2016 – 17

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 domestic and commercial airfield operations at Woodbourne, west of Blenheim. MAL owns a passenger terminal, aircraft hangar, vehicle grooming facility and car parks. These facilities together with the runways and taxiways, are sited on land 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 MAL 2016-17 SOI results

Performance targets	Key performance indicators	2016-17 Targets	Results
A welcoming gateway for travellers	Complete the terminal expansion.	The key target has been the Terminal Expansion Project which was completed in October 2016. There are still a number of minor items to be completed for this project.	Achieved. Minor fixes such as front of house auto doors, hearing loop, lift certification and fire plan which were outstanding for the terminal are now completed.
	Extension to the public and rental car parking areas.	Business case completed by 31 December 2015 and negotiations for land completed by 31 December 2016 to allow extension to be completed by 31 March 2017.	Not achieved due to delay in negotiation with the Crown.
Facilitate economic development growth	Facilitate regional and economic development growth.	MAL Board and shareholder are satisfied with number of initiatives investigated and implemented.	Achieved. Passenger target of 272,000 exceeded (303,000 to 30 June 2017). Collaboration with airlines to facilitate new routes into Marlborough resulted in commencement of scheduled flights by Sounds Air to Christchurch after Air NZ ceased operating the route. Routes to Napier and Kaikoura also commenced.
Health & Safety	Comply with Health & Safety Work Act (2015).	100% compliance.	Achieved. No lost time injuries.

Financially sustainable	Achieve a sustainable financial return on shareholder equity.	6% return after tax (excludes IFRS revaluations) on opening shareholder funds. However, a negative return is expected in 2016-17 because of the rises in the Licence Fee and increased runway maintenance and provision for reseal, which following advice from Beca engineering has been brought forward by five years to 2025. The budgeted rates of return are shown in the table below: **Budget** **2017 $'000** | **2018 $'000** | **2019 $'000** **-10.70%** | **-0.92%** | **-0.65%**	Achieved. Higher than budgeted increase in landing fees, partially as a result of the additional passengers generated by the Kaikoura earthquake, coupled with Apron maintenance delayed until early 2018 and savings in finance costs due to deferred capital expenditure for the car park expansion project are the main items that have contributed to the positive 18% shareholder return in 2017.
General	Maintain the runway to a safe standard.	Airport operations not curtailed because of runway condition.	Achieved.
	Comply with Airport Authorities (CAA) Regulations 1999 / CAA Part 139.	100% compliance.	Achieved.
	MAL's Strategic Plan is reviewed	MAL's Strategic Plan is reviewed by 30 June 2017 and triennially thereafter.	Not achieved. Review delayed due to the late delivery of the results from the Customer and Stakeholder survey.

1.2 Emergency response and security

In accordance with the Marlborough Airport Management Plan (2016) the Aerodrome Emergency Response Plan was tested during a full scale emergency exercise involving the NZ Fire Service, St John and the NZ Police.

Marlborough Airport is now designated for Tier 2 security by the Civil Aviation Authority (CAA Part 139 certification) and during the year significant work was undertaken to meet the requirement for establishing a secure area. This work involved additional training for all those working in and around the secure area and the implementation of additional security measures.

There have been no major security incidents or issues. A number of minor airfield incursions were reported by Air Traffic Control and investigated.

1.3 Health and Safety

MAL was one of the trial airports for the NZ Airports Association Safety Management System (SMS) development. The trial identified a number of areas between the previous Health and Safety Act and the SMS requirements that gave direction to the further development of the SMS programme for all airports.

When the new Health and Safety at Work Act (2015) (HSWA) came into force in April 2016 a system integrating both SMS and HSWA legislative requirements was formed.

The Board of MAL has since developed an Operational and Airspace Risk Register to record issues and actions to achieve compliance with both Acts. Current issues and actions undertaken are reported to the Board on a regular basis with changes to MAL's Risk Register and elimination processes from the incidents reported to the Board annually.

