

MARLBOROUGH AIRPORT LIMITED

2017/18 ANNUAL REPORT



Table of Contents

Review of Operations.....	1
Corporate Governance Statement.....	5
Directors Responsibility Statement.....	6
Audit Report.....	7
Financial Statements.....	9
Notes to the Financial Statements.....	12
Statutory Information.....	28
Company Directory.....	30

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 2017-18 SOI results

Performance targets	Key performance Indicators	2017 - 2018 Targets	Results
A welcoming gateway for travellers	Complete the customer satisfaction survey	Survey to be completed by 31-Dec-18	Not yet due.
	Extension and upgrade of the public and rental car parking areas	Negotiations for land completed by 31-Mar-18 to allow extension to be completed by 30-Jun-18	Not achieved due to delay in negotiations with the Crown.
Facilitate economic growth	Facilitate regional economic growth	Meet passenger growth forecasts, encourage new routes, foster growth on the direct route to Christchurch. 31-Mar-18	Achieved. Passenger target of 300,000 exceeded (322,000 to 30-June-18) Landings target of 9,100 exceeded (9,592 to 30- Jun-2018).
Health & Safety	Comply with Health & safety at Work Act 2015	100% compliant	Achieved - no lost time to injuries.
	Complete and Implement Safety Management System	Plan completed 31-Mar-18	Achieved.
	Implementation of Aviation Security Service Tier 2 Security	Implemented by 31-Jul-17	Almost achieved - awaiting minor works

	Cash from operations (\$000's)	956	Almost achieved.	Actual	944
	EBITDAF (\$000's)	838	Achieved.	Actual	876
	NPAT (\$000's)	79	Not achieved.	Actual	(28)
Financial	ROI	6.0%	Not achieved.	Actual	<1%
Sustainability	Return on Fixed Assets (avge)	1.0%	Not achieved.	Actual	<1%
	Interest cover >2	5.0	Not achieved.	Actual	1.63
	Debt: EBITDA < 4.5	4.1	Achieved	Actual	4.48
	Debt total assets <40%	44.4%	Achieved.	Actual	36.1%
	Shareholder funds:Total Assets	16.9%	Achieved.	Actual	33.4%
	Negotiate for additional land for aeronautical and commercial development.	Negotiations completed by 30-Jun-18	Not achieved. Negotiations have started but are not yet complete.		
Increase value of commercial Activities	Promote new conference & meeting facilities.	200% increase in revenue over 2016/17	Not Achieved. Meeting room income down from \$6,618 in 2017 to \$5,865 2018.		
	Attract further advertising revenue through digital media.	Digital media business case complete 70% increase in advertising revenue over 2016/17	Not achieved. Advertising rental down from \$39,983 in 2017 to \$33,700 in 2018. Business case is not yet complete.		
General	Develop a new Strategic plan.	New Strategic plan in place by 31-Mar-18	Not Achieved - the new Strategic plan is currently still being developed.		
	Comply with Airport Authorities (CAA) Regulations 1999/ CAA Part 139	100% compliance	Achieved.		

1.2 Emergency response and security

Marlborough Airport is designated for Tier 2 security by the Civil Aviation Authority (CAA Part 139 certification) 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. This implementation plan was approved by the CAA during the year and is currently being implemented. The CAA is due to audit the effectiveness of this implementation in February 2019.

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 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 surface and underground drainage system was completed during the year. 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 \$31,000 was less than budget by \$136,000. While revenue was slightly ahead of target, expenditure was about 6% more than budget. The main drivers for this variance are explained below:

	Notes	Year ended 30/06/2018		Variance \$ '000
		Actual \$ '000	Budget \$ '000	
Income				
Aeronautical	(a)	1,638	1,677	(39)
Non-aeronautical	(b)	954	910	44
Investment property rental income		67	67	-
Interest	(c)	4	2	2
Total income		2,663	2,656	7
Expenses				
Operations and maintenance				
Aeronautical	(d)	623	811	(188)
Non-aeronautical	(e)	911	721	190
Investment property expenses		2	-	2
Other expenditure				
Bank charges		7	3	4
Finance costs	(f)	159	166	(7)
Employment expenses	(g)	245	286	(41)
Gain on financial derivatives		(16)	-	(16)
Loss on disposal of assets		2	-	
Loss on revaluation of Investment		80	-	80
Depreciation, impairment and amortisation expense	(h)	619	502	117
Total expenses		2,632	2,489	143
Profit/(loss) before income tax expense		31	167	(136)
Less tax expense		59	88	(29)
Net profit/(loss) after taxation		(28)	79	(107)

