



MARLBOROUGH AIRPORT LIMITED
Annual Report - 30 June 2015



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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. The Company owns a passenger terminal, hangar, vehicle grooming facility and car parks which are sited on land that, together with the runways and taxiways, The Company occupies under a licence from the Crown.

In May 2013 the External Reporting Board (XRB) issued a package of new accounting standards for 'public benefit' entities, effective from 1 July 2014. Since the introduction of the new standards MAL has revisited the definition of a 'public benefit' entity and reassessed its classification to a 'for-profit' entity from 1 July 2014.

Ownership

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

Measuring performance

Statement of Intent 2014-15 performance targets

Performance targets	Key performance indicators	2014-15 Target	Result
A welcoming gateway for travellers	Complete the terminal expansion.	Construction completed and terminal commissioned by 31 January 2015.	Not achieved due to delay in commencement. Expected completion date 30 September 2015.
Facilitate economic development	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.	6% return after tax (excludes IFRS revaluations) on opening equity.	4%. Not achieved due to "catch up" of Runway Reseal Provision.
General	Maintain the runway to a safe standard.	Airport operations not curtailed because of runway condition.	Achieved.
	Comply with Airport Authorities Regulations 1999 / CAA Part 139.	100% compliance.	Achieved.

CAA compliance

A comprehensive Civil Aviation Authority (CAA) audit was carried out in the year ended 30 June 2015. The result of this audit was a 100% compliance and Marlborough Airport Limited's Aerodrome Operating Certificate was renewed for five years.

Emergency response and security

In accordance with the Marlborough Airport Limited Management Plan (2014) the emergency plan was tested during a full emergency exercise involving the NZ Fire Service, St John, the NZ Police and Marlborough Airport Limited.

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.

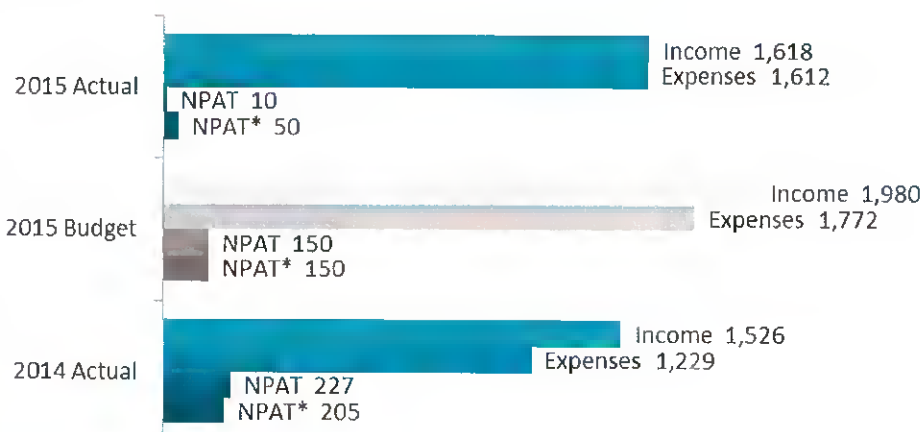
Review of activities

Financial performance

	2015 Actual \$ '000	2015 Budget \$ '000	2014 Actual \$ '000
Income			
Aeronautical	941	1,286	870
Non aeronautical (rent)	281	303	247
Non aeronautical (parking)	331	334	320
Non aeronautical (misc)	55	54	63
Gain on financial derivative	-	-	22
Interest	10	3	4
	1,618	1,980	1,526
Expenses			
Aeronautical - admin	58	87	81
Aeronautical - R&M	370	210	201
Non aeronautical - admin ⁽¹⁾	927	984	802
Non aeronautical - R&M	59	96	71
Loss on financial derivative	40	-	-
Interest	107	395	59
Total expenses	1,561	1,772	1,214
Loss on disposal of assets	51	-	15
	1,612	1,772	1,229
Net profit before taxation	6	208	297
Less tax expense	(4)	58	70
Net profit after taxation	10	150	227

(1) Includes depreciation and amortisation costs

\$ (millions)



