

# Marlborough Airport Limited

## Annual Report

For the Financial Year Ended  
30 June 2013



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## Company Directory

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**Company Number**

517274

**Directors**

P J M Taylor (Chairman)  
A R Besley  
A T Sowman  
F D Maher  
R W Olliver

**Total number of shares**

1,170,726

**Shareholders**

MDC Holdings Limited                      1,170,726 shares

**Manager**

Dean Heiford  
Marlborough District Council  
Ph (03) 520 7400

**Registered Office**

Level 2, Youell House  
1 Hutcheson Street  
Blenheim

**Auditor**

Michael Wilkes of Deloitte on behalf of the Office of the Auditor General

**Banker**

Bank of New Zealand  
Market Street  
Blenheim  
Ph (03) 577 2712  
Fax (03) 577 2721

**Solicitors**

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

**Shareholders**

MDC Holdings Limited 100%

## Review of Operations

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### Nature of the Business

Marlborough Airport Limited operates Marlborough's principal airport at Woodbourne, west of Blenheim. The company owns a passenger terminal, aircraft hanger, vehicle grooming facility and carparks which are sited on land that, together with the runways and taxiways, the Company occupies under a licence from the Crown. There have been no material changes in the nature of the Company's business and the Company's affairs are considered to be satisfactory.

### Measuring Performance

#### CAA Compliance

No Civil Aviation Authority (CAA) audit was carried out in 2013. An operational risk assessment on Marlborough Airport Limited was conducted by the CAA. This assessment determined that due to the low level of perceived risk the audit was not required and has consequently been rescheduled for April 2014.

#### Emergency Response and Security

In accordance with the Marlborough Airport Limited Management Plan (2012) the emergency plan was tested during a full scale emergency response involving the RNZAF Rescue Fire unit, NZ Fire Service, St John Ambulance, NZ Police, Nelson/Marlborough District Health Board and Marlborough Airport Limited.

There have been no security incidents or issues. The annual reminder to tenants and airport users regarding security requirements was distributed as required.



## Review of Activities

## Financial Performance

	2013 \$ '000	Target \$ '000	2012 \$ '000
<b>Income</b>			
Aeronautical	832	842	791
Non Aeronautical (Rent)	229	228	217
Non Aeronautical (Parking)	233	249	232
Non Aeronautical (Misc)	53	59	64
Gain on financial derivative	21	30	-
Interest	4	2	7
	<b>1,372</b>	<b>1,410</b>	<b>1,311</b>
<b>Expenses</b>			
Aeronautical Admin	38	45	41
Aeronautical R&M	174	182	177
Non Aeronautical Admin (1)	793	771	773
Non Aeronautical R&M	79	80	96
Loss on financial derivative	-	-	3
Interest	64	119	83
	<b>1,148</b>	<b>1,197</b>	<b>1,173</b>
<b>Net Profit/(loss) before Taxation</b>	<b>224</b>	<b>213</b>	<b>138</b>
Less Tax (credit)/expense	77	60	80
<b>Net Profit/(loss) after Taxation</b>	<b>147</b>	<b>153</b>	<b>58</b>

(1) includes depreciation cost

The increase in aeronautical income compared with the previous year relates to an increase in landing charges on 1 July 2012, however aeronautical income did not reach target due to landings being down on forecast. Parking income did not reach target due to a five month delay in the introduction of the parking fee increase pending the successful implementation of the new pay on exit system.

The increase in Non Aeronautical Administration expenditure over last year reflects the bi-annual increase in the Airport Licence Fee to the Crown. Non Aeronautical Administration was higher than target due to additional consultancy fees and insurance costs. Non Aeronautical Repairs and Maintenance expenditure is less than last year due to a review and renegotiation of maintenance contracts.

Derivative gain reflects the valuation on swaps based upon the current market interest rates at year end. The decrease in interest expense relates to reduction in loan money raised to fund the cost of runway reseal, drainage and lighting.

Use of Facilities	2011	2012	2013
Passengers	212,179	221,707	227,886
Landings	10,026	9,695	9,399

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

## Development

**Pay on Exit Parking system** – Installation of new parking equipment was completed in May 2013. The Airport now operates a Pay on Exit system with barrier arms at the entry and exit.

### **Flight Information Display**

Following the change to digital television in Marlborough in April 2013, the teletext flight information display system was no longer supported. A new digital system was developed by Airways NZ with Marlborough Airport as the main test site. This became fully operational in March 2013 and a new, larger screen now provides flight information for all commercial flights in and out of Marlborough.