1.4 Development

A major program of repairs to the Apron commenced during the year for completion in early 2017-18. MAL continues to focus on planning for the extension to the public and rental car park areas which has been delayed by negotiations between Iwi and the Crown.

1.5 Financial performance

MAL's 2017 operating profit before tax of $454,000 was ahead budget by $553,000. The main drivers for this variance are explained below:

		Year ended 30/06/2017		
	Notes	**Actual $ '000**	**Budget $ '000**	***Variance $ '000***
Income				
Aeronautical	**(a)**	1,678	1,436	*242*
Non-aeronautical	**(b)**	894	855	*39*
Investment property rental income		67	67	-
Interest	**(c)**	2	9	*(7)*
Total income		**2,641**	**2,367**	*274*
Expenses				
Operations and maintenance				
Aeronautical	**(d)**	576	780	*(204)*
Non-aeronautical	**(e)**	746	758	*(12)*
Investment property expenses		2	-	*2*
Other expenditure				
Bank charges		4	4	-
Finance costs	**(f)**	190	266	*(76)*
Employment expenses	**(g)**	253	212	*41*
Gain on financial derivatives		(80)	-	*(80)*
Loss on disposal of assets		5	-	
Loss on revaluation of PPE		2	-	*2*
Depreciation, impairment and amortisation expense		489	446	*43*
Total expenses		**2,187**	**2,466**	*(279)*
Profit/(loss) before income tax expense		**454**	**(99)**	*553*
Less tax expense		154	30	*124*
Net profit/(loss) after taxation		**300**	**(129)**	*429*

Income

(a) **Aeronautical income** exceeded the target due to better than forecast passenger numbers on scheduled services plus the impact of the November 2016 earthquake which resulted in a significant number of technical and rescue services people using Marlborough en-route to Kaikoura.

(b) **Non aeronautical income** was above target due to higher parking revenue from the increase in passenger numbers.

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

Expenses

(d) **Aeronautical** operations and maintenance costs were lower than target due to a delay in commencement of a major programme of maintenance works to the Apron until early 2018.

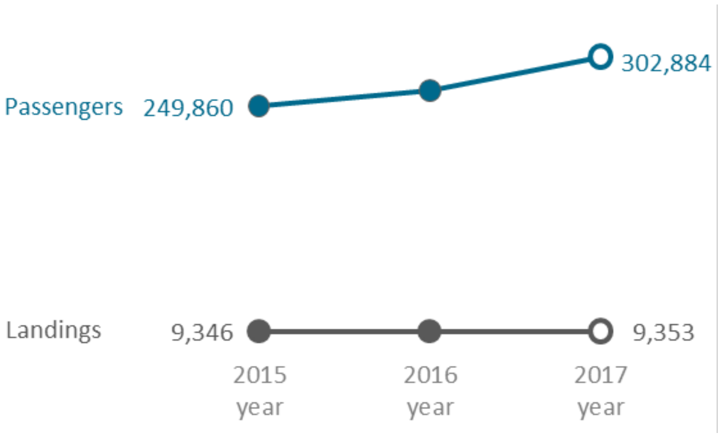
(e) **Non-aeronautical** operations and maintenance costs were below target due to lower utilities costs in the new terminal.

(f) **Finance costs** were less than anticipated due to the move to the Local Government Funding Agency (LGFA) at a lower margin cost and the delay in capital expenditure for the carpark extension project.

(g) **Employment expenses** was above target as salary costs have increased due to higher salary levels for operations staff than anticipated in the budget.

1.6 Aircraft and Passenger Activity

Number of Passengers and aircraft Landings in Marlborough



The total passenger movements in Marlborough increased by 21% since 2015 supporting a healthy flow of visitors to the region.

Air NZ’s use of a larger aircraft since April 2016 has reduced landings but increased passenger movement through the region.

Higher activity from Sounds Air has offset the decrease in Air NZ landings, contributing to steady landing numbers in 2017.

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 shareholder 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; including an annual review of MAL's operational and Airspace Risk Register.

