)

Approach to Measurement and Reporting of Greenhouse Gases (GHG)

The Greenhouse gas net emissions measure includes the emissions of PMNZL and Waikawa Marina Trustees Limited and PMNZ Marina Holdings. We have applied the equity share approach and report on the emissions of PMNZL and its controlled entities.

For reporting purposes, we have focused on our Scope 1 and 2 emissions. To undertake our measurements we have followed the Ministry for the Environment guideline “Te ine tukunga: He tohutohu pakihi – Measuring Emissions: a guide for organisations 2023 detailed guide”, including the GHG emission conversion factors included therein, this aligns with ISO 14064-1:2018 standard and the GHG Protocol Corporate Accounting Reporting Standard

Scope 1 – Direct Emissions includes petrol, diesel and LPG which are primarily used by our marine vessels. Reducing these emissions is the sequestration that takes place by Port Marlborough’s forestry holding. The value of the GHG’s sequestered has been calculated using “approach 2 – averaging accounting” as detailed in the Ministry for the Environment guideline. The reported result excludes Scope 1 refrigerant emissions.

Scope 2 – Indirect Emissions from Energy, i.e. electricity where the biggest consumers are the Ferry Terminal, industrial tenants and marinas.

The target (<820 tonnes) was set in PMNZL’s 2021 Statement of Corporate Intent (SCI) and based on an approximate 17.5% reduction on measured emissions from the 2020/21 year. The main reason the target was not achieved for Scope1 and 2 emissions is due to the unanticipated increase in Port activity post COVID-19 and delays in the introduction of new technology such as electric tugs.

We have not attempted to measure Scope 3 emissions which includes the emissions from ferries, cruise and log ships (owned and operated by business outside of Port Marlborough’s control), and significant capital projects including the Waikawa Marina Extension and the Waitohi Picton Ferry Terminal redevelopment. At this stage the focus is on measuring emissions that we have control over and can more reliably measure.

While we are confident with our reporting, there is a level of inherent uncertainty in the quantification of GHG emissions because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources is still evolving, as are GHG reporting and assurance standards. To help mitigate this uncertainty, we have calculated our emissions based on the most up to date emissions factors available, which are predominantly those issued by the Ministry for the Environment.

Parent company

1.1. 2022-23 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:

2022-23 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. The Company 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 (Negative Outlook) Credit rating received by Council has enabled the Group to access lower cost finance via council and the Local government Funding Agency. Discussions are held on an ongoing basis regarding the Group funding needs as per budgets and agreed SOI & SCI. In 2023 all financing requirements for the Group were met and adequate facilities were in place.

2022-23 Performance targets	Results
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 = 14% (2022: 15%) Three-year average = 15% (2022: 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 = 25% (2022: 31%) Three-year average = 29% (2022: 31%)

Report on activities

Report on activities

	Actuals			Notes	Budget	
	Jun 23	Jun 22	*Variance*		Jun 23	*Variance*
	$ '000	$ '000	$ '000		$ '000	$ '000
Income	6,666	5,190	*1,476*		5,361	*1,305*
Operating costs	(3,645)	(1,882)	*(1,762)*		(1,906)	*(1,739)*
Gain/(loss) on fair value of IRSwaps	282	1,570	*(1,288)*		0	*282*
Income tax Expense	(229)	0			0	*0*
Profit for the year	**3,075**	**4,878**	*(1,803)*		**3,455**	*(380)*
Remove fair value movement	(282)	(1,570)	*1,288*		0	*(282)*
Profit for the year before revaluation	**2,793**	**3,308**	*(515)*		**3,455**	*(662)*
Tax loss	**(921)**	**(727)**	*(194)*		**0**	*(921)*

The parent's profit for the year ended 30 June 2023 was $3.075 million. Excluding the non-cash gain on derivatives yielded a profit of $2.79 million which was down on budget and last year's result by $662,000 and $515,000 respectively.

The reduction in profit compared to budget and the previous year is due to a combination of higher interest rates on the company's own debt and lower dividends received from PMNZL.

Subsidiaries

PMNZL's & MAL's targets for financial and operational performance specific to their respective SCI (Statement of Corporate Intent) and SOI for 2022-23, are compared below to actual results. This is preceded by a Report on Activities for each entity for the year.

Port Marlborough New Zealand Limited report on activities

Overview

Port Marlborough New Zealand Limited (PMNZL) is a values led organisation, committed to driving success for Marlborough across the perspectives of people, planet and prosperity through partnerships.

People

Health and safety remain a major priority and this year PMNZL initiated a critical risk programme, involving all teams in the development of safety controls to enhance operational safety. Additionally, the health and safety focus was expanded to include staff wellbeing. This included a six-week physical health challenge, bullying awareness campaigns, opportunities for social connections and cultural and financial competency courses.

PMNZL has also taken proactive steps this year in supporting youth career development, offering port orientations and presentations alongside apprenticeships, cadetships and gateway programmes to support regional youth into work.

Health and safety remain a major priority and this year PMNZL initiated a critical risk programme, involving all teams in the development of safety controls to enhance operational safety. Additionally, the health and safety focus was expanded to include staff wellbeing. This included a six-week physical health challenge, bullying awareness campaigns, opportunities for social connections and cultural and financial competency courses.

Planet

PMNZL's scope 1 & 2 emissions were both up last year. This was due to large increases in operational activity. Marine fleet activity was up due to the return of cruise, ferry assignments and high export activity. However, as future mitigations the Board recently approved the purchase of a new tug vessel which has the highest levels of Nox emission controls . This is the first step of transitioning to a new fleet which is expected to result in significant reductions in the company's environmental footprint. PMNZL has also committed to a project which will transform their commercial forest into a permanent carbon sink.

Although this is expected to negatively impact scope 1 emissions in the short-term, long-term with established native trees, this will lead to sustainable GHG reductions with no expiration date and improved biodiversity outcomes.

Prosperity

This year saw a return of cruise ships to Marlborough after a two- year hiatus. Forty-seven vessels visited Waitohi Picton. Work with KiwiRail on the iReX project moved into its initial work stages which included the construction of a temporary ferry terminal and Waitohi Awa culvert in readiness for the main construction works to begin once KiwiRail's funding is confirmed. Overall, Cook Strait volumes increased year on year and passenger numbers both on ferries and cruise also increased over the year.

The export forestry trade started strong but over the year volumes softened owing to reduced demand from China. Partial completion of the Waikawa Marina Extension allowed for the incremental opening of 173 berths through the year. All the marinas were busy, especially over the summer period.

The value of the group investment properties decreased by $25.86m. This loss reflected the higher capitalisation rates used in valuations. Notwithstanding this, it was an excellent year for operational performance. Revenue topped $41m for the first time and this translated into a record EBITDA, (excluding asset and derivative revaluations) of $21m. A final dividend of $2.5m will be distributed bringing the total distribution for 2023 to $4.4 million, the highest in over 10 years.

Partnerships

During the year PMNZL in conjunction with StraitNZ Bluebridge sponsored school camps at Mistletoe Bay as part of the Sounds Discovery Fund. This has provided the opportunity for thousands of Marlborough school children for outdoor learning activities. The wider community also benefitted from sponsorship with over 45 regional community groups receiving sponsorship from the PMNZ sponsorship fund.

Statement of Corporate Intent (financial and operational performance)				
Objectives	**Key Performance Indicator 2022-23**	**Targets**	**Results**	**Achieved**
People	Preventative Action to Incident Ratio	20.1	3:1	✓
	Corrective Action Close Out On Time	90%	57%	✗
	LTI[3] per 100,000 work hrs	<0.5	2.8	✗
	Annual Health checks and healthcare insurance available for permanent staff	90%	100%	✓
	Living Wage Accreditation	Achieved	Achieved	✓

Planet	Fresh Water withdrawal (Megalitres)	Nil Increase (37)	119	✗
	Waste to landfill (Tonnes)	-5% (608)	899	✗
	Recycling (Tonnes)	+6%(103.4)	125	✓
	Recycling as a % of general waste to landfill	9%	14%	✓
	Greenhouse Gas Net Emissions[4] (Tonnes of CO_2 equivalent)	820	851	✗

Prosperity	Projected NOPAT[5] (excluding asset and derivative revaluations)	$9.36m	$10.59m	✓
	NOPAT[3] / Return on average Shareholder's Funds	5.7%	6.13%	✓
	EBITDA[6] (excluding asset and derivative revaluations)	$18.57m	$21.05m	✓
	Equity Ratio	57.4%	71.3%	✓

Partnerships	Invest 1% of EBIT[7] (three year rolling average) in community sponsorships and programmes)	$0.13m	$0.13m	✓

3 LTI = Lost time injury
4 Greenhouse Gas Net Emissions = Scopes 1+2 emissions
5 NOPAT = Net Operating Profit after Tax
6 EBITDA = Earnings before interest, Tax, Depreciation and Amortisation
7 EBIT = Earnings before interest and tax

Marlborough Airport Limited report on activities

The 2023 year saw the steady rebound of passenger numbers, reaching 318,517 passenger movements for the year. This is a level not seen since pre-COVID times. Higher passenger numbers resulted in aeronautical income of $3.46m for the year, a new record for the airport. Other revenue streams including parking and rental were up 26% and 8% respectively on the previous year. Total revenue was $4.75m, the first time it has exceeded $4m.