**Planning** – Planning is progressing for the terminal development proposals.



## Directors' Report

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The Directors of Marlborough Airport Limited are pleased to present to the Shareholder their Annual Report and financial statements for the year ended 30 June 2013.

The Directors are responsible for presenting financial statements, in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of Marlborough Airport Limited as at 30 June 2013 and the results of the operations and cash flows for the year ended on that date.

### Auditors

Michael Wilkes of Deloitte, acting as agent for the Office of the Auditor General is the auditor for Marlborough Airport Limited for the year ended 30 June 2013. The remuneration of auditors is disclosed in Note 2 of the Notes to the Financial Statements.

### Dividends

No distribution by way of dividend is recommended.

### Employee remuneration

No employees received total remuneration over \$100,000 in their capacity as employees of Marlborough Airport Limited.



## Interest Register

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### Directors' Remuneration and Benefits

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

### Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance with Vero Liability Insurance Limited. This cover insures Directors against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

### Directors' Loans

There were no loans given by the company to Directors.

### Use of Company Information

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

### Directors' Interest Disclosure

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

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#### **P J M Taylor**

MDC Holdings Limited	Chairman
Marsh New Zealand Advisory Board	Member Audit & Finance committee
Martin Jenkins & Associates	Chairman
Ngati Awa Group Holdings Limited	Member Audit & Finance committee
RMB Trustee Limited	Director
Ryland Estate Limited	Director
Te Runanga o Ngati Awa	Member Audit & Finance committee

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#### **A T Sowman**

MDC Holdings Limited	Director
Marlborough District Council	Mayor
Wairau Products Limited	Director
Marlborough Environment Awards Trust	Trustee
Marlborough Employment Enterprises Trust	Trustee
Marlborough District Brass Band Incorporated	President
Custom Copy Limited	Shareholder
Kimi Haura Wairau Marlborough PHO Trust	Community Representative

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#### **F D Maher**

Maher Family Trust	Trustee
Gosline Family Trust	Trustee
MDC Holdings Limited	Director
Marlborough District Council	Councillor

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**R W Olliver**

Impact Capital Limited	Director (as alternate)
Indevin Estates Limited	Director
Indevin Estates Gisborne Limited	Director
Indevin Gisborne Limited	Director
Indevin Group Limited	Director
Indevin Limited	Director
Indevin Supply Limited	Director
Kenpuru Forests Limited	Director
MDC Holdings Limited	Director
Rangitane Holdings Limited	Director
Ridgeback Trustees Limited	Director
Toi Downs Limited	Director
Wine Export Partners New Zealand Limited	Director

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**A R Besley**

Black Dog Vineyards Limited	Director
Marlborough District Council	CEO
MDC Holdings Limited	Director

## Directors Responsibility Statement

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### Statement of Responsibility

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Marlborough Airport Limited as at 30 June 2013 and the results of its operations and cash flows for the year ended 30 June 2013.

The Directors consider that the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards, as appropriate to Public Benefit Entities, have been followed.


The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have approved and are pleased to present the financial statements of Marlborough Airport Limited for the year ended 30 June 2013 on pages 13 to 33.

### Statement of Intent

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


  
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**P J M Taylor – Chairman**  
\_\_\_\_\_  
**A R Besley - Director**

On Behalf of the Directors of Marlborough Airport Limited

Date 27 Sep 2013

### COMPLIANCE WITH AIRPORT AUTHORITIES (AIRPORT COMPANIES INFORMATION DISCLOSURE) REGULATIONS 1999

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

  
\_\_\_\_\_  
**P J M Taylor – Chairman**  
\_\_\_\_\_  
**A R Besley - Director**

On Behalf of the Directors of Marlborough Airport Limited

Date 27 Sep 2013

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF MARLBOROUGH AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

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

We have audited:

- the financial statements of the company on pages 13 to 33, that comprise the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 5.

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

In our opinion:

- the financial statements of the company on pages 13 to 33:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date;
- the performance information of the company on page 5:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2013.

#### Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 27 September 2013. This is the date at which our opinion is expressed.