NPAT - Net profit after

NPAT* - Net profit after tax before swap revaluations

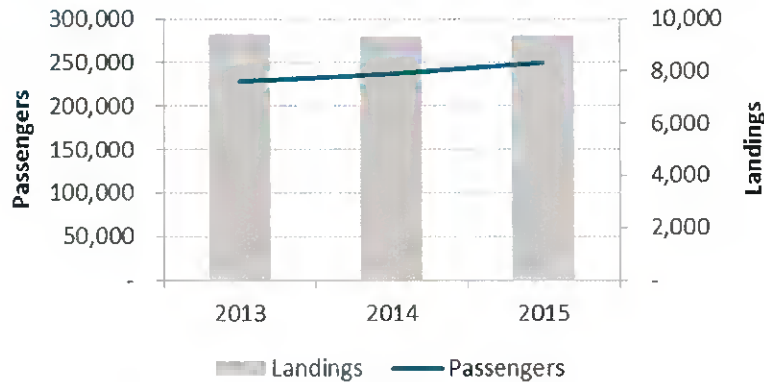
Aeronautical income did not reach target due to the delay in applying the per passenger charge to airlines for

their contribution to the funding of the Terminal development. The charge will be implemented when the Terminal is completed. Rental income was also below target due to the delay in completion of the expanded Terminal.

The increase in Aeronautical R&M expenditure resulted from a review of the provision for the runway reseal. Non-Aeronautical Administration expenditure was down due to the Airport web-site upgrade being reclassified as capital. Interest costs were down due to the delay in drawdown of funds for the Terminal development.

Derivative loss reflects the valuation on swaps based upon the current market interest rates at year end.

Key statistics

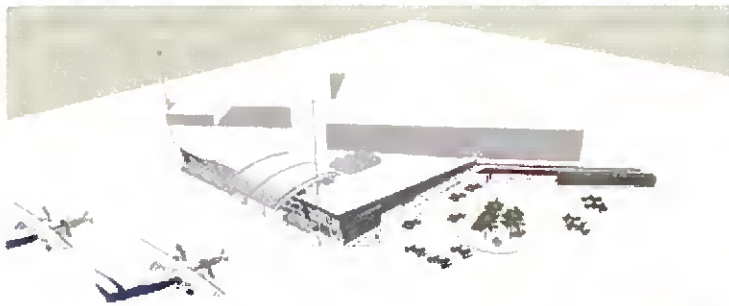


The increase in passengers and decrease in landings is attributed to the change in aircraft type landing at Marlborough.

Development

Terminal development

A redevelopment of the Terminal which commenced in July 2014 will be completed in September 2015. This has provided a new building for the rental car operators and will relieve congestion in the lounge area by providing double the public space. There will also be meeting rooms on the mezzanine level.



Statutory information

Directors' report

The Directors of Marlborough Airport Limited are pleased to present to the Shareholder their Annual Report and Financial Statements for the year ended 30 June 2015.

The Directors are responsible for presenting Financial Statements, in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of Marlborough Airport Limited as at 30 June 2015 and the results of the operations and cash flows for the year ended on that date.

Auditors

Mike Hoshek of Deloitte, acting as agent for the Office of the Auditor General is the auditor for Marlborough Airport Limited for the year ended 30 June 2015.

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 Marlborough Airport Limited.

Interest register

Directors' remuneration and benefits

No directors' fees have been paid by Marlborough Airport Limited for the 12 month period.

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.

Directors' loans

There were no loans given by the company to Directors.

Use of Company information

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

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 the Company and the identified entities.

P J M Taylor

MDC Holdings Limited	Chairman
Marsh New Zealand Advisory Board	Member
Martin, Jenkins & Associates Limited	Chairman
Ngati Awa Group Holdings Limited	Chairman
Ryland Estate Limited	Director / Shareholder
Te Runanga o Ngati Awa	Chairman

A T Sowman

MDC Holdings Limited	Director
Marlborough District Council	Mayor
Wairau Products Limited	Director / Shareholder
Marlborough Environment Awards Trust	Trustee
Marlborough Employment Enterprises Trust	Trustee
Marlborough District Brass Band Incorporated	President
Custom Copy Limited - 100 shares (held jointly)	Shareholder
Kimi Haura Wairau Marlborough PHO Trust	Community Representative

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

A R Besley

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

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, MDC Holdings Limited, for the performance of the Company, and compliance by the Company with laws and standards. This summary provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board is appointed by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, strategies for achieving objectives, and the overall policy framework within which the Company'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 6 of this report.