Operational costs were negatively impacted by inflation during the year. This included significant runway and apron repairs as well as the provision made for the future runway reseal. This resulted in a relatively modest profit of $44,994 before tax. However, this was a significant improvement on the after-tax loss of $568,000 result last year.

New parking equipment utilising licence plate recognition technology was also introduced during the year, reducing the need for tickets and providing customers with a more seamless experience.

Construction also began on the new car park in the last quarter of the year with completion expected in September 2023. Once completed the additional capacity will bring much needed parking availability to the airport's customers as well as make a positive contribution to future year performance.

Scheduled passenger seats remain stable, with both July and August 2023 being up slightly on last year and therefore Marlborough Airport looks forward to another successful year in 2024.

Objectives	Statement of Intent 2022 - 2023 Targets	2022 - 2023 Results
People Be a welcoming gateway for travellers and ensure a safe and healthy environment for staff and airport tenants.	> 285,000 passengers	✓ 318,517
	No issues identified under the Health & Safety at Work Act (2015) and the NZCAA Part 139 Certificate rules & regulations	✓ Nil
	Lost time injuries (Nil)	✓ Achieved
	Living wage accreditation	✗ The Living wage was paid but MAL did not achieve accreditation.
Infrastructure Facilitate economic development through timely investment in infrastructure.	Complete programmed capital expenditure within budget	✗ Spending against budget has not been reported due to the late completion of the car park (expected opening now September 2023)
	Entrance upgrade completed	✗ Pending car park completion (expected opening now September 2023)
Financial Manage financial performance to ensure MAL achieves its strategic goals, maintains a sustainable business.	NPAT[1] < $393,000 (deficit)	✓ $39,338
	EBITDAF[2] > $620,000	✓ $803,829
	SH funds/Total assets[3] > 17.3%	✓ 27%
	Cashflow from operations > $1.25 million (surplus)	✓ $2 million
	Peak debt < $5.5 million	✓ $3.02 million
Risk & Compliance All known risks managed and industry best practice adhered to.	Risk rating < 7 (maximum 25)	✓ 5.5

Objectives	Statement of Intent 2022 - 2023 Targets	2022 - 2023 Results
	Respond to Independent internal audit and or Civil Aviation Authority (CAA) external audit findings within four weeks	✓ There were no findings.
	Test emergency plans through at least one practice exercise involving all stakeholders	✓ Exercise successfully completed 20 March 2023
Sustainability Manage Company operations to ensure efficient and effective environmental sustainability alongside other strategic objectives. This is an area of ongoing strategic, policy and programme development.	Review the strategic plan - complete an annual assessment of whether airport capabilities and development projects are in harmony with the long-term strategic plan	✓ Compliant
	Waste landfill (tonnes) - 5% (reduction)	✗ 7% + , However, passenger numbers were also up 52% and the majority of waste is driven by passenger activity. Waste tonnes per passenger was down significantly
	Recycling (tonnes) - 5% (increase)	✓ 27% +
	Replace second light tower bulbs with LED. Investigate solar options for existing consumption and future projects	✓ The second light tower was installed and solar was considered but not progressed in the current year

1 NPAT = Net Profit after Tax. The deficit result is not a target but rather the budgeted result.

2 Earnings before interest, Tax, Depreciation, Amortisation and Fair Value Movements

3 Shareholder Funds to Total Assets; average equity/average total assets.

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 five Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' details are set out on page 65 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 2022-23 SOI results are outlined on pages 7 and 9 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 2023 and their financial performance and cash flows for the year ended 30 June 2023.

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 2023 on pages 18 to 64.

The Board authorised the issue of these Consolidated Financial Statements on 19 October 2023.

M B J Kerr – Chairperson

M. S. Wheeler

M S Wheeler - Director

On behalf of the Directors of MDC Holdings Limited.

Audit Report

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 2023

The Auditor-General is the auditor of MDC Holdings Limited (the company) and its controlled entities (collectively referred to as 'the group'). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 18 to 64, that comprise the statement of financial position as at 30 June 2023, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 3 to 7.

In our opinion:

- the financial statements of the company and group:
  - present fairly, in all material respects:
    - their financial position as at 30 June 2023; and
    - their 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; and
- the performance information of the company and group presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2023.

Our audit was completed on 19 October 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw attention to inherent uncertainties in the measurement of greenhouse gas emissions. 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.

Emphasis of matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The company and group have chosen to include measures of Port Marlborough New Zealand Limited's greenhouse gas (GHG) emissions in their performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to page 4 of the performance information, *Approach to Measurement and Reporting of Greenhouse Gases*, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources is still evolving, as are GHG reporting and assurance standards.

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 the 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 performance targets and other measures reported in the performance information, our procedures were limited to checking that those performance targets and other measures agreed to the company and group's statement of intent.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company and group's framework for reporting their 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 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 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 all information in the annual report other than the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

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

Consolidated Financial Statements

Income Statement
for the financial year ended 30 June 2023

	Notes	Group		Parent	
		2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Revenue	3.1	46,480	40,762	4,221	5,605
Finance income	3.1	458	90	2,724	1,152
Other income		100	110	3	3
Total Revenue		**47,038**	**40,962**	**6,948**	**6,760**
Investment property revaluation	10	(25,883)	(1,810)	-	-
Operations and maintenance		(12,703)	(13,065)	(77)	(59)
Employee benefits expense		(11,572)	(8,356)	(78)	(79)
Depreciation, impairment and amortisation expense	3.2	(4,842)	(4,514)	-	-
Finance costs	3.2	(3,332)	(1,801)	(3,489)	(1,744)
Subvention payment		-	(13)	-	-
Total Expense		**(58,332)**	**(29,559)**	**(3,644)**	**(1,882)**
Profit before income tax expense		**(11,294)**	**11,403**	**3,304**	**4,878**
Income tax credit/(expense)	4.1	1,862	(3,010)	(229)	-
Profit/(Loss) for the year		**(9,432)**	**8,393**	**3,075**	**4,878**

Statement of Comprehensive Income
for the financial year ended 30 June 2023

	Notes	Group		Parent	
		2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Profit/(Loss) for the year		**(9,432)**	**8,393**	**3,075**	**4,878**
Items that will not be reclassified subsequently to profit or loss:					
Gain on revaluation of property, plant, and equipment	20.2	-	14,559	-	-
(Loss) gain on investment in Joint venture	11	813	-	-	-
Income tax relating to valuation of property, Plant and equipment	20.2	-	(2,319)	-	-
		813	12,240	-	-
Total comprehensive income for the year, net of tax		**(8,619)**	**20,633**	**3,075**	**4,878**

Notes to the Consolidated Financial Statements are included on pages 24 to 64 and are an integral part of and should be read in conjunction with, these Consolidated Financial Statements.

Statement of Changes in Equity
for the financial year ended 30 June 2023

	Notes	Group		Parent	
		2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Balance at beginning of the year		**165,522**	**148,044**	**12,304**	**10,581**
Total comprehensive income for the year, net of tax		(9,432)	8,633	3,075	4,878
Other comprehensive income		813	12,240	-	-
Dividends	22	(3,308)	(3,155)	(3,308)	(3,155)
Balance at end of the year		**153,595**	**165,522**	**12,071**	**12,304**

Notes to the Consolidated Financial Statements are included on pages 24 to 64 and are an integral part of and should be read in conjunction with, these Consolidated Financial Statement.