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

#### Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements and performance information that give a true and fair view of the matters to which they relate. We consider

internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## **Responsibilities of the Board of Directors**

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its performance achievements.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

## **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

## **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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



Michael Wilkes  
Deloitte  
On behalf of the Auditor-General  
Christchurch, New Zealand

## Statement of Comprehensive Income

For the Financial Year Ended 30 June 2013

		2013 \$ '000	2012 \$ '000
	Notes		
Revenue	2.1	1,368	1,304
Interest Revenue	2.1	4	7
		<b>1,372</b>	<b>1,311</b>
Operations and maintenance	2.2	(894)	(898)
Finance costs	2.2	(73)	(92)
Depreciation, impairment and amortisation expense	2.2	(181)	(183)
<b>Profit before income tax</b>		<b>224</b>	<b>138</b>
Income tax expense	3.1	<b>77</b>	<b>80</b>
<b>Profit after income tax and comprehensive income net of tax</b>		<b>147</b>	<b>58</b>
<b>Attributable to:</b> the equity holders of the parent entity		<b>147</b>	<b>58</b>

## Statement of Changes in Equity

For the Financial Year Ended 30 June 2013

	2013 \$ '000	2012 \$ '000
Equity at the beginning of the year	880	822
Profit and Total Comprehensive income for the year, Net of tax	147	58
<b>Balance at the end of the year</b>	<b>1,027</b>	<b>880</b>

Notes to the financial statements are included on pages 16 to 33 and are an integral part of, and should be read in conjunction with these financial statements.

## Balance Sheet

As at 30 June 2013

	Notes	2013 \$ '000	2012 \$ '000
<b>Current assets</b>			
Cash and cash equivalents	17.1	144	131
Trade and other receivables	4	111	112
Current tax assets	3.2	-	-
<b>Total Current assets</b>		<b>255</b>	<b>243</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	2,707	2,716
Other Intangible Assets	7	-	2
<b>Total Non-current assets</b>		<b>2,707</b>	<b>2,718</b>
<b>Total assets</b>		<b>2,962</b>	<b>2,961</b>
<b>Current liabilities</b>			
Trade and other payables	8	156	159
Current tax liability	3.2	15	15
Derivative financial instruments	5	-	-
<b>Total current liabilities</b>		<b>171</b>	<b>174</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	5	34	56
Provisions	9	533	362
Borrowings	10	1,100	1,350
Deferred tax liabilities	3.3	97	139
<b>Total Non-current liabilities</b>		<b>1,764</b>	<b>1,907</b>
<b>Total Liabilities</b>		<b>1,935</b>	<b>2,081</b>
<b>Net Assets</b>		<b>1,027</b>	<b>880</b>
<b>Equity</b>			
Share capital and other equity instruments	11	1,171	1,171
Retained earnings	12	(144)	(291)
<b>Total Equity</b>		<b>1,027</b>	<b>880</b>

Notes to the financial statements are included on pages 16 to 33 and are an integral part of, and should be read in conjunction with these financial statements.

## Cash Flow Statement

For the Financial Year Ended 30 June 2013

	Notes	2013 \$ '000	2012 \$ '000
<b>Cash flow from operating activities</b>			
Receipts from customers		1,383	1,296
Interest received		4	7
Payments to suppliers and employees		(732)	(934)
Interest and other costs of finance paid		(95)	(97)
Income tax refunded/(paid) (net)		(120)	26
GST (net)		(9)	13
<b>Net cash provided by operating activities</b>	17.3	<b>431</b>	<b>311</b>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment		(168)	(146)
Payments for intangibles		-	(4)
<b>Net cash used in investing activities</b>		<b>(168)</b>	<b>(150)</b>
<b>Cash flow from financing activities</b>			
Repayment of related party borrowings		(250)	(250)
<b>Net cash used in financing activities</b>		<b>(250)</b>	<b>(250)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>13</b>	<b>(89)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>131</b>	<b>220</b>
<b>Cash and cash equivalents at the end of the financial year</b>	17.1	<b>144</b>	<b>131</b>

Notes to the financial statements are included on pages 16 to 33 and are an integral part of, and should be read in conjunction with these financial statements.



## Notes to the Financial Statements

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### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013. These statements include comparative information for the year ended 30 June 2012.

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

#### 1.1 Statement of compliance

The company is a public benefit company incorporated in New Zealand. It operates Marlborough's principal airport at Woodbourne, west of Blenheim. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act, the Companies Act 1993 and the Airport Authorities Act 1966.

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

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for public benefit entities.

The financial statements were authorised for issue by the Directors on 27 September 2013.

#### 1.2 Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The principal accounting policies are set below.

##### 1.2.1 Accounting judgements and major sources of estimation uncertainty

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The determination of the timing and cost of re-sealing the runway (note 9) is a key area of judgement/estimate.

#### 1.3 Revenue recognition

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

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

## 1.4 Interest and dividends paid

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

## 1.5 Taxation

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

### 1.5.1 Current tax

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

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

### 1.5.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

### 1.5.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense (or credit) in profit or loss, except when they relate to transactions recognised in Other Comprehensive Income or directly in Equity, in which case the tax is also recognised in Other Comprehensive Income or directly in Equity.