Income

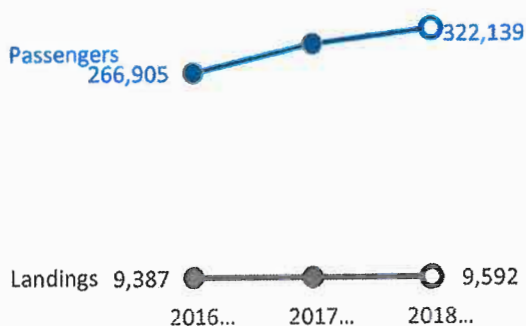
- (a) **Aeronautical income** was down marginally on last year. Even though passengers numbers were higher the charge per passenger dropped during the year. The charges able to be applied in any given year are calculated under a methodology which is not controlled directly by management.
- (b) **Non aeronautical income** was above target due to higher parking revenue from the increase in passenger numbers.
- (c) **Interest income** was above target due to higher than anticipated cash balances.

Expenses

- (d) **Aeronautical** operations and maintenance costs were lower than target due to a significant amount of maintenance works to the Apron being capitalised during the year.
- (e) **Non-aeronautical** operations and maintenance costs were above target due to additional strategic planning costs and management costs applied during the year.
- (f) **Finance costs** were less than anticipated due to additional debt repayments and the delay in capital expenditure for the carpark extension project.
- (g) **Employment expenses** were below target as salary costs have reduced as the role of commercial manager has been dis-established and is now managed by contract with council.
- (h) **Depreciation & amortisation expense** were above target due to additional depreciation on land and building revaluations completed at the end of last financial year.

1.6 Aircraft and Passenger Activity

Number of **Passengers** and aircraft Landings in Marlborough



The total passenger movements to and from Marlborough increased by 7% over 2017. This represents a record number of people using the facility.

Landings were up slightly on last year. Total passenger capacity rose from 439,506 to 446,203.

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, including the Chairman. 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 30 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 2017-18 SOI results see section 1.1 of this report.

Directors Responsibility Statement

MARLBOROUGH
airport
BLLENHEIM

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 2018.

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 2018 on pages 9 to 27.

The Board authorised the issue of these Financial Statements on 12 September 2018.



R W Olliver – Chairman



M S Wheeler – Director

On behalf of the Directors of Marlborough Airport Limited



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF MARLBOROUGH AIRPORT LIMITED'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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 on the audited information

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 2018, 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 and 2.

In our opinion:

- the financial statements of the Company on pages 9 to 27
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018;
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- the performance information of the Company on pages 1 and 2 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 2018.

Our audit was completed on 12 September 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion on the audited information

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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this 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 on the audited information.

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 Directors 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.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists.



Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

We did not evaluate the security and controls over the electronic publication of the audited 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 audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 a 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 audit report to the related disclosures in the audited 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 audit 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 audited information, including the disclosures, and whether the audited information represents, where applicable, 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 during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 30, but does not include the financial statements and performance information, and our auditor's report thereon.

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

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

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 and our report on the disclosure requirements, 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 2018

	Notes	2018 \$ '000	2017 \$ '000
Revenue	4.1	2,659	2,639
Interest revenue	4.1	4	2
Operations and maintenance	4.2	(1,783)	(1,584)
Finance costs	4.2	(150)	(114)
Depreciation, impairment and amortisation	8 & 10	(619)	(489)
Other gains/(losses)	9	(80)	
Profit/(loss) before income tax expense		31	454
Income tax expense	5.1	59	154
Total profit/(loss) for the year after tax		(28)	300

Statement of Comprehensive Income

For the Financial Year Ended 30 June 2018

	Notes	2018 \$ '000	2017 \$ '000
Total profit/(loss) for the year after tax		(28)	300
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		(28)	2,075

Statement of Changes in Equity

For the Financial Year Ended 30 June 2018

	2018 \$ '000	2017 \$ '000
Balance at beginning of the year	3,297	1,222
Total comprehensive income for the year, net of tax	(28)	2,075
Balance at end of the year	3,269	3,297

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 2018

	Notes	2018 \$ '000	2017 \$ '000
Current assets			
Cash and cash equivalents		392	480
Trade and other receivables	6	185	219
Total current assets		577	699
Non-current assets			
Property, plant and equipment	8	8,660	8,919
Investment property	9	460	540
Intangible assets	10	26	10
Total non-current assets		9,146	9,469
Total assets		9,723	10,168
Current liabilities			
Trade and other payables	11	411	282
Current tax liability		29	184
Derivative financial instruments		6	-
Total current liabilities		446	466
Non-current liabilities			
Derivative financial instruments	12.2	74	97
Provisions	13	2,322	1,878
Borrowings	14	3,585	4,235
Deferred tax liabilities	5.2	27	195
Total non-current liabilities		6,008	6,405
Total liabilities		6,454	6,871
Net assets		3,269	3,297
Equity			
Share capital and other equity instruments	15	1,171	1,171
Asset revaluation reserve	16	1,455	1,455
Retained earnings	17	643	671
Total equity		3,269	3,297



