30 June 2016

# Marlborough Airport Limited

*Annual Report*

MARLBOROUGH airport BLENHEIM

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# Review of operations

## Nature of the Business

Marlborough Airport Limited (MAL) is a Council Controlled Organisation which is responsible for the operation of domestic and commercial airfield operations at Woodbourne, west of Blenheim. MAL owns a passenger terminal, hangar, vehicle grooming facility and car parks which are sited on land that, together with the runways and taxiways, is occupied under a licence from the Crown.

## Ownership

MAL's sole shareholder is MDC Holdings Limited, a wholly-owned subsidiary of Marlborough District Council.

## Measuring performance

### 1.1 Statement of Intent 2015-16 performance targets

| Performance targets | Key performance indicators | 2015-16 Targets | Results |
|---|---|---|---|
| A welcoming gateway for travellers | Complete the terminal expansion. | Construction completed and terminal commissioned by 30 June 2015. | Not achieved due to delay in commencement. Terminal was completed in October 2015. |
| | Planning for an extension to the public and rental car parking areas | Business case completed by 31 December 2015. | Achieved. |


| | | | |
|---|---|---|---|
| Facilitate economic development growth | Facilitate regional and economic development growth. | MAL Board and shareholder are satisfied with number of initiatives investigated and implemented. | Achieved. |
| Financially sustainable | Achieve a sustainable financial return on shareholder equity. | 0% return after tax (excludes IFRS revaluations) on opening equity. | Achieved. Actual return of 6.6% was above target.<br>The long term target is >6%, however, 0% was expected in 2015-16 due to terminal expansion and increased provision for runway reseal. |
| General | Maintain the runway to a safe standard. | Airport operations not curtailed because of runway condition. | Achieved. No airport operations were affected by runway conditions. |
| |  | | |
| | Comply with Airport Authorities (CAA) Regulations 1999 / CAA Part 139. | 100% compliance. | Achieved. MAL is in compliance with the annual audit review carried in 2016. A comprehensive audit was also carried out in 2015 and MAL's Aerodrome Operating Certificate was renewed for five years. |

## 1.2 Emergency response and security

In accordance with MAL's Management Plan (2015) the emergency plan was tested during a table top emergency exercise involving the NZ Fire Service, St John, the NZ Police and MAL.

There have been no major security incidents or issues. A number of minor airfield incursions were reported by Air Traffic Control and investigated. The annual reminder to tenants and airport users regarding security requirements was distributed as required.

## 1.3 Financial performance

MAL's 2016 operating loss before tax of $38,000 was behind budget by $107,000. The main drivers for this variance are explained below:

| | Notes | 30 June 2016 Actual $ '000 | 30 June 2016 Budget $ '000 | *Variance $ '000* |
|---|---|---|---|---|
| **Income** | | | | |
| Aeronautical | (a) | 1,148 | 1,235 | *(87)* |
| Non-aeronautical | (b) | 864 | 812 | *52* |
| Interest | (c) | 5 | 11 | *(6)* |
| **Total income** | | **2,017** | **2,058** | *(41)* |
| **Expenses** | | | | |
| **Operations and maintenance** | | | | |
| Aeronautical | (d) | 439 | 452 | *(13)* |
| Non-aeronautical | (d) | 651 | 662 | *(11)* |
| **Other expenditure** | | | | |
| Bank charges | | 4 | 4 | *-* |
| Finance costs | (e) | 165 | 277 | *(112)* |
| Employment expenses | | 183 | 190 | *(7)* |
| Loss on financial derivatives | (f) | 125 | - | *125* |
| Loss on disposal of assets | (g) | 72 | - | *72* |
| Depreciation, impairment and amortisation expense | (h) | 416 | 404 | *12* |
| **Total expenses** | | **2,055** | **1,989** | *66* |
| **Profit/(loss) before income tax expense** | | **(38)** | 69 | *(107)* |
| Less tax expense | | 4 | 82 | *(78)* |
| **Total net loss after income tax expense** | | **(42)** | **(13)** | *(29)* |

### Income

(a) **Aeronautical income** did not reach target due to a 5 month delay in applying the per passenger charge to airlines for their contribution to the funding of the Terminal development. The project delay was required to take account of customer needs. The original concept was for a 'one stage' development which, upon review, Airport management believed would result in disrupted airport operations. The time frame was extended out to allow for a staged development which ensured the Terminal was functional throughout and there was no disruption to arrivals and departures.