Tax assets and liabilities are offset when Marlborough Airport Limited has a legally enforceable right to set off the recognised amounts.

## 1.6 Statement of cash flows

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

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

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

## 1.7 Property, plant and equipment

Property, Plant and Equipment are stated at their cost or deemed cost less any subsequent accumulated depreciation and impairment losses (if any).

**Land improvements and buildings** Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees.

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

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

Depreciation on work in progress commences when the assets are ready for their intended use.

Depreciation is charged to profit or loss. 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 profit or loss.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

• Carpark and Land Improvements	2.5 – 40.0% SL
• Buildings	2.5 – 12.5% SL
• Plant and Equipment	5.5 – 40.0% SL
• Office Furniture and Fittings	6.5 – 40.0% SL
• Software	40.0% SL

## 1.8 Impairment

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

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

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

For non-revalued assets, impairment losses are recognised as an expense immediately.

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.

## 1.9 Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument (note 18.7).

### 1.9.1 Financial assets

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

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

*Trade and other receivables* Trade and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at initial recognition at fair value using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate

### 1.9.2 Financial liabilities

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

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

*Derivative financial instruments* The Company enters into interest rate swaps to manage cash flow interest rate risk. Derivative financial instruments are classified as “fair value through profit or loss” category. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Derivative instruments entered into by the Company do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in profit or loss. The Company does not use derivative financial instruments for speculative purposes.

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

Bank loans are classified as current liabilities (either advances or current portion of term debt) unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 1.10 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at balance date.

### 1.11 Goods and services tax (GST)

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

### 1.12 Changes in accounting policies

In the current year, the Company adopted all mandatory new and amended Standards and Interpretations. By adopting FRS44 New Zealand Additional Disclosures and Harmonisation amendments in the current year, the calculation of the imputation credit account balance has effectively changed from a cash basis to an accrual basis. This resulted in a \$15,000 increase in the amount of imputation credits available for use in subsequent reporting periods in 2012. Refer Note 3.4.

### 1.13 Adoption of new and revised Standards and Interpretations

We are not aware of any standards in issue but not yet effective which would materially impact the amounts recognised or disclosed in the financial statements.

## 2 PROFIT FROM OPERATIONS

### 2.1 Revenue from continuing operations

	2013 \$ '000	2012 \$ '000
Revenue from operations consisted of the following items:		
<b>Revenue</b>		
Landing charges	832	791
Rental lease and concessions	229	217
Parking	233	232
Outgoings recovered	53	64
Gain on financial derivative	21	-
	<b>1,368</b>	<b>1,304</b>
<b>Interest Revenue</b>		
Bank deposits/IRD use of money	4	7
<b>Attributable to:</b> Continuing operations	<b>1,372</b>	<b>1,311</b>

## 2.2 Profit/Loss before income tax

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

### Operations and maintenance

	Notes	2013 \$ '000	2012 \$ '000
Audit fees		15	14
Administration expense		583	562
Management fees		71	76
Repairs and maintenance		222	243
Other operating expenses		3	3
<b>Attributable to:</b> Continuing operations		<b>894</b>	<b>898</b>

### Finance costs

Interest expense on related party loans		64	83
Loan fee on related party loan		9	6
Loss on held for trading derivatives financial instruments: Interest rate swaps		-	3
<b>Attributable to:</b> Continuing operations		<b>73</b>	<b>92</b>

### Depreciation, impairment and amortisation expense

Depreciation of non-current assets	6	179	181
Amortisation of non-current assets	7	2	2
<b>Attributable to:</b> Continuing operations		<b>181</b>	<b>183</b>

## 3 INCOME TAXES

The tax rate used in the reconciliation below is the corporate tax rate of 28% (2012: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

### 3.1 Current tax balance

	2013 \$ '000	2012 \$ '000
<b>Tax expense comprises:</b>		
Current tax expense	120	99
Temporary differences	(43)	(19)
<b>Total tax expense</b>	<b>77</b>	<b>80</b>
<b>Attributable to:</b> Continuing operations	<b>77</b>	<b>80</b>

	2013 \$ '000	2012 \$ '000
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit before taxation	224	138
Income tax expense calculated at 28% (2012: 28%)	63	39
Non-deductible expenses	14	14
Effect on deferred tax balance due to building depreciation removal	-	27
	<b>77</b>	<b>80</b>