R W Olliver – Chairman



M S Wheeler – Director

On behalf of the Directors of Marlborough Airport Limited

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 2018

	2018 \$ '000	2017 \$ '000
Cash flow from operating activities		
Receipts from customers	2,659	2,619
Payments to suppliers and employees	(1,171)	(1,065)
Interest and other costs of finance paid	(164)	(193)
Income tax paid (net of refunds)	(380)	(134)
Net cash provided by operating activities	944	1,227
Cash flow from investing activities		
Payments for property, plant and equipment	(362)	(510)
Payments for intangibles	(24)	(14)
Interest received	4	2
Net cash used in investing activities	(382)	(522)
Cash flow from financing activities		
Repayment of related party borrowings	(650)	(515)
Net cash provided by financing activities	(650)	(515)
Net increase in cash and cash equivalents	(88)	190
Cash and cash equivalents at the beginning of the financial year	480	290
Cash and cash equivalents at the end of the financial year	392	480

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 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 2018, and the comparative information presented in these Financial Statements for the year ended 30 June 2017:

3.1 Statement of compliance

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice (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 (2017: 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 8 and note 9)
- 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
Recognition of deferred tax assets for unrealised losses- Amendments to NZIAS 12	1 January 2017
Disclosure Initiative – Amendments to NZ IAS 7	1 January 2017
Amendments RDR NZIAS7 (early adoption permitted)	1 January 2019

The adoption of these standards and 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

NZIFRS 9 Financial Instruments become effective for annual periods commencing on or after 1 January 2018 and will be adopted by MAL on 1 July 2018. The primary change relates to provisioning for potential future credit losses on financial assets; MAL is continuing to analyse the impact of these changes which are not currently considered likely to have any major impact on MAL's current accounting treatment.

NZIFRS 15 was issued in 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under NZ IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Apart from providing more extensive disclosures on MAL's revenue transactions, the directors do not anticipate that the application of NZ IFRS15 will have a significant impact on the financial position and/or financial performance of MAL.

NZIFRS 16 Leases was issued on 11 February 2016 and will primarily affect the accounting treatment of leases by non-cancellable lessees and will result in the recognition of almost all leases, subject to limited exceptions for short-term leases and wholly variable leases, on the balance sheet, as a "right to use" asset. A liability will also be recorded to reflect the obligation to pay lease costs in the future.



The standard removes the current distinction between operating and finance leases and requires recognition of an asset, the right to use the leased item, and a financial liability to pay rentals for almost all lease contracts. The standard will first be applicable for the year commencing 1 July 2019 and MAL is continuing to analyse the impact of these changes which are not currently considered likely to have any major impact on MAL's current accounting treatment.

3.7 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.

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:

	2018 \$ '000	2017 \$ '000
Revenue		
Landing charges	1,638	1,678
Rental lease and concessions	392	374
Parking	454	412
Investment property rental income	67	67
Outgoings recovered	108	97
Gain on sale of asset - depreciation recovered	-	11
Total revenue	2,659	2,639
Interest revenue		
Bank deposits/IRD use of money	4	2
Total revenue attributable to operations	2,663	2,641

Revenue recognition policies

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

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

	2018 \$ '000	2017 \$ '000
Operations and maintenance		
Administration expense	981	921
Loss on disposal of an asset	2	5
Loss on revaluation of PPE	-	2
Management fees	173	94
Provision for doubtful debts	10	-
Repairs and maintenance	615	560
Expenses from investment property	2	2
Total operations and maintenance	1,783	1,584
Finance costs		
Interest expense - related party loans	150	184
Interest expense - IRD UOMI	8	-
Bank charges	7	4
Loan fee - related party loan	1	6
(Gain)/loss on financial derivatives	(16)	(80)
Total finance Costs	150	114

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 2.10% and 3.82% (2016: 2.83% and 3.77%).