Board operations and membership

The Board comprises six Directors, a Chairman and five Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' Interest Register is set out on page 28 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 MAL'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.

For MAL's 2016-17 SOI results see section 1.1 of this report.

Directors Responsibility Statement

MARLBOROUGH airport BLENHEIM

The Directors are responsible for ensuring that the Financial Statements present fairly, in all material respects, the financial position, the financial performance and cash flows for the year ended 30 June 2017.

The Directors consider that the Financial Statements of MAL 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 MAL 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 MAL 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 2017 on pages 9 to 27.

The Board authorised the issue of these Financial Statements on 11 September 2017.

M. S. Wheeler

P J M Taylor – Chairman

M S Wheeler – Director

On behalf of the Directors of Marlborough Airport Limited

Audit Report

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF MARLBOROUGH AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED *30 JUNE 2017*

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

Opinion

We have audited:

- the financial statements of the company on pages 9 to 27, that comprise the statement of financial position as at 30 June 2017, 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 to 5.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended;
  - 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 on page 1 to 5 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2017.

Our audit was completed on 11 September 2017. This is the date at which our opinion is expressed.

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

Basis for opinion

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

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

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

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

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

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002, and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error.

Deloitte.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Independence

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

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

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

Financial Statements

Income Statement

For the Financial Year Ended 30 June 2017

	Notes	2017 $ '000	2016 $ '000
Revenue	4.1	2,639	2,012
Interest revenue	4.1	2	5
Operations and maintenance	4.2	(1,584)	(1,345)
Finance costs	4.2	(114)	(294)
Depreciation, impairment and amortisation	8 & 10	(489)	(416)
Profit/(loss) before income tax expense		**454**	**(38)**
Income tax expense	5.1	154	4
Total profit/(loss) for the year after tax		**300**	**(42)**

Statement of Comprehensive Income

For the Financial Year Ended 30 June 2017

	Notes	2017 $ '000	2016 $ '000
Total profit/(loss) for the year after tax		**300**	**(42)**
Comprehensive income, net of tax			
Items that will not be classified to profit or loss:			
Gain on revaluation of property, plant and equipment	8	2,341	-
Income tax relating to revaluation of property, plant and equipment	5.2	(566)	-
Attributable to the equity holders of the parent entity		**2,075**	**(42)**

Statement of Changes in Equity

For the Financial Year Ended 30 June 2017

	2017 $ '000	2016 $ '000
Balance at beginning of the year	**1,222**	**1,264**
Total comprehensive income for the year, net of tax	2,075	(42)
Balance at end of the year	**3,297**	**1,222**

Notes to the Financial Statements are included on pages 12 to 27 and are an integral part of, and should be read in conjunction with, these Financial Statements.

Statement of Financial Position

As at 30 June 2017

	Notes	2017 $ '000	2016 $ '000
Current assets			
Cash and cash equivalents		480	290
Trade and other receivables	6	219	188
Total current assets		**699**	**478**
Non-current assets			
Property, plant and equipment	8	8,919	7,264
Investment property	9	540	-
Deferred tax assets	5.2	-	244
Intangible assets	10	10	15
Total non-current assets		**9,469**	**7,523**
Total assets		**10,168**	**8,001**
Current liabilities			
Trade and other payables	11	282	413
Current tax liability		184	37
Total current liabilities		**466**	**450**
Non-current liabilities			
Derivative financial instruments	12.2	97	177
Provisions	13	1,878	1,402
Borrowings	14	4,235	4,750
Deferred tax liabilities	5.2	195	-
Total non-current liabilities		**6,405**	**6,329**
Total liabilities		**6,871**	**6,779**
Net assets		**3,297**	**1,222**
Equity			
Share capital and other equity instruments	15	1,171	1,171
Asset revaluation reserve	16	1,455	-
Retained earnings	17	671	51
Total equity		**3,297**	**1,222**

Notes to the Financial Statements are included on pages 12 to 27 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 2017