### 3.2 Current tax balance

	2013 \$ '000	2012 \$ '000
Current tax (payable)	(15)	(15)
	<b>(15)</b>	<b>(15)</b>



### 3.3 Deferred tax balances

Deferred tax liabilities arise from the following:

	2013 \$ '000	2012 \$ '000
<b>Temporary differences</b>	<b>(97)</b>	<b>(139)</b>
<b>Balance at start of year</b>	<b>(139)</b>	<b>(158)</b>
<i>Current year timing differences:</i>		
Provision for doubtful debts	1	-
Derivative financial instruments provision	(6)	1
Runway reseal provision	47	45
Property, plant and equipment	-	(27)
<b>Balance at the end of the year</b>	<b>(97)</b>	<b>(139)</b>

	Opening Balance \$ '000	Charged to income \$ '000	Closing Balance \$ '000
<b>2013</b>			
<b>Gross deferred tax assets/(liabilities):</b>			
Provision for doubtful debts	1	1	2
Derivative financial instruments provision	15	(6)	9
Runway reseal provision	101	47	148
Property, plant and equipment	(256)	-	(256)
	<b>(139)</b>	<b>42</b>	<b>(97)</b>
<b>2012</b>			
<b>Gross deferred tax assets/(liabilities):</b>			
Provision for doubtful debts	1	-	1
Derivative financial instruments provision	14	1	15
Runway reseal provision	56	45	101
Property, plant and equipment	(229)	(27)	(256)
	<b>(158)</b>	<b>19</b>	<b>(139)</b>

### 3.4 Imputation credit account balances

	2013	2012	2012
		(Restated)	(Original)
	\$ '000	\$ '000	\$ '000
<b>Balance at end of the period</b>	<b>1,351</b>	<b>1,244</b>	<b>1,229</b>

Imputation credits available direct to the shareholders of the company.

## 4 CURRENT TRADE AND OTHER RECEIVABLES

	2013	2012
	\$ '000	\$ '000
Trade and other receivables	118	114
Allowance for doubtful debts	(7)	(2)
<b>Balance at end of the period</b>	<b>111</b>	<b>112</b>

*Fair value* Trade and other receivables are non-interest bearing and receipt is normally within 30 – 90 days, therefore the carrying value of trade and other receivables approximates their fair values.

*Impairment* The impairment provision has been calculated based on expected losses for the Company's pool of debtors. Expected losses have been determined based on a review of specific debtors. Individually impaired receivables have been determined to be impaired because of significant financial difficulties being experienced by the debtor. An analysis of the aging of these individually impaired debtors is as follows:

	2013	2012
	\$ '000	\$ '000
Current	-	-
Past due 1 - 60 days	-	-
Past due 61 - 120 days	7	2
	<b>7</b>	<b>2</b>

### 4.1 Trade and other receivables past due but not impaired

Included in the Company's trade and other receivables balance are the debtors set out below which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold collateral over these balances.

	2013	2012
	\$ '000	\$ '000
Past due by 30-60 days	13	12
Past due by 61-90 days	6	1
Past due by > 91 days	-	2
	<b>19</b>	<b>15</b>

### 4.2 Movement in the provision for impairment

	2013 \$ '000	2012 \$ '000
<b>Opening Balance</b>	<b>2</b>	<b>2</b>
Impairment losses reversed	-	(2)
Impairment losses recognised on receivables	5	2
<b>Closing Balance</b>	<b>7</b>	<b>2</b>

#### 4.3 Re-negotiated trade and other receivables

There are no significant amounts included within trade and other receivables whose terms have been renegotiated.

## 5 DERIVATIVE FINANCIAL INSTRUMENTS

	2013 \$ '000	2012 \$ '000
<b>At fair value:</b>		
Interest rate swap	(34)	(56)
<b>Total Other Financial Assets</b>	<b>(34)</b>	<b>(56)</b>
<b>Classified as:</b>		
Current portion	-	-
Non current portion	(34)	(56)
	<b>(34)</b>	<b>(56)</b>

*Fair Value* The fair value of interest rate swaps have been determined using discounted cash flows based on quoted market prices.

*Interest Rates Swaps* The notional principal amounts of the outstanding rate swap contracts for Marlborough Airport Limited were \$800,000 (2012: \$800,000). At 30 June 2013 the fixed interest rates of cash flow hedge rate swap 5.27% (2012: 5.27%).

Information on the basis of valuation is provided under note 18 Financial Instruments.