Statement of Financial Position
as at 30 June 2023

	Notes	Group		Parent	
		2023 $ '000	2022 Restated* $ '000	2023 $ '000	2022 Restated* $ '000
Current assets					
Cash and cash equivalents	26	2,627	6,501	63	58
Trade and other receivables	5	6,503	3,512	705	350
Inventories	6	320	394	-	-
Current tax assets		-	-	-	-
Derivative financial instruments	17	197	-	197	-
Loans to Marlborough District Council	27.2	3,278	3,676	3,278	3,676
Total current assets		**12,925**	**14,083**	**4,243**	**4,084**
Non-current assets					
Derivative financial instruments	17	1,379	855	1,379	1,147
Loans to subsidiaries	27.2	-	-	51,020	46,710
Investment in subsidiaries	27.1	-	-	28,536	28,536
Property, plant and equipment	8	125,536	123,954	-	-
Right-of-use asset	13	703	748	-	-
Investment property	10	102,508	117,752	-	-
Rent concession provision	5.1	36	76	-	-
Investment	11	8,091	6,750	-	-
Intangible assets	12	424	363	-	-
Total non-current assets		**238,677**	**250,498**	**80,935**	**76,393**
Total assets		**251,602**	**264,581**	**85,178**	**80,477**
Current liabilities					
Trade and other payables	14	5,516	6,719	608	250
Lease liability	16	32	32	-	-
Derivative financial instruments	17	-	-	134	-
Current tax liabilities		1,500	578	-	-
Borrowings	15	29,785	32,008	29,785	32,008
Total current liabilities		**36,833**	**39,337**	**30,527**	**32,258**
Non-current liabilities					
Borrowings	15	41,730	35,307	41,730	35,307
Lease liability	16	1,020	1,035	-	-
Derivative financial instruments	17	-	-	621	608
Deferred tax liabilities	4.3	12,588	18,653	229	-
Provisions	18	5,836	4,727	-	-
Total non-current liabilities		**61,174**	**59,722**	**42,580**	**35,915**
Total liabilities		**98,007**	**99,059**	**73,107**	**68,173**
Net assets		**153,595**	**165,522**	**12,071**	**12,304**
Equity					
Capital and other equity instruments	19	6,000	6,000	6,000	6,000
Capital reserve	20.1	-	-	2,992	2,992
Asset revaluation reserve	20.2	72,340	72,340	-	-
Retained earnings	21	75,255	87,182	3,079	3,312
Total equity		**153,595**	**165,522**	**12,071**	**12,304**

*A portion of Borrowings have been reclassified from non-current to current. Please refer to Prior period error note 28.
Notes to the Consolidated Financial Statements are included on pages 24 to 64 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 2023

	Notes	Group		Parent	
		2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Cash flows from operating activities					
Receipts from customers		43,207	37,178	3	3
Wage subsidy NZ Government		-	-	-	-
Interest received		435	89	2,428	1,060
Dividends received		-	-	3,682	3,832
Subvention receipts		-	-	203	189
Subvention payments		-	(882)	-	-
Payments to suppliers and employees		(23,946)	(22,277)	(145)	(253)
Interest and other costs of finance paid		(3,010)	(1,544)	(3,146)	(1,514)
Income tax paid (net of refunds)		(3,267)	(2,046)	-	-
Net cash provided by operating activities		**13,419**	**10,518**	**3,025**	**3,317**
Cash flows from investing activities					
Payment for property, plant and equipment		(4,203)	(3,496)	-	-
Proceeds from sale of property, plant and equipment		106	225	-	-
Advances received		4,370	3,880	4,370	3,880
Advances made		(3,972)	(4,014)	(8,282)	(16,689)
Payment for intangible assets		(724)	(175)	-	-
Payment for investment property		(13,730)	(17,721)	-	-
Net (cash used in)/provided by investing activities		**(18,153)**	**(21,301)**	**(3,912)**	**(12,809)**
Cash flows from financing activities					
Proceeds from borrowings		6,630	12,675	6,630	12,675
Repayment of borrowings		(2,430)	-	(2,430)	-
Repayment of lease liability		(32)	(31)	-	-
Dividends paid	21	(3,308)	(3,155)	(3,308)	(3,155)
Net cash used in financing activities		**860**	**9,489**	**892**	**9,520**
Net increase/(decrease) in cash and cash equivalents		**(3,874)**	**(1,294)**	**5**	**28**
Cash and cash equivalents at the beginning of the financial year		**6,501**	**7,795**	**58**	**30**
Cash and cash equivalents at the end of the financial year	26	**2,627**	**6,501**	**63**	**58**

Notes to the Consolidated Financial Statements are included on pages 24 to 64 and are an integral part of and should be read in conjunction with, these Consolidated Financial Statements.

Reconciliation of Profit for the Year to Net Cash Flows from Operating Activities

	Notes	Group		Parent	
		2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Profit/(Loss) for the year		**(9,432)**	**8,393**	**3,075**	**4,878**
(Gain)/loss on sale or disposal of fixed assets		(64)	(89)	-	-
Loss/(gain) on profit from investment		(28)		-	-
Increase/(decrease) in non-current rent concessions		(14)	(47)	-	-
Lease interest on lease liabilities		47	54	-	-
(Gain)/loss on revaluation of investment property	10	25,883	1,810	-	-
(Gain)/Loss on revaluation of FVTPL financial assets	3.1,3.2	(721)	(3,523)	(282)	(1,569)
Depreciation, impairment, and amortisation of non-current assets	8	4,842	4,514	-	-
Increase/(decrease) in deferred tax balances		(6,065)	(39)	229	-
Changes in net assets and liabilities:					
(Increase)/decrease in assets:					
Current receivables		(2,992)	(545)	(355)	(107)
Current inventories		73	(87)	-	-
Less investment activities included in receivables		(332)	178	-	-
Increase/(decrease) in liabilities:					
Current payables		(1,203)	1,999	358	115
Current tax		926	1,038	-	-
Less investment activities included in payables		1,390	(4,079)	-	-
Non-current provisions		1,109	941	-	-
Deduct items reclassified as investing activities:					
Payments for property plant and equipment		-	-	-	-
Interest received		-	-	-	-
Net cash from operating activities		**13,419**	**10,518**	**3,025**	**3,317**

Notes to the Consolidated Financial Statements are included on pages 24 to 64 and are an integral part of and should be read in conjunction with, these Consolidated Financial Statements.

Reconciliation of changes in liabilities arising from financing activities

	30 June 2023	Cashflows	Non-Cash movement	30 June 2022
	$ '000	$ '000	$ '000	$ '000
Borrowings	71,515	4,200	-	67,315
Lease liabilities	1,020	(32)	47	1,035
Total	72,535	4,168	47	68,350

	30-Jun-22	Cashflows	Non-Cash movement	30-Jun-21
	$ '000	$ '000	$ '000	$ '000
Borrowings	67,315	12,675	-	54,640
Lease liabilities	1,035	(31)	23	1,043
Total	68,350	12,644	23	55,683

Notes to the Consolidated Financial Statements are included on pages 24 to 64 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 2023

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 & registered under the Companies Act 1993. The registered office is located at 15 Seymour Street Blenheim. 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.

Marlborough District 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 2023 and the comparative information presented for the year ended 30 June 2022:

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 1 and other applicable financial reporting standards as appropriate for profit-oriented entities.

The consolidated Financial Statements were authorised by the Board for issue on 19 October 2023.

2.2. Basis of preparation

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

As a financial services entity, the Company is not registered for GST. However, as trading entities 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 8 and 10.
- 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 17.2.

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 (2022: 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 and Lease liabilities (notes 13 and 16)
- Asset revaluation (notes 8 and 10)
- Financial instruments valuation (note 17)
- Loss allowance – expected credit losses (note 5)
- Non-current provisions (note 18.1)
- Contingent liabilities (note 25.2)

2.6. New standards adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 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.

2.7. 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.

2.8. 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	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Revenue				
Revenue from the rendering of services	22,327	15,637	-	-
Lease rental investment property	11,342	10,484	-	-
Lease rental other property	12,082	11,118	-	-
Dividend revenue	-	-	3,682	3,832
Subvention receivable	-	-	257	204
Finance income	-	-	-	-
Bank deposits / IRD use of money	376	49	115	-
Related party loans	82	41	2,609	1,152
Other finance income				
Gains on derivative financial instruments	729	3,523	282	1,569
Total	**46,938**	**40,862**	**6,945**	**6,757**
Revenue from the rendering of services				
Pilotage & Towage	4,372	3,162	-	-
Log Ships & Storage	9,312	6,427	-	-
Marina Services	1,653	1,643	-	-
Port & Marine Farm Services	2,979	1,996	-	-
Landing charges	3,461	1,975	-	-
Parking	550	436	-	-
Total	**22,327**	**15,639**	**-**	**-**
Timing of revenue recognition				
At a point in time	18,032	11,748	-	-
Over time	4,295	3,891	-	-
Total	**22,327**	**15,639**	**-**	**-**

Other Income

	Group		Parent	
	2023 $ '000	**2022 $ '000**	**2023 $ '000**	**2022 $ '000**
Gain on disposal of property, plant and equipment	97	96	-	-
Other income	3	14	3	3
Total other income	**100**	**110**	**3**	**3**

Revenue recognition policies

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

Rendering of services - Revenue from rendering of services consists of revenue arising from landing fee charges, cruise vessels, log storage, log wharfage, pilot/towage and berthage. Revenue is measured based on the transaction price specified in the contract with a customer. The Group recognises revenue when the performance obligations are satisfied following the transfer of the promised services to customers.