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:

	2018 \$ '000	2017 \$ '000
Profit/(loss) before income tax expense	31	454
Tax at current rate 28%	9	127
Plus/(less) tax adjustments:		
Non-deductible expenses	50	27
Income tax expense recognised on the Statement of Comprehensive Income	59	154
Comprising:		
Current tax expense	225	281
Deferred tax credit	(167)	(127)
Total tax expense	59	154

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 2016	185	-	17	(397)	(49)	(244)
Recognised in:						
Profit or loss	4	27	(17)	(134)	22	(98)
Other comprehensive income	566	(29)	-	-	-	537
Balance at 30 June 2017	755	(2)	-	(531)	(27)	195
Recognised in:						
Profit or loss	(51)	4	-	(126)	5	(167)
Balance at 30 June 2018	704	2	-	(657)	(22)	27

6. Trade and other receivables

	2018 \$ '000	2017 \$ '000
Trade and other receivables	205	229
Allowance for doubtful debts	(20)	(10)
Balance at end of the year	185	219



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)

	01 July 2016		30 June 2017					30 June 2018					
	Cost / Fair value \$'000	Accumulated depreciation \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Disposals depreciation adjustment \$'000	Depreciation reclassification \$'000	Asset reclassification adjustment \$'000	Revaluation cost depreciation adjustment \$'000	Revaluation adjustment \$'000	Cost / Fair value \$'000	Accumulated depreciation \$'000	Carrying amount \$'000
Freehold carpark and land improvements	2,213	(829)	1,384	118	(10)	10	(97)	-	(242)	916	2,079	-	2,079
Buildings	6,324	(924)	5,400	49	-	-	(293)	(540)	450	1,217	6,283	-	6,283
Plant and equipment	437	(204)	233	163	(84)	48	(50)	-	-	-	516	(206)	310
Office, furniture and fittings	270	(23)	247	30	-	-	(30)	-	-	-	300	(53)	247
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
	9,244	(1,980)	7,264	360	(94)	58	(470)	(540)	208	2,133	9,178	(259)	8,919
	01 July 2017												
Freehold carpark and land improvements	2,079	-	2,079	308	-	-	(164)	-	-	-	2,387	(164)	2,223
Buildings	6,283	-	6,283	-	-	-	(354)	-	-	-	6,283	(354)	5,929
Plant and equipment	516	(206)	310	14	(3)	-	(60)	-	-	-	527	(266)	261
Office, furniture and fittings	300	(53)	247	12	-	-	(33)	-	-	-	312	(86)	226
Work in progress	-	-	-	21	-	-	-	-	-	-	21	-	21
	9,178	(259)	8,919	355	(3)	-	(611)	-	-	-	9,530	(870)	8,660



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 MAL applies the fair value method to these assets in accordance with NZ IAS 16. The assets carrying costs are by reference to the assets highest and best use, less any subsequent accumulated depreciation and impairment losses.

Additions between valuations are recorded at cost. Cost represents the 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.

The 2016-17 year was the first time 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 – 33.3% SL |
| - Buildings | 3.0 – 33.3% 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 on 30 June 2017 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. The Directors are satisfied that there has been no material movement in fair value as at 30 June 2018.

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:

	2018	2017
	\$ '000	\$ '000
Freehold carpark and land improvements	1,603	1,404
Buildings	4,664	4,935

8.4 Capital expenditure commitments

There are no capital expenditure commitments at balance date. (2017:none)

9. Investment property

	2018	2017
	\$ '000	\$ '000
Balance at beginning of the year	540	-
Transfer from Property, plant and equipment	-	540
Fair value adjustment Investment property	(80)	
Balance at end of the year	460	540

Investment property policies

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes MAL's Aircraft hangar. The hangar is located at the airport and leased to a third party. 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 2018 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

The valuation was undertaken using a slightly modified investment approach based on an assessment of market rental potential capitalised at current market investment rates analysed from market transactions. The rental capitalisation rate adopted was 7.7% (2018, 8.0%).

10. Intangible assets

	2018	2017
	\$ '000	\$ '000
Software gross carrying amount		
Balance at beginning of the year	60	46
Additions	24	14
Balance at end of the year	84	60
Software accumulated amortisation and impairment		
Balance at beginning of the year	50	31
Amortisation	8	19
Balance at end of the year	58	50
Software net book value at end of the year	26	10

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

	2018	2017
	\$ '000	\$ '000
Trade creditors	170	100
Property plant and equipment creditors	-	8
Expenses accrued	158	37
Income in advance	23	44
GST payable	33	49
Payroll liabilities	10	22
Related parties - Interest	17	22
Balance at end of the year	411	282



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 3.82% (2017: 3.51% and 3.77%).