	2017 $ '000	2016 $ '000
Cash flow from operating activities		
Receipts from customers	2,619	1,956
Payments to suppliers and employees	(1,065)	(853)
Interest and other costs of finance paid	(193)	(153)
Income tax paid (net of refunds)	(134)	(134)
Net cash provided by operating activities	**1,227**	**816**
Cash flow from investing activities		
Payments for property, plant and equipment	(510)	(1,699)
Payments for intangibles	(14)	-
Interest received	2	5
Net cash used in investing activities	**(522)**	**(1,694)**
Cash flow from financing activities		
Advance from related party	-	880
Repayment of related party borrowings	(515)	-
Net cash provided by financing activities	**(515)**	**880**
Net increase in cash and cash equivalents	**190**	**2**
Cash and cash equivalents at the beginning of the financial year	**290**	**288**
Cash and cash equivalents at the end of the financial year	**480**	**290**

Notes to the Financial Statements are included on pages 12 to 27 and are an integral part of, and should be read in conjunction with, these Financial Statements.

Notes to the Financial Statements

2. Company information

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 (Airport Companies Information Disclosure) Regulations 1999.

The parent entity is MDC Holdings Limited (MDCH), 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 2017, and the comparative information presented in these Financial Statements for the year ended 30 June 2016:

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 with the exception of the prior year asset reconciliation under NZ IAS 16 (note 8).

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:

- Property, plant and equipment and Investment property which are revalued in accordance with the accounting policies set out in notes 8 and 9.
- certain non-current assets and derivative instruments (interest rate swaps) that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the notes to the Financial Statements. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The categories of financial instruments and corresponding valuation techniques are listed under note 21.

3.3 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 of activities that change the equity and debt capital structure of MAL.

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

Cash balances not available for use Nil (2016: Nil).

3.4 Accounting estimates and judgements

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

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

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

- Asset revaluation (note 16)
- Financial instruments (note 12)
- Provision for runway reseal (note 13)

The determination of the timing and cost of re-sealing the runway (note 13) is a key area of judgement/estimate.

3.5 New standards adopted

MAL has applied the following standards and amendments for the first time in the current year:

Standards	**Effective date**
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to NZ IAS 16 and NZ IAS 38	1 January 2016
Disclosure Initiative – Amendments to NZ IAS 1	1 January 2016
Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments	1 January 2016

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

3.6 New standards and interpretations issued but not yet effective

MAL has not applied the following new and revised standards and amendments that have been issued but are not yet effective:

Standards	**Effective date**
NZ IFRS 9 Financial Instruments	1 January 2018
NZ IFRS 15 Revenue from Contracts with Customers	1 January 2018
NZ IFRS 16 Leases	1 January 2019

The directors of MAL anticipate that the application of the above standards and amendments will not have a material impact on the amounts reported but additional disclosures may be required in the financial statements.

3.7 Reclassification of Investment property

During the year MAL has reclassified the Aircraft hangar from the Building class of assets in the Property, plant and equipment schedule to Investment property which is now carried at fair value in accordance with NZ IAS 40. The Aircraft hangar is primarily held to earn rentals and therefore should be classified as an Investment property. Prior to this change in policy MAL applied the cost method as per NZ IAS 16.

The impact on each line item of the Income Statement is shown in the table below:

Income Statement	2017 $ '000
Investment property revaluation	
Loss on revaluation of assets	(2)
Deferred tax credit relating to the reclassification of investment property	17
Income tax credit	1
	15

3.8 Specific accounting policies

Specific accounting policies are contained within the relevant notes.

4. Profit from operations

4.1 Revenue

Revenue from operations consisted of the following items:

	2017 $ '000	2016 $ '000
Revenue		
Landing charges	1,678	1,148
Rental lease and concessions	374	405
Parking	412	363
Investment property rental income	67	-
Outgoings recovered	97	93
Gain on sale of asset - depreciation recovered	11	3
Total revenue	**2,639**	**2,012**
Interest revenue		
Bank deposits/IRD use of money	2	5
Total revenue attributable to operations	**2,641**	**2,017**

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, take-offs and passenger numbers.