Berthage – Revenue is recognised over the time period of the vessel's stay in the berth.

Cruise vessels – Revenue on such services is recognised upon the departure of the vessel as this is deemed to be the point at which the performance obligation is satisfied.

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

Landing charges – The performance obligation is satisfied at either the time an aircraft lands or at the time passengers enter or exit the terminal to board flights. Revenue is measured based on the published transaction prices for the period.

Log storage – Revenue on such services is recognised over the time period of storage.

Log wharfage – Revenue on log wharfage is recognised upon the date the vessel sails as this is deemed to be the point at which the performance obligation is satisfied.

Parking – is charged on an hourly and daily basis and therefore satisfaction of the performance obligation is over time. Revenue is measured based on published transaction prices.

Pilotage/towage – Revenue is recognised upon the transfer of the promised service to customers as this is deemed to be the point at which the performance obligation is satisfied.

Rental income from investment properties & other rental property - The Group's policy for recognition of revenue from operating leases is described in note 24.2.

3.2. Expenses

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

		Group		Parent	
		2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Interest costs					
Interest on borrowings and swaps		3,270	1,747	3,489	1,744
Other interest expense (lease liabilities)		54	54	-	-
Other finance costs		8	-	-	-
Total finance costs		**3,332**	**1,801**	**3,489**	**1,744**
Other expenditure disclosures					
Donations and sponsorship		102	150	-	-
Employer contribution to superannuation		427	332	-	-
Operating lease rental properties		41	21	-	-
Expenses from investment properties generating income		4,522	4,002	-	-
Depreciation, impairment and amortisation					
Depreciation of non-current assets	8	4,637	4,216	-	-
Amortisation of Intangibles	12	163	119	-	-
Amortisation right-of-use assets	13	42	42	-	-
Impairments recovered	8	-	137	-	-
Total depreciation, impairment and amortisation		**4,842**	**4,514**		
Remuneration of auditors					
Audit of the financial statements		175	126	30	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 2.27% and 6.10% (2022: 0.57% 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	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Profit before income tax expense	**(11,294)**	**11,403**	**3,304**	**4,878**
Tax at current rate 28%	**(3,162)**	**3,193**	**925**	**1,366**
Plus/(less) tax adjustments:				
Non-deductible expenses	1,550	37	-	-
Non-taxable expense/(income)	(326)	(40)	(1,031)	(1,073)
Group loss available for offset	-	-	185	146
Prior year adjustment	(79)	(22)	-	-
Group loss offset ex MDC	-	-	-	-
Deferred tax expense/(credit) not recognised	-	(159)	-	(439)
(over)/under provision of income tax in previous year	155	-	150	-
Income tax expense recognised on the Income Statement	**(1,862)**	**3,009**	**229**	**-**
Comprising:				
Current tax expense	4,203	3,058	-	-
Prior year adjustment to current tax	-	(9)	-	-
Deferred tax expense/(credit)	(6,065)	(40)	229	-
Total tax expense/(credit)	**(1,862)**	**3,009**	**229**	**-**

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	
	2023 $ '000	2022 $ '000
Profit before income tax expense	**3,304**	**4,878**
Plus/(less) tax adjustments:		
Non-taxable expense/(income)		
Subvention receivable	(257)	(204)
Dividend revenue	(3,682)	(3,832)
(Gains)/losses on derivative financial instruments	(282)	(1,569)
Total tax losses to be utilised within the Group	**(917)**	**(727)**
Transferred by:		
Subvention receivable	257	204
Loss offset	660	523
Total	**917**	**727**

4.3. Deferred tax liability

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

Deferred tax liability/(asset)	Group					
	Derivative financial instruments	Property, plant and equipment	Investment property	Intangible assets	Provisions	Totals
	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
Balance at 1 July 2021	**(742)**	**14,434**	**3,892**	**82**	**(1,292)**	**16,374**
Recognised in:						
Profit or loss	827	(533)	(17)	(28)	(289)	(40)
Other comprehensive income	-	2,319	-	-	-	2,319
Balance at 30 June 2022	**85**	**16,220**	**3,875**	**54**	**1,581)**	**18,653**
Recognised in:						
Profit or loss	357	(655)	(5,295)	(14)	(458)	(6,065)
Other comprehensive income	-	-	-	-	-	-
Balance at 30 June 2023	**441**	**15,565**	**(1,419)**	**40**	**(2,039)**	**12,588**

Deferred tax liability/(asset)	Parent					
	Derivative financial instruments	Property, plant and equipment	Investmen t property	Intangible assets	Provision s	Totals
	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
Balance at 1 July 2021	**-**	**-**	**-**	**-**	**-**	**-**
Recognised in:						
Profit or loss	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Balance at 30 June 2022		**-**	**-**	**-**	**-**	**-**
Recognised in:						
Profit or loss	229	-	-	-	-	229
Other comprehensive income	-	-	-	-	-	-
Balance at 30 June 2023	**229**	**-**	**-**	**-**	**-**	**229**

4.4. Imputation credit account balances

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Imputation credits available for subsequent use	**33,300**	**30,574**	**11,427**	**11,281**

5. Trade and other receivables

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Trade and other receivables	5,831	3,467	-	-
Loss Allowance	(365)	(50)	-	-
Other - related party	40	-	705	350
Goods and services tax (net)	56	19	-	-
Prepayments	941	75	-	-
Total trade and other receivables	**6,503**	**3,512**	**705**	**350**

5.1 Rent Concession Provision

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Classified as:				
Current (Trade and other receivables)	40	40	-	-
Non-current	35	76	-	-
Total concessions	**75**	**116**	**-**	**-**

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. The Group recognises a loss allowance of 100% against all receivables over 12 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. Inventories

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Goods held for maintenance - at cost	320	393	-	-

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Inventories are held for maintenance purposes only.

7. 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.

8. Property, plant and equipment

GROUP 2022	Cost/ valuation	Accumulated depreciation	Carrying amount	Disposals - depreciation adjustment	Asset depreciation adjustment	Additions	Disposals	Transfers from capital work in progress	Revaluation movement to Reserve	Reclassification	Transfer from Investment properties	Depreciation expense	Revaluation Accum Depn write back	Revaluation Accum Depn Writeback	Impairment loss	Cost/ revaluation	Accumulated depreciation	Restated carrying amount
	1 July 2021			30 June 2022														
	$ '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)	39,189	(1,108)	38,081	-	-	-	-	20	14,352	2	220	(568)	1,676	(1,676)	-	52,107	-	52,107
Buildings and wharf infrastructure (i)	63,504	(4,633)	58,871	357	-	-	(474)	256	(1,013)	(33)	40	(2,175)	6,357	(6,357)	(137)	55,923	(230)	55,693
Plant, equipment, furniture and vehicles (ii)	10,707	(6,633)	4,074	197	-	-	(203)	824	-	31	-	(811)	-	-	-	11,359	(7,247)	4,112
Work in progress (ii)	452	-	452	-	-	4,057	-	(1,100)	-	-	-	-	-	-	-	3,409	-	3,409
	113,852	**(12,374)**	**101,478**	**554**	**-**	**4,057**	**(677)**	**-**	**13,339**	**-**	**260**	**(3,554)**	**8,033**	**(8,033)**	**(137)**	**122,798**	**(7,477)**	**115,321**
Marlborough Airport Limited assets																		
Freehold land and improvements (i)	2,049	(184)	1,865	-	(68)	139	-	-	369	-	-	(184)	-	-	-	2,120	-	2,120
Buildings (i)	5,315	(403)	4,912	-	111	11	-	-	806	-	-	(404)	-	-	-	5,437	-	5,437
Plant, equipment, furniture and vehicles (ii)	892	(589)	302	34	-	137	(48)	-	-	-	-	(72)	-	-	-	981	(627)	354
Work in progress (ii)	397	-	397	-	-	325	-	-	-	-	-	-	-	-	-	722	-	722
	8,653	**(1,176)**	**7,476**	**34**	**43**	**612**	**(48)**	**-**	**1,175**	**-**	**-**	**(660)**	**-**	**-**	**-**	**9,260**	**(627)**	**8,633**
Total Group Assets	**122,505**	**(13,550)**	**108,954**	**34**	**43**	**4,669**	**(725)**	**-**	**14,514**	**-**	**260**	**(4,214)**	**8,033**	**(8,033)**	**(137)**	**132,058**	**(8,104)**	**123,954**