## 6 PROPERTY, PLANT AND EQUIPMENT

	Carpark and Land Improvements at Cost	Buildings at Cost	Plant and Equipment at Cost	Office Furniture and Fittings at Cost	Work in Progress at Cost	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Gross carrying amount</b>						
<b>Balance at 01 July, 2011</b>	<b>1,442</b>	<b>1,817</b>	<b>685</b>	<b>78</b>	<b>24</b>	<b>4,046</b>
Additions			111	4	35	150
Transfers from capital works in progress			20		(20)	-
Disposals						-
Transfers					(4)	(4)
<b>Balance at 30 June, 2012</b>	<b>1,442</b>	<b>1,817</b>	<b>816</b>	<b>82</b>	<b>35</b>	<b>4,192</b>
Additions	15		160			175
Transfers from capital works in progress						-
Disposals			(29)			(29)
Transfers						-
<b>Balance at 30 June, 2013</b>	<b>1,457</b>	<b>1,817</b>	<b>947</b>	<b>82</b>	<b>35</b>	<b>4,338</b>
<b>Gross carrying amount</b>						
<b>Balance at 01 July, 2011</b>	<b>300</b>	<b>715</b>	<b>218</b>	<b>62</b>	<b>-</b>	<b>1,295</b>
Depreciation expense	59	56	61	5		181
Disposals						-
<b>Balance at 30 June, 2012</b>	<b>359</b>	<b>771</b>	<b>279</b>	<b>67</b>	<b>-</b>	<b>1,476</b>
Depreciation expense	60	56	58	5		179
Disposals			(24)			(24)
<b>Balance at 30 June, 2013</b>	<b>419</b>	<b>827</b>	<b>313</b>	<b>72</b>	<b>-</b>	<b>1,631</b>
<b>Balance at 30 June, 2012</b>	<b>1,083</b>	<b>1,046</b>	<b>537</b>	<b>15</b>	<b>35</b>	<b>2,716</b>
<b>Balance at 30 June, 2013</b>	<b>1,038</b>	<b>990</b>	<b>634</b>	<b>10</b>	<b>35</b>	<b>2,707</b>

## 7 OTHER INTANGIBLE ASSETS

	Notes	Software \$ '000
<b>Gross carrying amount</b>		
<b>Balance at 01 July, 2011</b>		-
Additions		-
Transfers from capital work in progress	6	4
<b>Balance at 30 June, 2012</b>		<b>4</b>
Additions		-
Transfers from capital work in progress	6	-
<b>Balance at 30 June, 2013</b>		<b>4</b>
<b>Accumulated amortisation &amp; impairment</b>		
<b>Balance at 01 July, 2011</b>		-
Amortisation	2.2	2
<b>Balance at 30 June, 2012</b>		<b>2</b>
Amortisation	2.2	2
<b>Balance at 30 June, 2013</b>		<b>4</b>
<b>Net book value</b>		
<b>Balance at 30 June, 2012</b>		<b>2</b>
<b>Balance at 30 June, 2013</b>		<b>-</b>

## 8 CURRENT TRADE AND OTHER PAYABLES

	2013	2012
	\$ '000	\$ '000
Trade creditors	75	83
Expenses accrued	23	26
Income in advance	34	19
GST payable	5	14
Payroll liabilities	10	8
Related parties - Interest	9	9
<b>Balance at end of the period</b>	<b>156</b>	<b>159</b>

*Fair Value* Trade and other payables are non-interest bearing and payment is normally within 30 – 90 days, therefore the carrying value of trade and other payables approximates their fair values.

## 9 PROVISION FOR RUNWAY RESEAL

To reflect the company's obligation to maintain the runway under their licence agreement with the New Zealand Defence Force the provision for resealing is reviewed each year.

	2013	2012
	\$ '000	\$ '000
<b>Opening balance</b>	<b>362</b>	<b>199</b>
Additions	171	163
Transfers	-	-
<b>Closing Balance</b>	<b>533</b>	<b>362</b>
<b>Classified as:</b>		
Current portion	-	-
Non current portion	533	362
	<b>533</b>	<b>362</b>

The provision is based upon the actual cost of runway reseal incurred in 2010. The Berl (Business and Economic Research Limited) price level adjustors plus a 5% interest factor are applied to the cost to calculate the amount to be provided each year up until 2030 when the runway is expected to be resealed.