Rental lease and concessions - MAL's policy for recognition of revenue from operating leases is described in note 18.2 below.

Parking – Casual parking income is recognised as payments are received. Revenue received in relation to the car park is accounted for on a cash basis. Permanent parking is recognised on the accrual basis in accordance with the period the service is provided.

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:

	2017 $ '000	2016 $ '000
Operations and maintenance		
Administration expense	921	762
Loss on disposal of an asset	5	72
Loss on revaluation of PPE	2	-
Management fees	94	84
Repairs and maintenance	560	427
Expenses from investment property	2	-
Total operations and maintenance	**1,584**	**1,345**
Finance costs		
Interest expense - related party loans	184	215
Interest capitalised	-	(63)
Bank charges	4	4
Loan fee - related party loan	6	13
(Gain)/loss on financial derivatives	(80)	125
Total finance Costs	**114**	**294**

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 2.83% and 3.77% (2016: 3.01% and 4.09%).

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 the Statement of Comprehensive Income or directly in Equity.

5.1 Reconciliation of income tax

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

	2017 $ '000	2016 $ '000
Profit/(loss) before income tax expense	**454**	**(38)**
Tax at current rate 28%	**127**	**(10)**
Plus/(less) tax adjustments:		
Non-deductible expenses	27	-
Deferred tax expense permanent adjustments	-	14
Income tax expense recognised on the Statement of Comprehensive Income	**154**	**4**
Comprising:		
Current tax expense	281	139
Deferred tax credit	(127)	(135)
Total tax expense	**154**	**4**

5.2 Deferred tax balances

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

Deferred tax liability/(asset)	Property, plant and equipment $ '000	Investment property $ '000	Capitalised interest $ '000	Provisions $ '000	Derivative financial instruments $ '000	Totals $ '000
Balance at 01 July 2015	191	-	12	(298)	(14)	**(109)**
Recognised in:						
Profit or loss	(6)	-	5	(99)	(35)	(135)
Balance at 30 June 2016	**185**	**-**	**17**	**(397)**	**(49)**	**(244)**
Recognised in:						
Profit or loss	4	(19)	-	(134)	22	(127)
Other comprehensive income	566	-	-	-	-	566
Recategorisation (*)	(29)	46	(17)			
Balance at 30 June 2017	**726**	**27**	**-**	**(531)**	**(27)**	**195**

(*) The deferred tax on capitalised interest is now included within Property, plant and equipment and the Investment property which was previously disclosed under Property, plant and equipment is now disclosed separately.

6. Trade and other receivables

	2017 $ '000	2016 $ '000
Trade and other receivables	229	198
Allowance for doubtful debts	(10)	(10)
Balance at end of the year	**219**	**188**

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.

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 Income Statement 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.

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.