Marlborough Airport'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 the company's overall objectives, intentions, and financial and performance targets. The SOI is approved by the shareholder, MDC Holdings Limited.

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



The Directors are responsible for ensuring that the Financial Statements give a true and fair view of the financial position of Marlborough Airport Limited as at 30 June 2015 and the financial performance and cash flows for the year ended 30 June 2015.

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 2015 on pages 12 to 30.

The Board authorised the issue of these Financial Statements on 30 September 2015.

A handwritten signature in blue ink, appearing to be "R Olliver", written over a horizontal line.

Richard Olliver – Director

A handwritten signature in blue ink, appearing to be "A R Besley", written over a horizontal line.

A R Besley – Director

On behalf of the Directors of Marlborough Airport Limited

Audit Report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF MARLBOROUGH AIRPORT LIMITED'S FINANCIAL STATEMENTS AND FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Marlborough Airport 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 financial performance information of the Company on her behalf.

Opinion on the financial statements and the financial performance information

We have audited:

- the financial statements of the Company on pages 12 to 31, that comprise the statement of financial position as at 30 June 2015, 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 financial performance information of the Company on page 4.

In our opinion:

- the financial statements of the Company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015 and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- the financial performance information of the Company presents fairly, in all material respects, the Company's achievements measured against the performance targets adopted for the year ended on 30 June 2015.

Our audit was completed on 30 September 2015. 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 financial 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 financial 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 financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements and financial 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 adequacy of the disclosures in the financial statements and in the financial performance information; and
- the overall presentation of the financial statements and the financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the financial performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the financial 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 the financial statements and the financial 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 financial 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 financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of 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.

A handwritten signature in black ink, appearing to read "M. Hoshek".

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

Statement of Comprehensive Income

For the Financial Year Ended 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
Revenue	4.1	1,608	1,522
Interest revenue	4.1	10	4
Operations and maintenance	4.2	(1,208)	(970)
Finance costs	4.2	(122)	(63)
Depreciation, impairment and amortisation expense	4.2	(282)	(196)
Profit before income tax expense		6	297
Income tax expense	5.1	(4)	70
Total profit and comprehensive income for the year, net of tax		10	227
Attributable to the equity holders of the parent entity		10	227

Statement of Changes in Equity

For the Financial Year Ended 30 June 2015

	2015 \$ '000	2014 \$ '000
Equity at beginning of the year	1,254	1,027
Total profit and comprehensive income for the year, net of tax	10	227
Balance at end of the year	1,264	1,254

Notes to the Financial Statements are included on pages 15 to 30 and are an integral part of, and should be read in conjunction with these Financial Statements.

Statement of Financial Position

As at 30 June 2015

	Notes	2015 \$ '000	2014 \$ '000
Current assets			
Cash and cash equivalents	19.1	288	187
Trade and other receivables	6	239	122
Total current assets		527	309
Non-current assets			
Property, plant and equipment	7	6,378	3,315
Deferred tax assets	5.3	109	-
Other intangible assets	8	32	-
Total non-current assets		6,519	3,315
Total assets		7,046	3,624
Current liabilities			
Trade and other payables	9	780	313
Current tax liability	5.2	32	18
Derivative financial instruments	10	-	12
Total current liabilities		812	343
Non-current liabilities			
Derivative financial instruments	10	52	-
Provisions	11	1,048	712
Borrowings	12	3,870	1,290
Deferred tax liabilities	5.3	-	25
Total non-current liabilities		4,970	2,027
Total liabilities		5,782	2,370
Net assets		1,264	1,254
Equity			
Share capital and other equity instruments	13	1,171	1,171
Retained earnings	14	93	83
Total equity		1,264	1,254

Notes to the Financial Statements are included on pages 15 to 30 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 2015