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(b) **Non aeronautical income** was above target due to the increase in rental income which resulted from successful implementation of new tenancy agreements for the upgraded Terminal and Rental Car building.

(c) **Interest income** was below target due to lower than anticipated cash balances.


**Expenses**

(d) **Aeronautical and non-aeronautical** operations and maintenance costs were lower than target due to the Terminal construction during which areas were closed off and maintenance delayed.

(e) **Finance costs** were less than anticipated due to $63,000 of interest costs in relation to the Terminal development being capitalised and $49,000 of interest savings due to lower than anticipated interest rates and the timing of loan drawdowns and repayments.

(f) **Loss on financial derivatives** reflects the valuation of swaps based upon the current market interest rates at the end of the year. Such revaluation movements are not budgeted by MAL.

(g) The **loss on disposal of asset** arose from the disposal of fixtures and fittings which could not be re-used in the redeveloped Terminal as originally planned.

(h) **Depreciation, impairment and amortisation expense** was above target due to unbudgeted amortisation of MAL's web-site consultancy which was originally capitalised.



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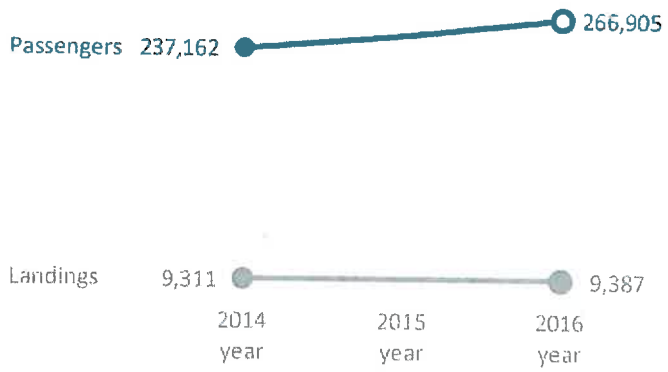
## Aircraft and Passenger Activity

Number of Passengers and aircraft Landings in Marlborough




The total passenger movement in Marlborough has increased by 12.5% since 2014 supporting a healthy flow of visitors to the region.

Higher activity from Sounds Air has offset the decrease in Air NZ landings, contributing to a steady increase overall.

Air NZ's use of a larger aircraft since April has reduced landings but increased passenger movement through the region.

## Terminal development

A redevelopment of the Terminal focusing on expanding the facilities and upgrading the customer experience was completed in October 2015. This has provided a significantly improved and welcoming gateway to Marlborough and has doubled the public space in the lounge areas.

The café area on the ground floor has been modernized and expanded and there is a new mezzanine level with meeting rooms. We worked closely with Air NZ to ensure the design accommodated their new automated check-in pods and an upgraded customer service area and we also improved the check-in area for Sounds Air.

The baggage claim area which was previously open and only accessible from outside the Terminal is now accessible from the entrance lobby and has been enclosed. This flows out to a new building for rental car operators and their customers adjacent to the car parks.

Future development will focus on upgrading and expanding the car park areas.

# Corporate Governance Statement

## Directors' commitment

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

## Role of the Board of Directors

The Board is appointed by the shareholders to supervise the management of MAL. The Board establishes MAL's objectives, strategies for achieving objectives, and the overall policy framework within which MAL's business is conducted and monitors management's performance.

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

## Board operations and membership

The Board comprises five Directors, a Chairman and four Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' details are set out on page 25 of this report.

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

## 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.

## Statement of Intent

In accordance with Schedule 8 of the Local Government Act 2002 the Board submits a draft Statement of Intent (SOI) for the coming financial year. The SOI sets out MAL's overall objectives, intentions, and financial and performance targets. The SOI is approved by the shareholder, MDCH.

## Compliance with Airport Authorities

The Financial Statements have been prepared for the purpose of, and in accordance with, the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

## Directors Responsibility Statement

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The Directors are responsible for ensuring that the Financial Statements present fairly, in all material respect, the financial position of the Company as at 30 June 2016 and the financial performance and cash flows for the year ended 30 June 2016.

The Directors consider that the Financial Statements of the Company 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 that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have approved and are pleased to present the Financial Statements of Marlborough Airport Limited for the year ended 30 June 2016 on pages 10 to 24.

The Board authorised the issue of these Financial Statements on 13 September 2016.