## 10 NON-CURRENT BORROWINGS

	2013	2012
	\$ '000	\$ '000
<b>At amortised cost:</b>		
Loans from MDC Holdings Limited	1,100	1,350
<b>Total Borrowings</b>	<b>1,100</b>	<b>1,350</b>
<b>Classified as:</b>		
Current portion	-	-
Non current portion	1,100	1,350
	<b>1,100</b>	<b>1,350</b>

*Security* The Company's related party debt is not secured. This loan by MDC Holdings Ltd is regarded as term and the Company has received confirmation that no portion of it will be called up in the next 12 months. Interest rates ranged between from 3.50% to 6.17% (2012: 3.50% to 6.16%) during the year.

## 11 SHARE CAPITAL

	2013 \$ '000	2012 \$ '000
1,170,726 fully paid ordinary shares (2012: 1,170,726)	1,171	1,171

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

## 12 RETAINED EARNINGS

	2013 \$ '000	2012 \$ '000
<b>Balance at the beginning of financial year</b>	<b>(291)</b>	<b>(349)</b>
Net profit for the year	147	58
<b>Balance at the end of financial year</b>	<b>(144)</b>	<b>(291)</b>

## 13 COMMITMENTS FOR EXPENDITURE

### (a) Capital Expenditure Commitments

	2013 \$ '000	2012 \$ '000
Land and Improvements	225	225

### (b) Lease Commitments

Non-cancellable operating lease commitments are disclosed in note 14 to the financial statements. There are no finance lease commitments.

## 14 LEASES

### Operating leases as lessee

#### (a) Non-cancellable operating lease payments

	2013 \$ '000	2012 \$ '000
Not longer than 1 year	4	6
Longer than 1 year and not longer than 5 years	1	5
Longer than 5 years	-	-

## 15 CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 30 June 2013 (2012: Nil).

## 16 RELATED PARTY DISCLOSURES

### 16.1 Parent entities

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

## 16.2 Entities controlled/significantly influenced by the Crown

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

These transactions are not separately disclosed where they:

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

## 16.3 Fellow subsidiaries of MDC Holdings Limited

Port Marlborough New Zealand Limited (PMNZL) is a related party to the Company as it has the same parent. During the year Marlborough Airport Limited received a payment of \$2,475 (2012: \$1,529) from PMNZL.

## 16.4 Transactions with related parties

### MDC Holdings Limited

Interest is charged on the outstanding related party loan at commercial interest rates. During the financial year Marlborough Airport Limited paid interest of \$63,806 (2012: \$83,828) on loans from its parent.

During the financial year Marlborough Airport Limited paid bank fees of \$8,661 (2012: \$5,751) and swap valuation fees of \$115 (2011: \$256) in regards to the loan from its parent.

At balance date the loan balance outstanding was \$1,100,000 (2012: \$1,350,000) and there is a balance of interest accrued of \$9,245 (2012: \$9,373).

### Marlborough District Council (MDC)

During the financial year Marlborough Airport Limited paid \$48,231 (2012: \$42,730) for services to MDC.

At balance date the amount owed to MDC was \$40,093 (2012: \$48,813).

During the financial year MDC paid \$2,981 (2012: \$814), and owed \$Nil (2012: \$88) at balance date.

## 17 NOTES TO THE CASH FLOW STATEMENT

### 17.1 Reconciliation of cash and cash equivalents

	2013	2012
	\$ '000	\$ '000
Cash and cash equivalents	144	131

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

### 17.2 Financing Facilities

	2013	2012
	\$ '000	\$ '000
Amount Used	1,100	1,350

Unsecured loan facility with MDC Holdings Limited (Refer Note 10)



### 17.3 Reconciliation of net profit for the period to net cash flows from operating activities

	2013 \$ '000	2012 \$ '000
Profit for the year	147	58
<b>Non-cash items:</b>		
Depreciation and amortisation of non-current assets	181	183
Loss/(gain) on revaluation of FVTPL financial instruments	(24)	3
Decrease in deferred tax balance	(42)	(19)
Increase in runway provision	171	163
<b>(Increase)/decrease in assets:</b>		
Current Tax asset	-	125
Current Receivables	1	6
<b>Increase/(decrease) in liabilities:</b>		
Decrease in trade and other payables	(3)	(208)
<b>Net cash from operating activities</b>	<b>431</b>	<b>311</b>

## 18 FINANCIAL INSTRUMENTS

### 18.1 Financial risk and capital management

The Company's capital includes share capital reserves and retained earnings. The objective of the Company's capital management is to support growth in the Marlborough region. The capital structure is managed and adjustments are made, with Board approval, to the structure in light of economics conditions at the time. There were no changes to objectives, policies or processes during the year.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

The Company's activities expose it primarily to the financial risk of changes in interest rates. The Company enters into interest rate swaps to mitigate the risk of rising interest rates.