	Notes	2015 \$ '000	2014 \$ '000
Cash flow from operating activities			
Receipts from customers		1,598	1,475
Payments to suppliers and employees		(846)	(769)
Interest and other costs of finance paid		(80)	(61)
Income tax paid (net)		(116)	(139)
Net cash provided by operating activities		556	506
Cash flow from investing activities			
Payments for property, plant and equipment		(3,003)	(657)
Payments for intangibles		(42)	-
Interest received		10	4
Net cash used in investing activities		(3,035)	(653)
Cash flow from financing activities			
Advance from related party		2,580	190
Net cash provided by/(used in) financing activities		2,580	190
Net (decrease)/increase in cash and cash equivalents		101	43
Cash and cash equivalents at the beginning of the financial year		187	144
Cash and cash equivalents at the end of the financial year	19.1	288	187

Notes to the Financial Statements are included on pages 15 to 30 and are an integral part of, and should be read in conjunction with these Financial Statements.

Notes to the Financial Statements

1. General information

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

2. Application of new International Financial Reporting Standards (NZ IFRS) framework

2.1 Change from ‘public benefit’ to ‘for-profit’ entity

In May 2013 XRB issued a package of new accounting standards for ‘public benefit’ entities which was effective from 1 July 2014. Since the introduction of the new standards the Company has revisited the definition of a ‘public benefit’ entity and reassessed its classification to a ‘for-profit’ entity from 1 July 2014.

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 2015, and the comparative information presented in these Financial Statements for the year ended 30 June 2014:

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”) and other applicable financial reporting standards as appropriate for profit-oriented entities that apply the reduced disclosure regime.

The Financial Statements were authorised for issue by the Directors on 30 September 2015.

3.2 Basis of preparation

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. Separate accounting policies are outlined below for the valuation of these types of assets. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

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

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on

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

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:

- Financial instruments (note 3.13)
- Allowance for doubtful debts (note 6)
- Provision for runway reseal (note 11)

The determination of the timing and cost of re-sealing the runway (note 11) is a key area of judgement/estimate.

3.4 Revenue recognition

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

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date. In the case of landing fee charges, the Company's primary source of revenue, revenue is recognised based on actual landings and take-offs.

Interest income

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

Parking income

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

Rental income

The Company's policy for recognition of revenue from operating leases is described in note 3.5 below.

3.5 Leasing

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

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

All operating lease contracts contain market review clauses in the event that the Group lessee exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

The Company as lessee

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

3.6 Interest and dividends paid

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

3.7 Finance costs

Interest expense

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

Borrowing costs

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

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.

3.8 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognised amounts.

Deferred tax

Deferred tax recognised on temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit.

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

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

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

the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax for the period

Current and deferred tax are recognised in the Statement of Comprehensive Income, except when they relate to transactions recognised in Other Comprehensive Income or items charged or credited directly to Equity, in which case the current and deferred tax are also recognised in Other Comprehensive Income or directly in Equity respectively.

Goods and services tax (GST)

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.

3.9 Property, plant and equipment

The Company has the following classes of Property, plant and equipment:

- Car park and land improvements
- Buildings
- Plant, equipment, office furniture and fittings
- Work in progress

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

Work in progress - Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

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

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

Depreciation is charged to Statement of Comprehensive Income. 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 – 6.0% SL |
| - Buildings | 2.5 – 26.9% SL |
| - Plant and Equipment | 5.5 – 40.0% SL |
| - Office Furniture and Fittings | 6.5 – 40.0% SL |
| - Software (classified as an intangible asset) | 20 – 50.0% SL |

3.10 Intangible assets

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

Amortisation is charged on a straight line basis over their estimated useful lives up to 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

3.11 Impairment

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

3.12 Provisions

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

Runway reseal

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.

3.13 Financial instruments

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

Financial assets

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

Cash and cash equivalents – Cash and cash equivalents fall into the "loans and receivables" category, and comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

Derivative financial instruments (assets or liabilities) - The Company enters into interest rate swaps to manage cash flow interest rate risk. Derivative financial instruments are classified as “fair value through profit or loss” category. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value using discounted cash flows based on quoted market prices.