8. Property, plant and equipment (PPE)

	Cost (i) / Fair value (ii) $ '000	Accumulated depreciation $ '000	Asset transfer $ '000	Asset transfer depreciation adjustment $ '001	Carrying amount $ '000	Additions $ '000	Disposals $ '000	Disposals depreciation adjustment $ '000	Depreciation $ '000	Asset reclassification $ '000	Revaluation cost adjustment $ '000	Revaluation depreciation adjustment $ '000	Cost (i) / Fair value (ii) $ '000	Accumulated depreciation $ '000	Carrying amount $ '000
	01 July 2015					30 June 2016									
Freehold carpark and land improvements (ii)	1,651	(543)	-	-	1,108	16	(3)	-	(66)	-	-	-	1,664	(609)	1,055
Buildings (ii)	2,105	(981)	-	-	1,124	4,633	(336)	286	(238)	-	-	-	6,402	(933)	5,469
Plant and equipment (i)	881	(391)	-	-	490	94	(67)	51	(75)	-	-	-	908	(415)	493
Office, furniture and fittings (i)	44	(42)	-	-	2	264	(38)	39	(20)	-	-	-	270	(23)	247
Work in progress (i)	3,654	-	-	-	3,654	(3,654)	-	-	-	-	-	-	-	-	-
	8,335	**(1,957)**	**-**	**-**	**6,378**	**1,353**	**(444)**	**376**	**(399)**	**-**	**-**	**-**	**9,244**	**(1,980)**	**7,264**
	01 July 2016					30 June 2017									
Freehold carpark and land improvements (ii)	1,664	(609)	549	(220)	1,384	118	(10)	10	(97)	-	(242)	916	2,079	-	2,079
Buildings (ii)	6,402	(933)	(78)	9	5,400	49	-	-	(293)	(540)	450	1,217	6,283	-	6,283
Plant and equipment (i)	908	(415)	(471)	211	233	163	(84)	48	(50)	-	-	-	516	(206)	310
Office, furniture and fittings (i)	270	(23)	-	-	247	30	-	-	(30)	-	-	-	300	(53)	247
Work in progress (i)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9,244	**(1,980)**	**-**	**-**	**7,264**	**360**	**(94)**	**58**	**(470)**	**(540)**	**208**	**2,133**	**9,178**	**(259)**	**8,919**

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

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

MAL now applies the fair value method to these assets in accordance with NZ IAS 16. Prior to this MAL applied the cost method as per NZ IAS 16. MAL believes that the fair value method is preferable as it closely aligns with MAL's status as a profit-orientated company and to the way other entities within the MDCH Group account for similar classes of assets.

Additions between valuations are recorded at cost. Cost represents the fair value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

All **other items** of 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 14).

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.

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

This is the first year MAL performed the revaluation of its **Freehold car park and land improvements** and **Buildings.** Future revaluations will be performed with sufficient regularity such that the carrying amount will not differ materially from that which would be determined using fair values at balance date.

Depreciation commences when the asset is ready for use and is charged to Income Statement 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. Depreciation on revalued assets is charged to the Income Statement. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

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

- Freehold car park and land improvements 3.0 – 21.6% SL

- Buildings 2.5 – 13.5% SL
- Plant and Equipment 3.0 – 67.0% SL
- Office Furniture and Fittings 3.0 – 17.5% SL
- Software (classified as an intangible asset) 40.0% SL

8.1 Valuation basis

MAL's **Freehold car park and land improvements** and **Buildings** were valued by Opus International Consultants Limited, independent registered valuers and associates of the NZ Institute of Valuers who have experience in the location and category of the items being valued.

Valuations are updated for subsequent additions at cost, less any subsequent depreciation or impairment losses in the years where the assets are revalued. Any revaluation surplus net of deferred income taxes is credited to the Statement of Comprehensive Income and is shown in Reserves (refer note 16).

8.2 Fair value model

MAL's **Freehold car park and land improvements** and **Buildings** fall into the specialised asset category. In general terms these assets are:

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

For these assets fair value has been based on optimised depreciated replacement cost (ODRC) due to the limited market based evidence as the item is rarely sold, except as part of a continuing business.

8.3 Cost model

The carrying amount of MAL's **Freehold car park and land improvements** and **Buildings** had they been recognised under the cost model is as follows:

	2017 $ '000	**2016 $ '000**
Freehold carpark and land improvements	1,404	1,384
Buildings	4,935	5,159

8.4 Capital expenditure commitments

There are no capital expenditure commitments at balance date.

9. Investment property

	2017 $ '000	**2016 $ '000**
Balance at beginning of the year	**-**	**-**
Transfer from Property, plant and equipment	540	0
Balance at end of the year	**540**	**-**

Investment property policies

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes MAL's Aircraft hangar. Investment property is stated at its fair value at balance date. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise, except when the investment property is transferred from PPE when the initial recognition of gains or losses arising from the changes in fair value is recognised in Other Comprehensive Income.