P J M Taylor – Chairman

M. S. Wheeler.

M S Wheeler – Director

On behalf of the Directors of Marlborough Airport Limited

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## INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF MARLBOROUGH AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

The Auditor-General is the auditor of Marlborough Airport Limited Limited. The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte, to carry out the audit of the financial statements and the performance information of the company on her behalf.

**Opinion on the financial statements and the performance information**

We have audited:

- the financial statements of the company on pages 10 to 24, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the performance information of the company on page 1

In our opinion:

- the financial statements of the company:

  - present fairly, in all material respects:

    - its financial position as at 30 June 2016; and

    - its financial performance and cash flows for the year then ended; and

  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2016.

Our audit was completed on 13 September 2016. This is the date at which our opinion is expressed.

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

**Basis of opinion**

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control

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relevant to the preparation of the company's financial statements and performance information 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's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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

**Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

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

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

**Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

**Independence**

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

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

Mike Hoshek
Deloitte
On behalf of the Auditor-General
Christchurch, New Zealand

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# Financial Statements

## Statement of Comprehensive Income

For the Financial Year Ended 30 June 2016

| | Notes | 2016 $ '000 | 2015 $ '000 |
|---|---|---|---|
| Revenue | 4.1 | 2,012 | 1,608 |
| Interest revenue | 4.1 | 5 | 10 |
| Operations and maintenance | 4.2 | (1,349) | (1,208) |
| Finance costs | 4.2 | (290) | (122) |
| Depreciation, impairment and amortisation expense | 8 & 9 | (416) | (282) |
| **Profit/(loss) before income tax expense** | | **(38)** | **6** |
| Income tax (credit)/expense | 5.1 | 4 | (4) |
| **Total profit/(loss) and comprehensive income for the year, net of tax** | | **(42)** | **10** |
| **Attributable to the equity holders of the parent entity** | | **(42)** | **10** |

## Statement of Changes in Equity

For the Financial Year Ended 30 June 2016

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| **Balance at beginning of the year** | **1,264** | **1,254** |
| Total profit/(loss) and comprehensive income for the year, net of tax | (42) | 10 |
| **Balance at end of the year** | **1,222** | **1,264** |

Notes to the Financial Statements are included on pages 13 to 24 and are an integral part of, and should be read In conjunction with these Financial Statements.



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## Statement of Financial Position

As at 30 June 2016

| | Notes | 2016 $ '000 | 2015 $ '000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 19.1 | 290 | 288 |
| Trade and other receivables | 6 | 188 | 239 |
| **Total current assets** | | **478** | **527** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 7,264 | 6,378 |
| Deferred tax assets | 5.2 | 244 | 109 |
| Intangible assets | 9 | 15 | 32 |
| **Total non-current assets** | | **7,523** | **6,519** |
| **Total assets** | | **8,001** | **7,046** |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 413 | 780 |
| Current tax liability | | 37 | 32 |
| **Total current liabilities** | | **450** | **812** |
| **Non-current liabilities** | | | |
| Derivative financial instruments | 11 | 177 | 52 |
| Provisions | 12 | 1,402 | 1,048 |
| Borrowings | 13 | 4,750 | 3,870 |
| **Total non-current liabilities** | | **6,329** | **4,970** |
| **Total liabilities** | | **6,779** | **5,782** |
| **Net assets** | | **1,222** | **1,264** |
| **Equity** | | | |
| Share capital and other equity instruments | 14 | 1,171 | 1,171 |
| Retained earnings | 15 | 51 | 93 |
| **Total equity** | | **1,222** | **1,264** |

Notes to the Financial Statements are included on pages 13 to 24 and are an integral part of, and should be read In conjunction with these Financial Statements.

# Statement of Cash Flows

For the Financial Year Ended 30 June 2016

| | Notes | 2016 $ '000 | 2015 $ '000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 1,956 | 1,598 |
| Payments to suppliers and employees | | (853) | (846) |
| Interest and other costs of finance paid | | (153) | (80) |
| Income tax paid (net of refunds) | | (134) | (116) |
| **Net cash provided by operating activities** | | **816** | **556** |
| **Cash flow from investing activities** | | | |
| Payments for property, plant and equipment | | (1,699) | (3,003) |
| Payments for intangibles | | - | (42) |
| Interest received | | 5 | 10 |
| **Net cash used in investing activities** | | **(1,694)** | **(3,035)** |
| **Cash flow from financing activities** | | | |
| Advance from related party | | 880 | 2,580 |
| **Net cash provided by financing activities** | | **880** | **2,580** |
| **Net increase in cash and cash equivalents** | | **2** | **101** |
| **Cash and cash equivalents at the beginning of the financial year** | | **288** | **187** |
| **Cash and cash equivalents at the end of the financial year** | 19.1 | **290** | **288** |

Notes to the Financial Statements are included on pages 13 to 24 and are an integral part of, and should be read In conjunction with these Financial Statements.