### 18.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability, are included in the statement of accounting policies.

### 18.3 Interest rate risk

Interest rate risk is the risk that the Company may be affected by changes in the general level of interest rates. The Company is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swaps contracts.

*Interest rate swap contracts* Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

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

Outstanding Fixed for Floating Contracts	Average Contract		Notional Principal Amount		Fair Value	
	2013 %	2012 %	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	5.27	-	800	-	(34)	-
2 to 5 years	-	5.27	-	800	-	(56)
	<b>5.27</b>	<b>5.27</b>	<b>800</b>	<b>800</b>	<b>(34)</b>	<b>(56)</b>

## 18.4 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored. The credit risk, on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has the following significant credit risk exposures to single counterparties or any group of counterparties having similar characteristics:

	2013	2012
Eagle Airways	36%	42%
Sounds Air	18%	13%
Air 2 There	10%	9%

The percentages shown above are calculated on the gross debtors balance before any provision for impairment has been deducted. Certain debtors have been provided for in the provision for impairment.

## 18.5 Fair value of financial instruments

### 18.5.1 Valuation Techniques

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

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

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

### 18.5.2 Fair Value measurements recognised in the balance sheet

The financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

*Level 1 fair value measurement* are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

*Level 2 fair value measurements* are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

*Level 3 fair value measurements* are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$ '000	\$ '000	\$ '000	\$ '000
<b>2013 Financial Liabilities at FVTPL</b>				
Derivative financial liabilities	-	34	-	34
	-	34	-	34
<b>2012 Financial Liabilities at FVTPL</b>				
Derivative financial liabilities	-	56	-	56
	-	56	-	56

There were no transfers between levels during the period.

### 18.6 Liquidity risk and Interest rate risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds at short notice to meet its commitments and arises from mismatch of the maturity of monetary assets and liabilities. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Interest rate risk is the risk that fluctuations in the level of interest rates may have a significant impact upon the performance of the Company.

The following table details the Company's exposure to interest rate and liquidity risk as at 30 June 2013:

	Weighted average interest rate	Less than 1 year	1 - 2 years	2 - 5 years	Non interest bearing	Total
	%	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>2013</b>						
<b>Financial assets/(liabilities)</b>						
Cash and cash equivalents		144	-	-	-	144
Trade and other receivables		-	-	-	111	111
Trade and other payables		-	-	-	(156)	(156)
Interest rate swaps		-	(34)	-	-	(34)
Related party loans	5.45%	-	(1,100)	-	-	(1,100)
<b>Total financial assets/(liabilities)</b>		<b>144</b>	<b>(1,134)</b>	<b>-</b>	<b>(45)</b>	<b>(1,035)</b>

\$800,000 of the related party loans is covered by an interest rate swap. This swap, due to expire in April 2015 has a term of 5 years at 5.27%.

The following table details the Company's exposure to interest rate and liquidity risk as at 30 June 2012:

	Weighted average interest rate	Less than 1 year	1 - 2 years	2 - 5 years	Non interest bearing	Total
	%	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>2012</b>						
<b>Financial assets/(liabilities)</b>						
Cash and cash equivalents		131	-	-	-	131
Trade and other receivables		-	-	-	112	112
Trade and other payables		-	-	-	(159)	(159)
Interest rate swaps		-	-	(56)	-	(56)
Related party loans	5.08%	-	(1,350)	-	-	(1,350)
<b>Total financial assets/(liabilities)</b>		<b>131</b>	<b>(1,350)</b>	<b>(56)</b>	<b>(47)</b>	<b>(1,322)</b>

## 18.7 Categories of Financial Instruments

	Loans and receivables	Financial Liabilities at Amortised costs	Designated as FVTPL	Total
	\$ '000	\$ '000	\$ '000	\$ '000
<b>2013</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	144	-	-	144
Trade and other receivables	111	-	-	111
<b>Total Financial Assets</b>	<b>255</b>	<b>-</b>	<b>-</b>	<b>255</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	156	-	156
Interest rate swaps	-	-	34	34
Related party loans	-	1,100	-	1,100
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,256</b>	<b>34</b>	<b>1,290</b>
<b>2012</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	131	-	-	131
Trade and other receivables	112	-	-	112
<b>Total Financial Assets</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>243</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	159	-	159
Interest rate swaps	-	-	56	56
Related party loans	-	1,350	-	1,350
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,509</b>	<b>56</b>	<b>1,565</b>

## 19 POST BALANCE DATE EVENTS

At the time of preparation of these financial statements there were no post balance date events requiring disclosure, (2012: Nil).