9.1 Valuation basis

MAL's investment properties were valued on 30 June 2017 by Alexander Hayward Limited, independent registered valuers and associates of the NZ Institute of Valuers. The valuers have experience in the location and category of the items being valued. The fair values are based on market values, being the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

9.2 Fair value model

MAL's Aircraft hangar is located in Woodbourne, west of Blenheim. The valuation was undertaken using a slightly modified investment approach based on an assessment of market rental potential capitalised at current market investment rates analysed from market transactions. The rental capitalisation rate adopted was 8.0%.

10. Intangible assets

	2017	2016
Software gross carrying amount	**$ '000**	**$ '000**
Balance at beginning of the year	**46**	**46**
Additions	14	-
Balance at end of the year	**60**	**46**
Software accumulated amortisation and impairment		
Balance at beginning of the year	**31**	**14**
Amortisation (i)	19	17
Balance at end of the year	**50**	**31**
Software net book value at end of the year	**10**	**15**

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

Intangible assets policies

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

11. Trade and other payables

	2017 $ '000	2016 $ '000
Trade creditors	100	107
Property plant and equipment creditors	8	200
Expenses accrued	37	14
Income in advance	44	22
GST payable	49	29
Payroll liabilities	22	16
Related parties - Interest	22	25
Balance at end of the year	**282**	**413**

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.

12. Derivative financial instruments (interest rate swaps)

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

12.1 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% (2016: 3.51% and 3.77%).

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

	2017 $ '000	2016 $ '000
Interest rate swap contracts with ASB bank	**4,400**	**4,400**
Active swaps	4,000	4,000
Forward dated swaps	400	400

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

	2017 $ '000	2016 $ '000
Interest rate swap liability at FVTPL	**(97)**	**(177)**
Classified as:		
Non-current	(97)	(177)

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.

13. Provision for runway reseal

	2017 $ '000	2016 $ '000
Balance at beginning of the year	**1,402**	**1,048**
Additions	476	354
Balance at end of the year	**1,878**	**1,402**
Classified as:		
Non-current	1,878	1,402

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.

14. Borrowings

	2017 $ '000	2016 $ '000
Unsecured loans from parent at amortised cost	4,235	4,750
Classified as:		
Non-current	4,235	4,750

Borrowings policies

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

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

14.1 Loan maturities

Funds have been raised under a loan facility held by the parent entity. The parent entity has signalled through their SOI their intentions to meet MAL's long term funding requirements.

14.2 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.

15. Share capital and other equity instruments

	2017 $ '000	2016 $ '000
1,170,726 fully paid ordinary shares (2016: 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.

16. Asset revaluation reserve

		2017 $ '000	2016 $ '000
Balance at beginning of the year		**-**	**-**
Revaluation increments/(decrements)		2,341	-
Transfer to retained earnings	17	(320)	-
Deferred tax on asset revaluations		(566)	-
Balance at end of the year		**1,455**	**-**

The asset revaluation reserve arises on the revaluation of MAL's Freehold car park and land improvements and Buildings and Investment property. When such a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained earnings.

During the year an item of Property, plant and equipment was reclassified and transferred to Investment property.

17. Retained earnings

		2017 $ '000	2016 $ '000
Balance at beginning of the year		**51**	**93**
Net profit/(loss) for the year net of tax		300	(42)
Transfer from asset revaluation reserve	16	320	-
Balance at end of the year		**671**	**51**

18. Operating leases arrangements

18.1 MAL as lessee

Non-cancellable operating lease commitments:

	2017 $ '000	2016 $ '000
Not longer than 1 year	76	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 recognised in the Income Statement on a straight-line basis over the term of the lease contract.

Lease arrangements

The operating leases relate to MAL's land and photocopying machine. MAL's operating lease contracts contain market review clauses 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.

18.2 MAL as lessor

Non-cancellable operating lease receivables:

	2017 $ '000	2016 $ '000
Not longer than 1 year	484	397
Longer than 1 year and not longer than 5 years	274	489
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.

Lease 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, aircraft hangar, advertising signs and rental car wash facility.

19. Contingent assets and contingent liabilities

MAL had no contingent assets or liabilities as at 30 June 2017 (2016: Nil).