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

	2018 \$ '000	2017 \$ '000
Interest rate swap contracts with ASB bank	3,400	4,400
Active swaps	3,000	4,000
Forward dated swaps	400	400

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

	2018 \$ '000	2017 \$ '000
Interest rate swap liability at FVTPL	(80)	(97)
Classified as:		
Current	(6)	-
Non-current	(74)	(97)

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. Provisions

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.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

13.1 Provision for runway reseal

	2018 \$ '000	2017 \$ '000
Balance at beginning of the year	1,878	1,402
Additions	444	476
Balance at end of the year	2,322	1,878
Classified as:		
Non-current	2,322	1,878

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. In March 2018 MAL commissioned Beca Limited to undertake a desktop feasibility assessment and prepare a high level Rough Order Cost (ROC) estimate of the surfacing of the runway.

The ROC of the runway reseal has an estimated present value of \$5.1 million. The Business and Economic Research Limited (Berl) price level adjustors plus a 4.0% interest factor to represent the borrowing costs were applied to the ROC to calculate the amount to be provided each year up until 2025, when the runway is expected to be resealed.

14. Borrowings

	2018 \$ '000	2017 \$ '000
Opening Unsecured Loans from parent at amortised cost	4,235	4,750
Less repayments	650	515
Unsecured loans from parent at amortised cost	3,585	4,235
Classified as:		
Non-current	3,585	4,235

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

	2018 \$ '000	2017 \$ '000
1,170,726 fully paid ordinary shares (2017: 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

	2018 \$ '000	2017 \$ '000
Balance at beginning of the year	1,455	-
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	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.

17. Retained earnings

	2018 \$ '000	2017 \$ '000
Balance at beginning of the year	671	51
Net profit/(loss) for the year net of tax	(28)	300
Transfer from asset revaluation reserve	16	320
Balance at end of the year	643	671

18. Operating leases arrangements

18.1 MAL as lessee

Non-cancellable operating lease commitments:



Non-cancellable operating lease payments

	2018 \$ '000	2017 \$ '000
Not longer than 1 year	76	76
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:

Non-cancellable operating lease receivables

	2018 \$ '000	2017 \$ '000
Not longer than 1 year	315	484
Longer than 1 year and not longer than 5 years	333	274
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 2018 (2017: 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 \$1,500 (2017: \$1,620) 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:	<u>\$</u>	<u>\$</u>
Interest on loans	150,382	184,275
Finance fee	1,288	6,474
Swap valuation fees	1,089	1,111
Amounts payable to MDCH at balance date:		
Interest on loans	17,362	21,939
Loans	<u>3,585,000</u>	<u>4,235,000</u>

Marlborough District Council (MDC)

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

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Services charged to MDC during the year	193,334	65,340
Services payable to MDC at balance date	139,700	-
Received from MDC during the year	<u>4,405</u>	<u>4,235</u>



21. Categories of financial instruments

		Loans and receivables	Financial Liabilities at Amortised costs	Designated as FVTPL	Total
	Notes	\$ '000	\$ '000	\$ '000	\$ '000
Financial assets/(liabilities)					
Cash and cash equivalents		480	-	-	480
Trade and other receivables	6	221	-	-	221
Trade and other payables	11	-	(282)	-	(282)
Interest rate swaps	12.2	-	-	(97)	(97)
Related party loans	14	-	(4,235)	-	(4,235)
Balance at 30 June 2017		701	(4,517)	(97)	(3,913)
Cash and cash equivalents		392	-	-	392
Trade and other receivables	6	185	-	-	185
Trade and other payables	11	-	(411)	-	(411)
Interest rate swaps	12.2	-	-	(80)	(80)
Related party loans	14	-	(3,585)	-	(3,585)
Balance at 30 June 2018		577	(3,996)	(80)	(3,499)

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 (2017: 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 2018.

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.

R W Olliver

Fulton Hogan Limited	Director
Fulton Hogan Land Development 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
Lancewood Forest Limited	Director



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 Trust	Trustee
Wisheart McNab & Partners Solicitors Nominee Co Ltd	Director / Shareholder
Wisheart McNab & Partners Trustee Company Limited	Director / Shareholder / Partner

M A Peters

MA & VF Peters Limited	Director / Shareholder
MA Peters Family Trust	Trustee
Marlborough District Council	Councillor
Marlborough Garlic Limited	Director
Hawkesbury Farm Limited	Director
MDC Holdings Limited	Director
NZ Rugby Foundation Trustee company Limited	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

A M Barton

Leslie & O'Donnell Trustees Limited	Director
Leslie & O'Donnell Limited	Director/shareholder
MDC Holdings Limited	Director
Barton Foods Limited	Shareholder
Malbec Trust	Trustee

T E Hook

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



Company Directory

Directors

R W Olliver (Chairman)
J C Leggett
M A Peters
M S Wheeler
A M Barton
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