Derivative instruments entered into by the Company do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Statement of Comprehensive Income. The Company does not use derivative financial instruments for speculative purposes. Further information on the recognition of derivatives assets/liabilities is disclosed under notes 10 and 20.

Financial liabilities

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

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

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

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

3.14 Equity instruments

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

3.15 Statement of cash flows

Operating activities

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

Investing activities

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

Financing activities

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

3.16 New standards adopted

In the current year, the Company is adhering to the following new standards and amendments to relevant

standards:

Standards	Effective date
Amendment to NZ IAS 32 Off-setting Financial Assets and Financial Liabilities	1 July 2014
Annual improvements to NZ IFRS 2010-2012 cycle, including amendments to: NZ IFRS 13 Fair Value Measurement, NZ IAS 16 Property, Plant and Equipment, and NZ IAS 38 Intangible Assets and NZ IAS 24 Related Party Disclosures.	1 July 2014
Annual improvements to NZ IFRS 2011-2013 cycle, including amendments to: NZ IFRS 13 Fair Value Measurement	1 July 2014

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 consolidated Financial Statements.

3.17 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:

	2015 \$ '000	2014 \$ '000
Revenue		
Landing charges	941	870
Rental lease and concessions	281	247
Parking	331	320
Outgoings recovered	55	63
Gain on financial derivative	-	22
Total revenue	1,608	1,522
Interest revenue		
Bank deposits/IRD use of money	10	4
Total interest revenue	10	4
Total revenue attributable to operations	1,618	1,526

4.2 Expenses

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

	Notes	2015 \$ '000	2014 \$ '000
Operations and maintenance			
Audit fees		16	16
Administration expense		664	624
Loss on disposal of an asset		51	15
Management fees		67	67
Bad debts written off		4	-
Repairs and maintenance		402	245
Other operating expenses		4	3
Total operations and maintenance		1,208	970
Finance costs			
Interest expense - related party loans		105	59
Interest capitalised		(42)	-
Interest expense - IRD UOMI		1	-
Loan fee - related party loan		18	4
Loss on financial derivatives		40	-
Total finance Costs		122	63
Depreciation, impairment and amortisation expense			
Depreciation of non-current assets	7	272	196
Amortisation of non-current assets	8	10	-
Total depreciation, impairment and amortisation expense		282	196
Total expenditure attributable to operations		1,612	1,229

5. Taxation

5.1 Income tax recognised in profit or loss

Tax expense comprises:

	2015 \$ '000	2014 \$ '000
Current tax expense	130	142
Deferred tax expense	(134)	(72)
Total tax expense attributable to operations	(4)	70

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

	2015 \$ '000	2014 \$ '000
Profit before income tax expense	6	297
Income tax expense	2	83
Non-deductible expenses	-	14
Deferred tax adjustment	(6)	-
Other adjustments	-	(27)
Income tax expense recognised on the Statement of Comprehensive Income	(4)	70

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2014: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

5.2 Current tax assets and liabilities

	2015 \$ '000	2014 \$ '000
Current tax payable	32	18

5.3 Deferred tax balances

	2015 \$ '000	2014 \$ '000
Deferred tax asset/(liability)	109	(25)

The deferred tax liabilities balance above arises from the following temporary differences:

	2015		
	Opening Balance \$ '000	Charged to income \$ '000	Closing Balance \$ '000
Gross deferred tax liabilities			
Property, plant and equipment	229	(38)	191
Capitalised interest	-	12	12
	229	(26)	203
Gross deferred tax assets			
Provision for doubtful debts	3	-	3
Provision for runway reseal	198	94	292
Derivative financial instruments	3	11	14
Employee entitlements	-	3	3
	204	108	312
Net deferred tax liabilities/(assets)	25	(134)	(109)

	2014		
	Opening Balance	Charged to Income	Closing Balance
	\$ '000	\$ '000	\$ '000
Gross deferred tax liabilities			
Property, plant and equipment	256	(27)	229
	256	(27)	229
Gross deferred tax assets			
Provision for doubtful debts	2	1	3
Provision for runway reseal	148	50	198
Derivative financial instruments	9	(6)	3
	159	45	204
Net deferred tax liabilities/(assets)	97	(72)	25