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# Notes to the Financial Statements

## 2. Company information

The Marlborough Airport Limited (MAL) is a profit-orientated company incorporated in New Zealand. It operates Marlborough's principal airport at Woodbourne, west of Blenheim. MAL is a reporting entity for the purposes of the Financial Reporting Act 2013 and its Financial Statements comply with that Act, the Companies Act 1993 and the Airport Authorities Act 1966.

The parent entity is MDC Holdings Limited, which is a 100% owned subsidiary company of Marlborough District Council.

## 3. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statement for the year ended 30 June 2016, and the comparative information presented in these Financial Statements for the year ended 30 June 2015:

### 3.1 Statement of compliance

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) – Tier 2 and other applicable financial reporting standards as appropriate for profit-oriented entities that apply the reduced disclosure regime (RDR). MAL qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. MAL has elected to apply NZ IFRS (RDR) and has applied the disclosure concessions.

### 3.2 Basis of preparation

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

These Financial Statements have been prepared exclusive of GST, except receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The Financial Statements have been prepared on the basis of historical cost, except for the revaluation of certain derivative instruments 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 20.

### 3.3 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Depreciation rates (note 8)
- Financial instruments (note 11)
- Provision for runway reseal (note 12)

The determination of the timing and cost of re-sealing the runway (note 12) is a key area of judgement/estimate.

### 3.4 New standards adopted

In the current year, MAL is adhering to the following amendments to relevant standards:

| Standards | Effective date |
|---|---|
| 2014 Omnibus Amendments to NZ IFRS | 1 April 2015 |

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

### 3.5 Changes in accounting policies

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

## 4. Profit from operations

### 4.1 Revenue

Revenue from operations consisted of the following items:

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| **Revenue** | | |
| Landing charges | 1,148 | 941 |
| Rental lease and concessions | 405 | 281 |
| Parking | 363 | 331 |
| Outgoings recovered | 93 | 55 |
| Gain on sale of asset - depreciation recovered | 3 | - |
| **Total revenue** | **2,012** | **1,608** |
| **Interest revenue** | | |
| Bank deposits/IRD use of money | 5 | 10 |
| **Total revenue attributable to operations** | **2,017** | **1,618** |

***Revenue recognition policies***

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

**Landing charges** - Revenue from landing fee charges is MAL's primary source of revenue and is recognised based on actual landings and take-offs.

**Rental lease and concessions** - MAL's policy for recognition of revenue from operating leases is described in note 16.1 below.

**Parking** - Parking income is recognised as payments are received. Revenue received in relation to the car park is accounted for on a cash basis.

**Interest revenue** - Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## 4.2 Expenses

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

| | Notes | 2016 $ '000 | 2015 $ '000 |
|---|---|---|---|
| **Operations and maintenance** | | | |
| Administration expense | | 762 | 680 |
| Loss on disposal of an asset | | 72 | 51 |
| Management fees | | 84 | 67 |
| Bad debts written off | | - | 4 |
| Repairs and maintenance | | 427 | 402 |
| Other operating expenses | | 4 | 4 |
| **Total operations and maintenance** | | **1,349** | **1,208** |
| | | | |
| **Finance costs** | | | |
| Interest expense - related party loans | | 215 | 105 |
| Interest capitalised | | (63) | (42) |
| Interest expense - IRD UOMI | | - | 1 |
| Loan fee - related party loan | | 13 | 18 |
| Loss on financial derivatives | | 125 | 40 |
| **Total finance Costs** | | **290** | **122** |

### *Expense recognition policies*

**Interest expense** - Interest expenses are 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 MAL's Interest rates ranged between 3.01% and 4.09% (2015: 3.62% and 5.27%).