20. Related party transactions

20.1 Parent entities

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

20.2 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.

20.3 Transactions with related parties

Port Marlborough New Zealand Limited (PMNZL)

PMNZL) is a related party to MAL as it has the same parent. During the year MAL received payments of $1,620 (2016: $1,200) plus GST from PMNZL.

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 12).

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

Amounts paid to MDCH during the year:	2017 $	2016 $
Interest on loans	184,275	189,779
Finance fee	6,474	13,384
Swap valuation fees	1,111	753
Amounts payable to MDCH at balance date:		
Interest on loans	21,939	25,067
Loans	4,235,000	4,750,000

Marlborough District Council (MDC)

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

	2017 $	2016 $
Services paid to MDC during the year	65,430	21,139
Services payable to MDC at balance date	-	40,000
Received from MDC during the year	4,235	27,400

21. Categories of financial instruments

	Notes	Loans and receivables $ '000	Financial Liabilities at Amortised costs $ '000	Designated as FVTPL $ '000	Total $ '000
Financial assets/(liabilities)					
Cash and cash equivalents		290	-	-	**290**
Trade and other receivables	6	188	-	-	**188**
Trade and other payables	11	-	(413)	-	**(413)**
Interest rate swaps	12.1	-	-	(177)	**(177)**
Related party loans	14	-	(4,750)	-	**(4,750)**
Balance at 30 June 2016		**478**	**(5,163)**	**(177)**	**(4,862)**
Cash and cash equivalents		480	-	-	**480**
Trade and other receivables	6	221	-	-	**221**
Trade and other payables	11	-	(282)	-	**(282)**
Interest rate swaps	12.1	-	-	(97)	**(97)**
Related party loans	14	-	(4,235)	-	**(4,235)**
Balance at 30 June 2017		**701**	**(4,517)**	**(97)**	**(3,913)**

21.1 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.

21.2 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.

22. Events after the reporting period

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure (2016: Nil).

Statutory information

Auditors

Mike Hoshek of Deloitte Limited, acting as agent for the Office of the Auditor General is the auditor for MAL for the year ended 30 June 2017.

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.

P J M Taylor

Marsh New Zealand Advisory Board	Member
MDC Holdings Limited	Director / Chairman
Fire and Emergency New Zealand	Member of Audit, Finance and Risk Committee
Ngati Awa Group Holdings Limited	Chairman of Audit Committee
Ryland Estate Limited	Director / Shareholder
Te Runanga o Ngati Awa	Chairman of Audit Committee

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	Mayor
MDC Holdings Limited	Director
Res Ipsa Loquitur Limited	Director / Shareholder
Riverlands Viticulture 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

M A Peters

Gaynor Arthur Family Trust	Trustee
Gill Family Trust	Trustee
HE & ME Griffiths Family Trust	Trustee
Holtrop Family Trust	Trustee
Kerry Hodges Family Trust	Trustee
MA & VF Peters Limited	Director / Shareholder
MA Peters Family Trust	Trustee
Marlborough District Council	Councillor
Marlborough Garlic Limited	Director
MJ Simmons Family Trust	Trustee
MDC Holdings Limited	Director
NZ Rugby Foundation Inc	Director
Peters Doig Trustee Company Limited	Director
Pure New Zealand Garlic Limited	Director

M S Wheeler

Marlborough District Council	CEO
MDC Holdings Limited	Director
CAMA Trust	Trustee

R W Olliver

Fulton Hogan Limited	Director
Goldpine Group Limited	Shareholder
Kenepuru Forests Limited	Director
MDC Holdings Limited	Director
Ridgeback Trustees Limited	Director / Shareholder
St Andrews Property Group Limited	Director
Stone Farm Holdings Limited	Shareholder
The Bottling Company Limited	Director
Toi Downs Limited	Director

T E Hook

Marlborough District Council	Councillor
MDC Holdings Limited	Director
Te Mahia Bay Resort	Partner

Company Directory

Directors

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

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 Limited 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