6. Current trade and other receivables

	2015 \$ '000	2014 \$ '000
Trade and other receivables	144	132
Allowance for doubtful debts	(10)	(10)
Goods and services tax (net)	105	-
Balance at end of the year	239	122

6.1 Movement in the allowance for doubtful debts

	2015 \$ '000	2014 \$ '000
Balance at beginning of the year	10	7
Impairment losses recognised on receivables	-	3
Balance at end of the year	10	10

7. Property, plant and equipment

Gross carrying amount	Improvements (carpark and land) at Cost \$ '000	Buildings at Cost \$ '000	Plant and equipment at Cost \$ '000	Office, furniture and fittings at Cost \$ '000	Work in progress at Cost \$ '000	Total \$'000
Balance at 01 July 2013	1,457	1,817	947	82	35	4,338
Additions	198	93	23	-	506	820
Disposals	(9)	(39)	(7)	(27)	-	(82)
Balance at 30 June 2014	1,646	1,871	963	55	541	5,076
Additions	5	262	6	-	3,113	3,386
Disposals	-	(28)	(88)	(11)	-	(127)
Balance at 30 June 2015	1,651	2,105	881	44	3,654	8,335

Accumulated depreciation and impairment

Balance at 01 July 2013	419	827	313	72	-	1,631
Depreciation expense	61	59	73	3	-	196
Disposals	(3)	(30)	(7)	(26)	-	(66)
Balance at 30 June 2014	477	856	379	49	-	1,761
Depreciation expense	66	139	66	1	-	272
Disposals	-	(14)	(54)	(8)	-	(76)
Balance at 30 June 2015	543	981	391	42	-	1,957
Net book value						
Balance at 30 June 2014	1,169	1,015	584	6	541	3,315
Balance at 30 June 2015	1,108	1,124	490	2	3,654	6,378

8. Other intangible assets

Gross carrying amount	Notes	\$ '000
Balance at 30 June 2014		4
Additions		42
Balance at 30 June 2015		46
Accumulated amortisation and		
Balance at 30 June 2014		4
Amortisation		10
Balance at 30 June 2015		14
Net book value		
Balance at 30 June 2014		-
Balance at 30 June 2015		32

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

9. Current trade and other payables

	2015 \$ '000	2014 \$ '000
Trade creditors	139	85
Property plant and equipment creditors	545	162
Expenses accrued	40	18
Income in advance	26	22
GST payable	-	8
Payroll liabilities	17	7
Related parties - Interest	13	11
Balance at end of the year	780	313

10. Derivative financial instruments

	2015 \$ '000	2014 \$ '000
At fair value:		
Interest rate swap	(52)	(12)
Classified as:		
Current	-	(12)
Non-current	(52)	-

The parent entity (MDC Holdings Limited) entered into interest rate swap agreements with ASB Limited ("ASB") of \$2,500,000 (2014:\$ 800,000) on behalf of the Company. The total fair value of the Company interest swaps is a liability of \$52,000 (2014:\$12,000). Swap interest rates ranged from 3.615% to 5.27% (2014: 3.53% to 6.17%) during the year. The parent passes the gain or loss through to the Company. The balances payable are to the parent.

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.

11. Provision for runway reseal

	2015 \$ '000	2014 \$ '000
Balance at beginning of the year	712	533
Additions	336	179
Balance at end of the year	1,048	712
Classified as:		
Non-current	1,048	712

The provision for resealing was reviewed in December 2014. MAL commissioned Beca Limited to undertake a desktop feasibility assessment and prepare a high level Rough Order Cost (ROC) estimate of the surfacing of the runway.

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.

12. Borrowings

	2015 \$ '000	2014 \$ '000
Unsecured - at amortised cost:		
Loans from MDC Holdings Limited	3,870	1,290
Classified as:		
Non-current	3,870	1,290

12.1 Security

The Company's related party debt is not secured. Loans from MDC Holdings Limited (parent) are regarded as term and the Company has received confirmation that no portion of it will be called up in the next 12 months. Interest rates ranged from 3.615% to 5.27% (2014: 3.53% to 6.17%) during the year.