## 5. 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.

### 5.1 Reconciliation of income tax

The prima facie income tax expense(credit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(credit) in the Financial Statements as follows:

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| **Profit/(loss) before income tax expense** | **(38)** | 6 |
| **Tax at current rate 28%** | **(10)** | 2 |
| **Plus/(less) tax adjustments:** | | |
| Deferred tax expense/(credit) permanent adjustments | 14 | (6) |
| **Income tax expense/(credit) recognised on the Statement of Comprehensive Income** | **4** | (4) |
| **Comprising:** | | |
| Current tax expense | 139 | 130 |
| Deferred tax (credit) | (135) | (134) |
| **Total tax expense/(credit)** | **4** | (4) |

### 5.2 Deferred tax balances

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

| Deferred tax liability/(asset) | Property, plant and equipment $ '000 | Capitalised interest $ '000 | Provisions $ '000 | Derivative financial instruments $ '000 | Totals $ '000 |
|---|---|---|---|---|---|
| **Balance at 01 July 2014** | 229 | - | (201) | (3) | 25 |
| Recognised in: | | | | | |
| Profit or loss | (38) | 12 | (97) | (11) | (134) |
| Other comprehensive income | - | - | - | - | - |
| **Balance at 30 June 2015** | **191** | **12** | **(298)** | **(14)** | **(109)** |
| Recognised in: | | | | | |
| Profit or loss | (7) | 5 | (99) | (35) | (135) |
| Other comprehensive income | - | - | - | - | - |
| **Balance at 30 June 2016** | **184** | **17** | **(397)** | **(49)** | **(244)** |

## 6. Trade and other receivables

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| Trade and other receivables | 198 | 144 |
| Allowance for doubtful debts | (10) | (10) |
| Goods and services tax (net) | - | 105 |
| **Balance at end of the year** | **188** | **239** |

### *Trade and other receivables policies*

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

### 6.1 Movement in the allowance for doubtful debts

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| **Balance at beginning of the year** | 10 | 10 |
| Impairment losses recognised on receivables | - | - |
| **Balance at end of the year** | 10 | 10 |

An allowance for doubtful debts has been made for estimated irrecoverable amounts when there is objective evidence that the asset will be impaired. Any movement in the allowance is recognised in the Statement of Comprehensive Income and measured as the difference between the asset's carrying and expected recoverable amount.

## 7. Impairment policies

At the end of each reporting period, MAL 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, MAL estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity. An impairment of goodwill is not subsequently reversed.

# 8. Property, plant and equipment (PPE)

| | Cost | Accumulated depreciation | Carrying amount | Additions | Disposals | Disposals depreciation adjustment | Depreciation | Cost | Accumulated depreciation | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 |
| | 01 July 2014 | | | 30 June 2015 | | | | | | |
| Freehold carpark and land improvements | 1,646 | 477 | 1,169 | 5 | - | - | 66 | 1,651 | 543 | 1,108 |
| Buildings | 1,871 | 856 | 1,015 | 262 | (28) | (14) | 139 | 2,105 | 981 | 1,124 |
| Plant and equipment | 963 | 379 | 584 | 6 | (88) | (54) | 66 | 881 | 391 | 490 |
| Office, furniture and fittings | 55 | 49 | 6 | - | (11) | (8) | 1 | 44 | 42 | 2 |
| Work in progress | 541 | - | 541 | 3,113 | - | | | 3,654 | - | 3,654 |
| | **5,076** | **1,761** | **3,315** | **3,386** | **(127)** | **(76)** | **272** | **8,335** | **1,957** | **6,378** |
| | 01 July 2015 | | | 30 June 2016 | | | | | | |
| Freehold carpark and land improvements | 1,651 | 543 | 1,108 | 16 | (3) | - | 66 | 1,664 | 609 | 1,055 |
| Buildings | 2,105 | 981 | 1,124 | 4,633 | (336) | (286) | 238 | 6,402 | 933 | 5,469 |
| Plant and equipment | 881 | 391 | 490 | 94 | (67) | (51) | 75 | 908 | 415 | 493 |
| Office, furniture and fittings | 44 | 42 | 2 | 264 | (38) | (39) | 20 | 270 | 23 | 247 |
| Work in progress | 3,654 | - | 3,654 | (3,654) | - | - | | - | - | - |
| | **8,335** | **1,957** | **6,378** | **1,353** | **(444)** | **(376)** | **399** | **9,244** | **1,980** | **7,264** |

### *PPE policies*

MAL has the following classes of PPE:

- Freehold car park and land improvements
- Buildings
- Plant and equipment
- Office, furniture and fittings
- Work in progress

**All items of PPE** are stated at their cost or deemed cost less any subsequent accumulated depreciation and impairment losses (if any).