GROUP 2023	Cost/ valuation	Accumulated depreciation	Carrying amount	Disposals - depreciation adjustment	Asset depreciation adjustment	Additions	Disposals	Transfers from capital WIP	Revaluation movement to Reserve	Reclassification	Transfers from investment properties	Depreciation expense	Revaluation Accum Depn Write back	Revaluation Accum Depn Writeback	Impairment (loss) /recovery	Cost/ revaluation	Accumulated depreciation	Carrying amount
	1 July 2022			30 June 2023														
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '001	$ '000	$ '000	$ '000	$ '000
Port Marlborough New Zealand Limited assets																		
Freehold land and improvements (i)	52,107	-	52,107	-	-	-	-	4,189	-	-	-	(691)	-	-	-	56,296	(691)	55,605
Buildings and wharf infrastructure (i)	55,923	(230)	55,693	-	-	-	(92)	236	-	-	-	(2,451)	-	-	92	56,067	(2,590)	53,477
Plant, equipment, furniture and vehicles (ii)	11,359	(7,247)	4,112	195	-	-	(235)	760	-	-	-	(834)	-	-	-	11,884	(7,886)	3,998
Work in progress (ii)	3,409	-	3,409	-	-	3,884	-	(5,185)	-	-	-	-	-	-	-	2,108	-	2,108
	122,798	**(7,477)**	**115,321**	**195**	**-**	**3,884**	**(327)**	**-**	**-**	**-**	**-**	**(3,976)**	**-**	**-**	**92**	**126,355**	**(11,167)**	**115,188**
Marlborough Airport Limited assets																		
Freehold land and improvements (i)	2,120	-	2,120	-	-	12	(1)	-	-	-	-	(177)	-	-	-	2,132	(177)	1,955
Buildings (i)	5,437	-	5,437	-	-	47	(16)	-	-	-	-	(383)	-	-	-	5,468	(383)	5,085
Plant, equipment, office furniture and fittings (ii)	981	(627)	354	183	-	412	(300)	-	-	-	-	(101)	-	-	-	1,093	(545)	548
Work in progress (ii)	722	-	722	-	-	2,038	-	-	-	-	-	-	-	-	-	2,760	-	2,760
	9,260	**(627)**	**8,633**	**183**	**-**	**2,509**	**(317)**	**-**	**-**	**-**	**-**	**(661)**	**-**	**-**	**-**	**11,453**	**(1,105)**	**10,348**
Total Group Assets	**132,058**	**(8,104)**	**123,954**	**378**	**-**	**6,393**	**(644)**	**-**	**-**	**-**	**-**	**(4,637)**	**-**	**-**	**92**	**137,808**	**(12,272)**	**125,536**

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 15).

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	30 – 100 years
-	Improvements	20 – 50 years
-	Wharf infrastructure	10 – 50 years
-	Plant, equipment, furniture and vehicles	02 – 33 years

8.1. 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 2022. 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.

Valuations have been updated for subsequent additions at cost, less any subsequent depreciation or impairment losses. Management noted that there has been no material movements in value in the twelve months since the last valuation at 30 June 2022.

MAL has revalued its Freehold car park, land improvements and buildings as at June 2022. 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.

Management noted that there has been no material movements in value in the twelve months since the last valuation at 30 June 2022.

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 20).

8.2. 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

8.3. Impact of Fair value Measurement on Asset values

Fair value is 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. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value and value in use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

Carrying amounts of plant, property and equipment that are measured at fair value, as shown below if they have been recognised under the cost model.

The categories of the fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair values measurement. Level 3 inputs are unobservable inputs for the asset or liability.

The carrying value of the assets recognised in the financial statements approximate their fair values. The fair values included in Level 3 categories above have been determined in accordance with generally accepted pricing models and there has been no change in the valuation technique used.

8.4. Cost Model

The carrying amount of the Group's land, buildings, improvements and wharf infrastructure had they been recognised under the cost model is as follows

	Group		Parent	
	2023	2022	2023	2022
	$ '000	$ '000	$ '000	$ '000
Freehold land	5,706	5,706	-	-
Buildings	8,963	9,190		
Improvements	11,233	7,651		
Wharf Infrastructure	15,684	16,045	-	-

9. 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	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Property, plant and equipment	2,592	1,948	-	-
Investment property	5,427	6,455	-	-

10. Investment property

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Balance at beginning of the year	**117,751**	**106,180**	**-**	**-**
Additions from subsequent expenditure	10,640	13,641	-	-
Transfer from property, plant and equipment	-	(260)	-	-
Net gain/(loss) from fair value adjustments	(25,883)	(1,810)	-	-
Balance at end of the year	**102,508**	**117,751**	**-**	**-**

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.

10.1. Valuation basis

MAL's investment properties were valued on 30 June 2023 by Alexander Hayward Limited, independent registered valuers and associates of the NZ Institute of Valuers. The valuers have experience in the location and category of the items being valued. The fair values are based on market values, being the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

The market is being impacted by the uncertainty that the COVID 19 outbreak, flow on and overall macro-economic conditions and climate activity have caused. Therefore, the valuation of investment properties performed by Alexander Hayward has been reported on the basis of having 'significant market uncertainty'. Alexander Hayward state as a result, less certainty exists than normal and that a “higher degree” of caution should be attached to the valuation than normally would be the case.

PMNZL’s investment properties were valued on 30 June 2023 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: In response to escalating inflation levels in late 2021, the Reserve Bank of New Zealand (RBNZ) embarked on a steep monetary tightening cycle, with wholesale interest rates increasing from 0.25% to 5.50%. RBNZ has indicated the OCR is expected to remain at a restricted level for the foreseeable future. At the same time, there has been instances of bank failures in North America and Europe and global debt levels at historic highs. Compounding these issues are ongoing global geopolitical challenges. New Zealand has entered a technical recession with more economic softness forecast.

The result of the above is a marked reduction in investor sentiment compared with 2021 and value write downs are occurring across most property segments and at most price points. These changes have occurred incrementally over the course of 2022 and into 2023 and it is possible that there will be further market changes over the course of 2023.

At the date of valuation, there remains a shortage of recent sales transactions from which to accurately determine current market values, which increase the uncertainty around our valuation conclusions. We also consider that there is possibility of further value change over the course of 2023.

In light of these prevailing marketing conditions, we strongly recommend that the valuation of all property be kept under frequent review as valuation advice could become outdated significantly more quickly than is normally the case.

In accordance with the accepted definition, the market value is concluded “as at the valuation date” and is based on our interpretation of events, evidence (such as it is) and sentiment up to that date. It is the value on that day.”

At each reporting date, the valuation reports are provided to the CFO for review. The review focuses on checking material movements and ensuring all additions and disposals are captured.

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

10.2. Fair value model

MAL's Aircraft hangar is located in Woodbourne, west of Blenheim. The valuation was undertaken using a slightly modified investment approach based on an assessment of market rental potential capitalised at current market investment rates analysed from market transactions. The rental capitalisation rate adopted was 7.00% (2022: 6.75%).

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 per certificates of title is 85.0325 hectares. This includes 0.8505 hectares of land in Waikawa Marina Northwest Extension for which title issue is in progress.

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

- Optimised Depreciated Replacement Cost value (ODRC)
- Investment value – Rental capitalisation
- Investment value – Discounted cashflow

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

Discounted Cashflow Summary (rates)

Property	2023	2022
Picton Marina	7.35%	6.35%
Waikawa Marina	7.25%-7.50%	6.50%
Havelock Marina	8.25%	7.25%

The variations in the discount rate adopted reflect the investment strength of each of the respective marinas. In the case of rental capitalisation for commercial property, rates adopted ranged between 7.00% and 8.75% (2022: 6.40% and 8.25%). The rates are post tax.

11. Investment (Joint venture)

	Group		Parent	
	2023	2022	2023	2022
Incorporated in New Zealand	$ '000	$ '000	$ '000	$ '000
Marlborough Inland Hub	8,091	6,750	-	

Marlborough Inland Hub Limited, represents a 50/50 joint partnership between Port Marlborough and Centreport. The Company owns a 32-hectare site at Riverlands, Blenheim. The initiative will provide an inland cargo hub, enabling freight movement via road rail to costal and international shipping.

During the year, Port Marlborough provided a secured and interest bearing long-term shareholder loan to Marlborough Inland Hub Limited of $500k. Interest is payable on the 30th of June each year or as otherwise provided by agreement at an interest rate of the OCR from time to time plus a margin of 1.5%. Income from the loan for the year ended 30 June 2023 was $18k. The loan is repayable on demand.