13. Share capital

	2015 \$ '000	2014 \$ '000
1,170,726 fully paid ordinary shares (2014: 1,170,726)	1,171	1,171

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

14. Retained earnings

	2015 \$ '000	2014 \$ '000
Balance at beginning of the year	83	(144)
Net profit for the year net of tax	10	227
Balance at end of the year	93	83

15. Commitments for expenditure

15.1 Capital expenditure commitments

	2015 \$ '000	2014 \$ '000
Land and Improvements	-	225
Buildings	716	4,343

15.2 Lease commitments

Non-cancellable operating lease commitments are disclosed in note 16 to the Financial Statements. There are no finance lease commitments.

16. Operating leases arrangements

16.1 The Company as lessee

Leasing arrangements

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

Non-cancellable operating lease payments

	2015 \$ '000	2014 \$ '000
Not longer than 1 year	57	49
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-

16.2 The Company as lessor**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 Marlborough Airport 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.

Non-cancellable operating lease receivables

	2015 \$ '000	2014 \$ '000
Not longer than 1 year	240	285
Longer than 1 year and not longer than 5 years	360	424
Longer than 5 years	-	-

17. Contingent assets and contingent liabilities

The Company had no contingent assets or liabilities as at 30 June 2015 (2014: 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

The Company 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 the Company as it has the same parent. During the year the Company received payments of \$750 (2014: \$1,387) 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 the Company. The terms of the loans and swaps between the Company and the parent match the terms set between the bank and the parent (note 20).

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

MDC Holdings Limited (parent)

	2015 \$	2014 \$
Interest paid on loans from parent	92,476	58,701
Recharge of bank fees paid on loans from parent	17,970	4,460
Swap valuation fees on swaps taken by parent	77	115
Loan balance owed to parent at end of the year	3,870,000	1,290,000
Interest accrued payable to parent	13,404	10,569

Marlborough District Council (MDC)

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

	2015 \$	2014 \$
Services paid to MDC	126,724	63,162
Payables to MDC at end of the year	71,592	46,488
Received from MDC	2,425	600

19. Notes to the cash flow statement

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:

	2015 \$ '000	2014 \$ '000
Cash and cash equivalents	288	187

20. Financial instruments

20.1 Categories of financial instruments

2015	Loans and receivables \$ '000	Financial Liabilities at Amortised costs \$ '000	Designated as FVTPL \$ '000	Total \$ '000
Financial assets				
Cash and cash equivalents	288	-	-	288
Trade and other receivables	239	-	-	239
Total financial assets	527	-	-	527
Financial liabilities				
Trade and other payables	-	781	-	781
Interest rate swaps	-	-	52	52
Related party loans	-	3,870	-	3,870
Total financial liabilities	-	4,651	52	4,703

2014	Loans and	Financial	Designated	Total
	receivables	Liabilities at	as FVTPL	
	\$ '000	Amortised	\$ '000	\$ '000
		costs		
		\$ '000	\$ '000	
Financial assets				
Cash and cash equivalents	187	-	-	187
Trade and other receivables	122	-	-	122
Total financial assets	309	-	-	309
Financial liabilities				
Trade and other payables	-	313	-	313
Interest rate swaps	-	-	12	12
Related party loans	-	1,290	-	1,290
Total financial liabilities	-	1,603	12	1,615

20.2 Borrowing facilities

	2015	2014
	\$ '000	\$ '000
Amount used	3,870	1,290

The Company bank loan facility with MDC Holdings Limited is not secured (refer note 12.1).

20.3 Fair value of financial instruments

Interest rate swap contracts

Interest rate contracts are entered into by MDC Holdings Limited on behalf of the Company.

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

The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date. The average interest rate is based on the outstanding balances at the start of the financial year (refer to note 10). The fair value of interest rates swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Board considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The total fair value of the Company interest swaps is a liability of \$52,000 (2014:\$12,000).

	2015	2014
	\$ '000	\$ '000
Derivative financial liabilities at FVTPL	52	12

21. Events after the reporting period

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure (2014: Nil).

Company Directory

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A T Sowman
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Shareholders

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