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with MAL's accounting policy (refer note 13).

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

**Depreciation** commences when the asset is ready for use and is charged to Statement of Comprehensive Income on all PPE other than work in progress over their estimated useful lives, using the straight-line method (SL). The useful lives and estimated residual values are reviewed at each balance date and amended if necessary. 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 Statement of Comprehensive Income.

The depreciation rates of major classes of assets have been estimated as follows:

- Improvements (freehold car park and land) 3.0 – 21.0% SL
- Buildings 2.5 – 13.5% SL

- Plant and Equipment 3.0 – 41.0% SL
- Office Furniture and Fittings 3.0 – 30.0% SL
- Software (classified as an intangible asset) 40.0% SL

### 8.1 Capital expenditure commitments

There are no capital expenditure commitments at balance date.

## 9. Intangible assets

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| **Software gross carrying amount** | | |
| **Balance at beginning of the year** | 46 | 4 |
| Additions | - | 42 |
| **Balance at end of the year** | **46** | **46** |
| **Software accumulated amortisation and impairment** | | |
| **Balance at beginning of the year** | 14 | 4 |
| Amortisation (i) | 17 | 10 |
| **Balance at end of the year** | **31** | **14** |
| **Software net book value at end of the year** | **15** | **32** |

**(i)** Amortisation expense is included in the line item 'depreciation, impairment and amortisation expense' in the Statement of Comprehensive Income.

### *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. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

## 10. Trade and other payables

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| Trade creditors | 107 | 139 |
| Property plant and equipment creditors | 200 | 545 |
| Expenses accrued | 14 | 40 |
| Income in advance | 22 | 26 |
| GST payable | 29 | - |
| Payroll liabilities | 16 | 17 |
| Related parties - Interest | 25 | 13 |
| **Balance at end of the year** | **413** | **780** |

### *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.

## 11. Derivative financial instruments (interest rate swaps)

### *Interest rate swap contracts*

Interest rate contracts are entered into by the parent on behalf of MAL. Under the contracts, MAL agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts.

Such contracts enable MAL 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 parent, depending on whether the fixed rate is favourable or unfavourable to the variable interest rate at the time. The expense (or revenue) is paid (or received) by MAL directly to (or from) the parent. Similarly the gains or losses on the revaluation of swaps are passed from the parent through to MAL.

During the year the interest rates for MAL's current swaps ranged between 3.51% and 3.77% (2015: 3.62% and 5.27%).

The parent has entered into the following interest rate contracts on behalf of MAL:

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| **Interest rate swap contracts with ASB bank** | **4,400** | **4,400** |
| **Classified as:** | | |
| Current swaps | 4,000 | 2,500 |
| Forward dated swaps | 400 | 1,900 |

### *Interest rate swap liability at fair value through profit or loss (FVTPL)*

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| **Interest rate swap liability at FVTPL** | **(177)** | **(52)** |
| **Classified as:** | | |
| Non-current | (177) | (52) |

The fair value of interest rate swaps is supplied by an independent third party and is based on market values of equivalent instruments at the reporting date and is calculated as the present value of the estimated future cash flows based on observable yield curves. The Board considers that the carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their fair values.

### *Interest rate swap policies*

MAL enters into interest rate swaps to manage cash flow 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 Statement of Comprehensive Income.
- Are not used for speculative purposes.

## 12. Provision for runway reseal

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| **Balance at beginning of the year** | **1,048** | **712** |
| Additions | 354 | 336 |
| **Balance at end of the year** | **1,402** | **1,048** |
| **Classified as:** | | |
| Non-current | 1,402 | 1,048 |

Provision is made to reflect MAL'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 and was last reviewed in December 2014.

MAL commissioned Beca Limited to undertake a desktop feasibility assessment and prepare a high level Rough Order Cost (ROC) estimate of the surfacing of the runway.

The Business and Economic Research Limited (Berl) price level adjustors plus a 5.5% interest factor were applied to the estimated ROC to calculate the amount to be provided each year up until 2030, when the runway is expected to be resealed.

### *Provision policies*

Provisions are recognised when MAL has a present obligation as a result of a past event, and it is probable that MAL 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.