Recognition and Measurement policies

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint venturers are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

11.1. Marlborough Inland Hub Limited

Marlborough Inland Hub Limited	Group		Parent	
	2022	2021	2022	2021
	$ '000	$ '000	$ '000	$ '000
6,750,000 shares			-	-
Carrying amount at beginning of the year	6,750	-	-	-
Equity acquisitions	-	6,750	-	-
Share of profit/(loss) of joint venture	28	-	-	-
Gain/(loss) on revaluation of property, plant and equipment	813	-	-	-
Balance at end of the year	7,591	-	-	-
Loan	-	-	-	-
Advance (non-current)	500	-	-	-
Balance at end of the year	8,091	6,750	-	

12. Intangible assets

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Software gross carrying amount				
Balance at beginning of the year	1,396	1,221	-	-
Additions	224	175	-	-
Disposals	(15)	-	-	-
Balance at end of the year	**1,605**	**1,396**	**-**	**-**
Software accumulated amortisation and impairment				
Balance at beginning of the year	1,033	914	-	-
Disposals	163	-	-	-
Amortisation (i)	(15)	119	-	-
Balance at end of the year	**1,181**	**1,033**	**-**	**-**
Software net book value at end of the year	**424**	**363**	**-**	**-**

(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.

13. Right–of-use assets

	Group		Parent	
	2023	2022	2023	2022
Gross carrying amount	$ '000	$ '000	$ '000	$ '000
Balance at beginning of the year	875	875	-	-
Additions/(disposals)	-	-	-	-
Balance at end of the year	**875**	**875**		
Accumulated amortisation and impairment:				
Balance at beginning of the year	127	85	-	-
Amortisation	45	42	-	-
Balance at end of the year	170	127		
Net Book value at end of year	**703**	**748**	**-**	**-**

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.

14. Trade and other payables

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Trade creditors	1,755	1,265	-	-
Property, plant and equipment	1,041	1,646	-	-
Investment Property	918	2,692	-	-
Employee expenses	1,221	865	-	-
Bank interest	-	251	-	251
Other	30	-	30	-
Related party - interest	552	-	578	-
Total trade and other payables	**5,517**	**6,719**	**608**	**251**

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.

15. Borrowings

	Group		Parent	
	2023 $ '000	2022 Restated $ '000	2023 $ '000	2022 Restated $ '000
Borrowings at amortised cost	**71,515**	**67,315**	**71,515**	**67,315**
Classified as:				
Current	29,785	32,008	29,785	32,008
Non-current	41,730	35,307	41,730	35,307
Total facility	**71,515**	**67,315**	**71,515**	**67,315**
Amount used	71,515	67,315	71,515	67,315
Amount unused	-		-	-

A portion of borrowings have been reclassified from non-current to current to comply with accounting standards, this includes a reclassification of $32.01m in the prior year audited financials. Marlborough District Council (the Shareholder) has no intention to call upon any debt in the 2023/24 financial year as signalled in the Statement of Intent. The loan agreement with the Shareholder will be updated to reflect this. See note 28.

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.

15.1. 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 expected long term funding requirements.

15.2. 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.

16. Lease Liabilities

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Lease liabilities	**1,051**	**1,067**	**-**	**-**
Classified as:			-	
Current	31	32	-	-
Non-current	1,020	1,035	-	-

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.

17. 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.

17.1. 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% (2022: 0.05% and 5.21%).

The Company has the following interest rate swap contracts:

	2023 $ '000	2022 $ '000
Bank:		
BNZ	23,400	23,400
Westpac	30,750	17,250
Total swap contracts	**54,150**	**40,650**
Classified as:		
Active swaps	32,650	30,050
Forward dated swaps	21,500	8,000

The financial assets and liabilities of the Group that are measured at fair value subsequent to initial recognition are included in Level 2 as the fair value of these instruments is not quoted on an active market and is determined by using valuation techniques. These valuation techniques rely on observable market data and are provided by Hedgebook. There have not been any transfers into or out of the fair value hierarchy. Any gain or loss resulting from fair value measurement is recognised in the Income Statement.

	Fair Value Category	Group 2023 $ '000	Group 2022 $ '000	Parent 2023 $ '000	Parent 2022 $ '000
Interest rate swap asset at FVTPL - between the Company and subsidiaries		**1,576**	**855**	**1,576**	**1,147**
Classified as:					
Current asset	Level 2	197	-	197	-
Non-current asset	Level 2	1,379	855	1,379	1,147
Interest rate swap (liability) at FVTPL - between the Company and the bank		**-**	**-**	**(755)**	**(608)**
Classified as:					
Current liability	Level 2	-	-	(134)	-
Non-current liability	Level 2	-	-	(621)	(608)
Net interest rate swap		**-**	**-**	**821**	**539**

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 $821,000 (2022: $539,000) represents the valuation of the parent's own swaps. The parent movement ((gain)/loss) between the two years of ($282,000) (2022: -$1,569,000) is recorded under parent 'Revenue' in the Income Statement (see note 3.1).

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

– the fair value of financial assets and liabilities with standard terms and conditions and traded on active markets is determined with reference to the quoted market prices; and

– the fair value of derivative instruments is calculated based on discounted cash flows using market inputs.

17.2. Categories of financial instruments

Investments in subsidiaries and equity accounted investments have not been fair valued as there is no observable market price.

	Notes	Group financial assets/(liabilities)			
		Financial assets at Amortised cost	Financial liabilities at Amortised cost	Financial assets/ (liabilities) at FVTPL(*)	Totals
		$ '000	$ '000	$ '000	$ '000
Cash and cash equivalents	26	6,501	-	-	6,501
Trade and other receivables	5	3,512	-	-	3,512
Loans to Marlborough District Council	27.2	3,675	-	-	3,675
Trade and other payables	14	-	(6,719)	-	(6,719)
Borrowings	15	-	(67,315)	-	(67,315)
Lease liabilities	16	-	(1,035)		(1,035)
Derivative financial instruments	17.1	-	-	855	855
Balance at 30 June 2022		**13,688**	**(75,069)**	**855**	**(60,526)**
Cash and cash equivalents	26	2,627	-	-	2,627
Trade and other receivables	5	6,448	-	-	6,504
Loans to Marlborough District Council	27.2	3,278	-	-	3,278
Trade and other payables	14	-	(5,518)	-	(5,518)
Borrowings	15	-	(71,515)	-	(71,515)
Lease liabilities	16	-	(1,020)	-	(1,020)
Derivative financial instruments	17.1	-	-	1,576	1,576
Balance at 30 June 2023		**12,409**	**(78,053)**	**1,576**	**(64,068)**

	Notes	Parent financial assets/(liabilities)			
		Financial assets at Amortised cost	Financial liabilities at Amortised cost	Financial assets/ (liabilities) at FVTPL(*)	Total
		$ '000	$ '000	$ '000	$ '000
Cash and cash equivalents	26	58	-	-	58
Trade and other receivables	5	350	-	-	350
Related party loans	27.2	50,386	-	-	50,386
Trade and other payables	14	-	(250)	-	(250)
Borrowings	15	-	(67,315)	-	(67,315)
Derivative financial instruments	17.1	-	-	539	539
Balance at 30 June 2022		**50,794**	**(67,565)**	**539**	**(16,232)**
Cash and cash equivalents	26	63	-	-	63
Trade and other receivables	5	705	-	-	705
Related party loans	27.2	54,298	-	-	54,298
Trade and other payables	14	-	(608)	-	(608)
Borrowings	15	-	(71,515)	-	(71,515)
Derivative financial instruments	17.1	-	-	821	821
Balance at 30 June 2023		**55,066**	**(72,123)**	**821**	**(16,236)**

(*) 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.

The carrying amount of cash and cash equivalents, trade receivables, trade payables and non-current borrowings and other financial assets and liabilities reflect their fair values.

17.3. Interest rate sensitivity analysis

	2023 + 50bps $ '000	2023 - 50bps $ '000	2022 + 50bps $ '000	2022 - 50bps $ '000
Group				
Financial assets				
Loans to Marlborough District Council	16	(16)	18	(18)
	16	**(16)**	**18**	**(18)**
Financial Liabilities				
Borrowings	304	(304)	112	(112)
Derivative financial instruments	579	(556)	476	(502)
	940	**(803)**	**588**	**(614)**
Parent				
Financial assets				
Advance to MDC	16	(16)	*18*	*(18)*
Advance to subsidiaries	201	(201)	*54*	*(54)*
Related party loans	217	(217)	72	(72)
	217	**(217)**	**72**	**(72)**
Financial Liabilities				
Borrowings	304	(304)	112	(112)
Derivative financial instruments	213	(198)	208	(233)

The Group's exposure to market risk from changes in interest rates relates primarily to loans issued at variable rates and expose the Group to interest rate changes. A change of 50 basis points in NZ interest rates for the year to the reporting date would have increased/(decreased) profit or loss or equity by the amounts shown above.