## 13. Borrowings

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| **Unsecured loans from parent at amortised cost** | 4,750 | 3,870 |
| **Classified as:** | | |
| Non-current | 4,750 | 3,870 |

### *Borrowings policies*

Bank loans are classified as current liabilities (borrowings) unless MAL has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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. The capitalised borrowing costs (refer to note 4.2) reflect the hedged interest rate at the time interest is incurred.

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

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

### 13.1 Security

MAL's related party debt is not secured. Loans from the parent entity are regarded as term and MAL has received confirmation that no portion of it will be called up in the next 12 months.

## 14. Share capital

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| **1,170,726 fully paid ordinary shares (2015: 1,170,726)** | **1,171** | **1,171** |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### *Equity instruments policies*

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

## 15. Retained earnings

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| **Balance at beginning of the year** | **93** | **83** |
| Net profit/(loss) for the year net of tax | (42) | 10 |
| **Balance at end of the year** | **51** | **93** |

## 16. Operating leases arrangements

### 16.1 MAL as lessee

Non-cancellable operating lease commitments:

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| Not longer than 1 year | 57 | 57 |
| Longer than 1 year and not longer than 5 years | - | - |
| Longer than 5 years | - | - |

***Lessee policies***

Rentals payable under operating leases, where the lessors effectively retain risks and benefits of ownership, are charged to income on a straight-line basis over the term of the relevant lease.

***Leasing arrangements***

Operating leases relate to MAL's land and photocopying machine. MAL's operating lease contract contain market review clause in the event that MAL exercises its option to renew. MAL does not have an option to purchase the leased asset at the expiry of the lease period.

### 16.2 MAL as lessor

Non-cancellable operating lease receivables:

| | 2016 $ '000 | 2015 $ '000 |
|---|---|---|
| Not longer than 1 year | 397 | 240 |
| Longer than 1 year and not longer than 5 years | 489 | 360 |
| Longer than 5 years | - | - |

***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.

***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 rental, ground rental, hangar rental, advertising signs and rental car wash facility.

## 17. Contingent assets and contingent liabilities

MAL had no contingent assets or liabilities as at 30 June 2016 (2015: Nil).

## 18. Related party transactions

### 18.1 Parent entities

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

### 18.2 Entities controlled/significantly influenced by the Crown

MAL enters into a large number of transactions with government departments, Crown entities, state-owned enterprises and other entities controlled or subject to significant influence by the Crown.

These transactions are not separately disclosed where they:

- Are conducted on an arm's length basis;
- Result from the normal dealings of the parties; and
- Meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown.

### 18.3 Fellow subsidiaries of MDC Holdings Limited

Port Marlborough New Zealand Limited (PMNZL) is a related party to MAL as it has the same parent. During the year MAL received payments of $1,200 (2015: $750) plus GST from PMNZL.

### 18.4 Transactions with related parties

***MDC Holdings Limited (parent)***

Interest is charged on the outstanding related party loan at commercial interest rates. The parent entered into a swap agreement with ASB for MAL. The terms of the loans and swaps between MAL and the parent match the terms set between the bank and the parent (note 11).

Transactions between MAL and parent are as follows, amounts are exclusive of GST where applicable:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Interest paid on loans from parent during the year | 189,779 | 92,476 |
| Interest payable on loans from parent at end of the year | 25,067 | 13,404 |
| Recharge of bank fees paid on loans from parent | 13,384 | 17,970 |
| Swap valuation fees on swaps taken by parent | 753 | 77 |
| Loan balance owed to parent at end of the year | 4,750,000 | 3,870,000 |

***Marlborough District Council (MDC)***

Transactions between MAL and the ultimate parent, MDC, are as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Services paid to MDC during the year | 20,253 | 55,132 |
| Services payable to MDC at end of the year | 40,886 | 71,592 |
| Received from MDC | 27,400 | 2,425 |

## 19. Statement of cash flows

***Statement of cash flows policies***

**Operating activities** include cash received from all income sources of MAL 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 MAL.

### 19.1 Cash and cash equivalents

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

| | 2016<br>$ '000 | 2015<br>$ '000 |
|---|---|---|
| Cash and cash equivalents | 290 | 288 |

***Cash and cash equivalents policies***

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.

## 20. Categories of financial instruments

| | Notes | Loans and receivables<br>$ '000 | Financial Liabilities at Amortised costs<br>$ '000 | Designated as FVTPL<br>$ '000 | Total<br>$ '000 |
|---|---|---|---|---|---|
| **Financial assets/(liabilities)** | | | | | |
| Cash and cash equivalents | 19.1 | 288 | - | - | **288** |
| Trade and other receivables | 6 | 239 | - | - | **239** |
| Trade and other payables | 10 | - | (780) | - | **(780)** |
| Interest rate swaps | 11 | - | - | (52) | **(52)** |
| Related party loans | 13 | - | (3,870) | - | **(3,870)** |
| **Balance at 30 June 2015** | | **527** | **(4,650)** | **(52)** | **(4,175)** |
| Cash and cash equivalents | 19.1 | 290 | - | - | **290** |
| Trade and other receivables | 6 | 188 | - | - | **188** |
| Trade and other payables | 10 | - | (413) | - | **(413)** |
| Interest rate swaps | 11 | - | - | (177) | **(177)** |
| Related party loans | 13 | - | (4,750) | - | **(4,750)** |
| **Balance at 30 June 2016** | | **478** | **(5,163)** | **(177)** | **(4,862)** |

***Fair value measurements***

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 using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

## 21. Events after the reporting period

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure (2015: Nil).

# Statutory information

## Directors' report

The Directors are responsible for ensuring that the Financial Statements present fairly, in all material respect, the financial position of the Company as at 30 June 2016 and the financial performance and cash flows for the year ended 30 June 2016, in accordance with New Zealand law and generally accepted accounting practice.

## Auditors

Mike Hoshek of Deloitte, acting as agent for the Office of the Auditor General is the auditor for MAL for the year ended 30 June 2016.

## Dividends

No distribution by way of dividend is recommended.

## Employee remuneration

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

## Interest register

## Directors' remuneration and benefits

No directors' fees have been paid by MAL for the 12 month period.

## Directors' and officers' liability insurance

MAL 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.

## Use of Company information

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

## Directors' loans

There were no loans given by MAL to Directors.

## Directors' interest in contracts

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

## Directors' interest in contracts

| | |
|---|---|
| **P J M Taylor** | |
| Marsh New Zealand Advisory Board | Member |
| MDC Holdings Limited | Chairman |
| New Zealand Fire Commission | Member |
| Ngati Awa Group Holdings Limited | Chairman |
| Ryland Estate Limited | Director / Shareholder |
| Te Runanga o Ngati Awa | Chairman |
| **A T Sowman** | |
| Custom Copy Limited - 100 shares (held jointly) | Shareholder |
| Kimi Haura Wairau Marlborough PHO Trust | Community Representative |
| Marlborough District Brass Band Incorporated | President |
| Marlborough District Council | Mayor |
| Marlborough Employment Enterprises Trust | Trustee |
| Marlborough Environment Awards Trust | Trustee |
| Marlborough Regional Forestry | Marlborough District Council Representative |
| MDC Holdings Limited | Director |
| Wairau Products Limited | Director / Shareholder |
| **J C Leggett** | |
| BJM Forests Limited | Director / Shareholder |
| Bryce Trustee Limited | Director |
| JAHB Properties Limited | Director / Shareholder |
| JCL Trust | Trustee |
| JSJ Trust | Trustee |
| Marlborough District Council | Councillor |
| MDC Holdings Limited | Director |
| Res Ipsa Loquitur Limited | Director / Shareholder |
| TWL & PRL Trust | Trustee |
| Willowgrove Dairies Limited | Shareholder |
| Wisheart McNab & Partners Solicitors Nominee Co Ltd | Director / Shareholder |
| Wisheart McNab & Partners Trustee Company Limited | Director / Shareholder / Partner |
| **R W Olliver** | |
| Goldpine Group Limited | Shareholder |
| Kenepuru Forests Limited | Director |
| MDC Holdings Limited | Director |
| Ridgeback Trustees Limited | Director / Shareholder |
| Stone Farm Holdings Limited | Shareholder |
| Toi Downs Limited | Director |
| **M S Wheeler** | |
| MDC Holdings Limited | Director |
| Marlborough District Council | CEO |

# Company Directory

## Directors

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

## Registered Office

Marlborough District Council
15 Seymour Street
Blenheim

## Company Number

517274

## Manager

Dean Heiford
Marlborough District Council
Telephone (03) 520 7400

## Auditor

Mike Hoshek of Deloitte on behalf of the Office of the Auditor General

## Banker

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

## Solicitors

Radich Law
21 Bells Rd
Blenheim
Telephone (03) 577 8450

## Shareholders

MDC Holdings Limited - 100%
1,170,726 shares