17.4. Liquidity Risk

The following table analyses the exposure of the group's financial assets and liabilities to liquidity risk as at 30 June 2023:

		Group 2023						
		Carrying Amount	Contractual cash flows	Less than 1 year	1-2 Years	2-5 Years	5+ Years	Total
	Notes	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Cash & cash equivalents	26	2,627	2,627	2,627	-	-	-	2,627
Trade and other receivables	5	6,447	6,447	6,447	-	-	-	6,447
Loans to Marlborough District council	27.2	3,278	3,362	3,362	-	-	-	3,362
		12,352	**12,436**	**12,436**	**-**	**-**	**-**	**12,436**
Trade and other payables	14	5,517	5,517	5,517	-	-	-	5,517
Borrowings	15	71,515	83,654	36,313	11,916	20,894	14,531	83,654
Derivative financial instruments	17.1	(1,576)	(1,576)	(197)	(350)	(20)	(1,009)	(1,576)
		75,456	**87,595**	**41,633**	**11,566**	**20,874**	**13,522**	**87,595**

17.5. Financial Instruments

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

Group	Average Contract Fixed Interest rate		Notional Principal Amount (including forward dated swaps)		Fair Value	
Outstanding Fixed for Floating Contracts	**2023 %**	**2022 %**	**2023 $ '000**	**2022 $ '000**	**2023 $ '000**	**2022 $ '000**
Less than 1 year	4.22	0.00	17,400	-	197	-
1 to 2 years	3.57	4.23	12,250	17,400	350	142
2 to 5 years	3.97	3.57	4,000	12,250	20	713
5+ years	3.18	2.41	20,500	11,000	1,009	-
			54,150	**40,650**	**1,576**	**855**
					-	**-**

Parent	Average Contract Fixed Interest rate		Notional Principal Amount (including forward dated swaps)		Fair Value	
Outstanding Fixed for Floating Contracts	**2023 %**	**2022 %**	**2023 $ '000**	**2022 $ '000**	**2023 $ '000**	**2022 $ '000**
Less than 1 year	4.09	-	4,400	-	64	-
1 to 2 years	4.15	4.13	6,000	4,400	128	(4)
2 to 5 years	3.97	4.15	4,000	6,000	20	(15)
5+ years	1.93	1.93	6,000	6,000	609	558
			20,400	**16,400**	**821**	**539**

18. 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.

18.1. Non-current provisions – runway reseal

	Group		Parent	
	2023 $ '000	**2022 $ '000**	**2023 $ '000**	**2022 $ '000**
Balance at beginning of the year	**4,727**	**3,786**	**-**	**-**
Additional provision recognised	1,109	941	-	-
Balance at end of the year	**5,836**	**4,727**	**-**	**-**
Classified as:				
Non-current	5,836	4,727	-	-

The provision for resealing was last reviewed in May 2023. 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. The ROC of the runway has an estimated present value of $7.52m (2022: $6.7m).

Business and Economic Research Limited (Berl) price level adjustors plus a 4.5% (2022: 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.

19. Share capital and other equity instruments

	Group		Parent	
	2023 $ '000	**2022 $ '000**	**2023 $ '000**	**2022 $ '000**
6,000,000 fully paid ordinary shares (2022: 6,000,000)	6,000	6,000	6,000	6,000

At balance date the Company had issued 76,000,000 shares (2022: 76,000,000) of which 6,000,000 are fully paid. The remaining 70,000,000 shares (2022: 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 its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

20. Reserves

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Capital reserve	-	-	2,992	2,992
Asset revaluation reserve	72,340	72,340	-	-
	72,340	**72,340**	**2,992**	**2,992**

20.1. Capital reserve

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '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.

20.2. Asset revaluation reserve

		Group		Parent	
	Notes	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Balance at beginning of the year		**72,340**	**60,100**	**-**	**-**
Revaluation increments		-	14,559	-	-
Deferred tax - Property revaluations	4.3	-	(2,319)	-	-
Transfer (from)/to Retained Earnings	20	-	-	-	-
Balance at end of the year		**72,340**	**72,340**	**-**	**-**

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.

21. Retained earnings

		Group		Parent	
	Notes	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Balance at beginning of the year		**87,182**	**81,944**	**3,312**	**1,589**
Net profit after tax		(8,619)	8,393	3,075	4,878
Dividends paid		(3,308)	(3,155)	(3,308)	(3,155)
Transfer from Revaluation reserve	20	-	-	-	-
Balance at end of the year		**75,255**	**87,182**	**3,079**	**3,312**

22. Dividends

Recognised amounts:	**2023 Cents per Share**	**2023 Total $ '000**	**2022 Cents per Share**	**2022 Total $ '000**
Fully paid ordinary shares	**55**	**3,308**	**53**	**3,155**

At time of distribution, fully paid ordinary shares which participated in the distribution were 6,000,000 (2022: 6,000,00). In addition, the above cash distributions carried maximum imputation credits.

Dividends payment policies

Dividends paid are classified as distributions of profit.

23. Capital management

The Group's capital is its equity, comprised of share capital, retained earnings and reserves and represented by net assets.

It is the group's intention to maintain sufficient capital to produce security for the existing level of operations and the flexibility for future growth opportunities.

The Group pays dividends to the Shareholder after taking into account profitability and future investment requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

24. Operating lease arrangements

24.1. The Group as lessee

Maturity analysis of lease liabilities:

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Year 1	95	72	-	-
Year 2	95	93	-	-
Year 3	95	93	-	-
Year 4	95	93	-	-
Year 5	95	93	-	-
Year 6 onwards	1,239	1,298	-	-
	1,714	**1,742**	**-**	**-**

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.

24.2. The Group as lessor

Maturity analysis of lease payments due:

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '000
Year 1	11,056	10,417	-	-
Year 2	6,469	9,784	-	-
Year 3	3,943	5,730	-	-
Year 4	3,661	3,480	-	-
Year 5	3,138	3,231	-	-
Year 6 onwards	4,596	7,203	-	-
Total	**32,863**	**39,845**	**-**	**-**

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.

25. Contingent assets and contingent liabilities

25.1. Contingent assets

There are no contingent assets (2022: Nil).

25.2. 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.

26. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated Cash Flow Statements can be reconciled to the related items in the Consolidated Statements of Financial Position as follows:

Cash and cash equivalents	**Group**		**Parent**	
	2023	**2022**	**2023**	**2022**
	$ '000	**$ '000**	**$ '000**	**$ '000**
	2,627	**6,501**	**63**	**58**

Included in this balance are $400,595 (2022: $388,594) of funds held on trust for contractors retention purposes. These funds are not available for use by the group for any other purposes.

27. Parent and Subsidiaries disclosures

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

Details of the Group's subsidiaries are as follows:

	Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Port Marlborough New Zealand Limited	New Zealand	100	100
Marlborough Airport Limited	New Zealand	100	100

27.1. Investment in subsidiaries

	Group		Parent	
	2023 $ '000	2022 $ '000	2023 $ '000	2022 $ '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.

27.2. Related party loans and advances

	Group		Parent	
	2023 $ '000	2022 Restated $ '000	2023 $ '000	2022 Restated $ '000
Current asset portion				
Advances to Marlborough District Council*	3,278*	3,676*	3,278*	3,676*
Non-current asset portion				
Advances to subsidiaries	-	-	51,020	46,710
Current liability portion				
Loans from Marlborough District Council	29,875	32,008	29,875	32,008
Non-current liability portion				
Loans from Marlborough District Council	41,640	35,307	41,640	35,307

*Council has a policy of minimising external debt at Council level. To achieve this, temporary cash surpluses are transferred to Council. Council recognises that it receives a benefit from these short-term advances and pays interest at the average of the 30 day, 60 day and 90 day BKBM rates.

27.3. 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 no services (2022: $1,621) from PMNZL.

Port Marlborough New Zealand Limited

Transactions between MDC Holdings Limited and PMNZL are as follows:

	2023 $ '000	2022 $ '000
Amounts received from PMNZL during the year:		
Dividends	3,682	3,832
Finance costs recovered (net)	1,951	1,063
Subvention payment	258	204
Amounts receivable from PMNZL at balance date:		
Advance	48,000	43,675
Interest on advance	368	136
Subvention payment	258	204

Marlborough Airport Limited

Transactions between MDC Holdings Limited and MAL are as follows:

	2023 $ '000	2022 $ '000
Amounts received from MAL during the year:		
Interest on advance	135	50
Swap valuation fee reimbursement	1	1
Amounts receivable from MAL at balance date:		
Interest on advance	24	9
Advance	3,020	3,035

27.4. Transactions and balances with Marlborough District Council

MDC Holdings Limited

Transactions between Council and MDC Holdings Limited are as follows:

	2023 $ '000	2022 $ '000
Amounts paid to MDC during the year:		
Dividends	3,308	3,155
Interest on loans	2,835	613
Amounts payable to MDC at balance date:		
Loans	71,515	67,315
Interest on loans	552	85
Amounts received from MDC during the year:		
Interest on advance	84	21
Swap valuation fee reimbursement	1	2
Amounts receivable from MDC at balance date:		
Advance	3,278	3,675

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:

	2023 $ '000	2022 $ '000
Amounts received from PMNZL during the year:		
Rates & other services	835	695
Harbour & Navigational levies	430	430
Amounts receivable/(Payable) from PMNZL at balance date:		
Services provided	-	(5)
Amounts paid to PMNZL during the year:		
Services provided	116	70

Marlborough Airport Limited

Transactions between Council and MAL are as follows:

	2023 $ '000	2022 $ '000
Services charged by MDC during the year	263	241
Subvention payment to MDC	-	13
Services payable to MDC at balance date	-	1
Paid to MAL during the year	3	11

27.5. 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.

27.6. Guarantees provided or received

There are no guarantees provided or received (2022: Nil).

27.7. Directors' transactions

Mr RW Olliver is a Director of PMNZL and is a shareholder and Director of Fulton Hogan Limited who undertook maintenance work for both companies totalling $2,316,346 (2022: $1,520,823), As at 30 June $0 (2022:$450,273) was owing to Fulton Hogan Limited by PMNZL.

27.8. 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	
	2023 $ '000	**2022 $ '000**	**2023 $ '000**	**2022 $ '000**
Employee benefits	1,626	1,494	-	-
Directors' fees	350	355	78	79
	1,976	**1,849**	**78**	**79**

27.9. 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.

28. Prior period error

During the preparation of the 2022/23 financial statements, an error has been discovered regarding the classification of liabilities. The loans from Marlborough District Council were incorrectly classified as a non-current liability rather than a current liability (Note 15). This error resulted in an understatement of current liabilities for the 2021/22 year and a corresponding overstatement of non-current liabilities. The error has been corrected by restating each of the affected financial statements line items for the prior period.

	30 June 2022	**Classification change**	**30 June 2022 (Restated)**
	$000	**$000**	**$000**
Current liabilities			
Borrowings	0	32,008	**32,008**
Non-current liabilities			
Borrowings	**67,315**	-32,008	**35,307**

29. Breach of statutory reporting deadline

The company was required under Section 67(1) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 02 October 2023.

30. Events after the reporting period

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure. (2022: Nil)

Statutory Information

Auditors

Julian Tan of Audit New Zealand acting on behalf of the Auditor-General, is the auditor of MDC Holdings Limited for the year ended 30 June 2023. Anthony Smith of Deloitte, acting on behalf of the Auditor-General, is the auditor for PMNZL, its subsidiaries and MAL for the year ended 30 June 2023.

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	**2023**	**2022**
$100,000 - $110,000	8	4
$110,000 - $120,000	2	2
$120,000 - $130,000	4	4
$130,000 - $140,000	3	-
$140,000 - $150,000	4	1
$160,000 - $170,000	1	2
$170,000 - $180,000	1	1
$180,000 - $190,000	2	1
$200,000 - $210,000	3	-
$210,000 - $220,000	1	1
$220,000 - $230,000	1	-
$260,000 - $270,000	-	1
$350,000 - $360,000	1	-
$390,000 - $400,000	-	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:

Remuneration	Number of Employees	
	2023	2022
$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

	2023 $	2022 $
M B J Kerr(Chairman)	$28,213	$18,530
J C Leggett (Retired)	$3,471	$12,036
D J Oddie (Retired)	$3,471	$12,036
M A Peters (Retired)	$3,471	$12,036
A M Barton	$14,108	$13,841
N P Taylor	$8,624	
D J Croad	$8,426	
J A Arbuckle	$8,426	
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 2023 (2022: Nil).

Port Marlborough New Zealand Limited

	2023 $	2022 $
W B McNabb (Chairman)	$55,062	$36,382
C J Crampton	$35,400	$33,650
J C Moxon	$38,778	$35,312
R W Olliver	$37,116	$17,400
H J Roy	$35,400	$17,400
K B Taylor (retired)	$34,800	$67,300
M F Fletcher (paid to Marlborough District Council)	$35,400	$33,650

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.

Marlborough Airport Limited

Matt Kerr (Chairperson)	
MDC Holdings Limited	Chair
Denovo Vineyard Trust	Trustee
Kakapo Bay Forests (2004) Ltd	Director/Shareholder
Marlborough Grape Growers Cooperative	Director
Marlborough Hospice Foundation Trust	Trustee
Marlborough Stadium Trust	Chair
Saints Investments Limited	Director
The Kershaw Trust	Trustee
Jamie Arbuckle	
Marlborough District Council	Councillor
MDC Holdings Limited	Director
Marlborough Harness Racing Club Inc.	Committee Member
New Zealand First (Political Party)	Board Member
Alexandra Barton	
MDC Holdings Limited	Director
Barton Food Limited Director	Director/Shareholder
BDO Marlborough Tasman Limited	Director/Shareholder
BDO New Zealand Limited	Director
BDO New Zealand Nominee Limited	Director/Shareholder
Fairhall Fundraising Inc	Member
Malbec Trust	Trustee
Marlborough Lines Limited	Director
Ngāti Apa ki te Rā Tō Trust Board Audit & Risk Subcommittee	Member
Seaview Capital Limited	Director
Village to Village Charitable Trust	Trustee
David Croad	
Marlborough District Council	Deputy Mayor
MDC Holdings Limited	Director
Marlborough Housing for the Elderly Trust	Trustee
Neil and Dianne Croad Family Trust	Trustee
Nadine Taylor	
Marlborough District Council	Mayor
MDC Holdings Limited	Director
Fairhaven Family Trustee	Trustee
G&N Taylor Fishing Trust	Trustee
Legacy Fishing Limited	Director/Shareholder
Legacy Investments 2010 Limited	Director/Shareholder
Rainey Family Trust	Trustee
Woodgate Family Trust	Trustee

Mark Wheeler

Marlborough District Council	Chief Executive
MDC Holdings Limited	Director
CAMA Trust	Trustee

Port Marlborough New Zealand Ltd

W McNabb

Alpine Energy Limited	Chair
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
Pistol Vineyard Investments Limited	Director
The Bluffs Vineyard Company Limited	Director/Shareholder
Weld Cone Wind Farm Limited	Director

C Crampton

Lifelines Wellington	Deputy Chair
University of Canterbury	Advisory Board Member
Water Services Entity Act	Establishment Chief Executive

M F Fletcher

Calmer Cherries Limited	Director/shareholder
Marlborough District Council	Chief Financial Officer

J Moxon

Fisher Funds Management Limited	Director
Kiwi Wealth Investment Limited	Board Member
Kiwi Wealth Limiter	Board Member
Marlborough Skills Leadership Group	Co-Chair
Portfolio Custodial Nominees Limited	

R W Olliver

Toi Downs Limited	Director
Ridgeback Trustees Limited	Director
Kenepuru Forests Limited	Director
Lancewood Forest Limited	Director
The Bottling Company Limited	Director
St Andrews Property Group Limited	Director
Good Conscience Limited	Director
The Care Foundation	Trustee
Marlborough Colleges Charitable Foundation	Trustee
Fulton Hogan Limited (and subsidiaries)	Shareholder/Director

Hon H J Roy

Financial Advice New Zealand	Independent Chair
Marlborough Chamber of Commerce	Board Member
New Zealand Remembrance Army Charitable Trust	Chair/Trustee
Security and Reliability Council (Electricity Authority)	Independent Chair
Torque Point Limited	Principal/Director
Utilities Disputes Limited	Independent Chair

Company Directory

Directors

Matt Kerr (Chairperson)
Mark Wheeler
Alex Barton
Nadine Taylor
David Croad
Jamie Arbuckle

Registered Office

Marlborough District Council
15 Seymour Street
Blenheim

Company Number

814159

Auditor

Julian Tan 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

Solicitors

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

Shareholders

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