

2023

Marlborough Airport Limited

Annual Report



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From the Chair and Chief Executive



The 2023 year was a successful one for Marlborough Airport Limited (MAL) and saw the airport return to profit, albeit a modest one, for the first time since 2019.

The number of passengers passing through the facility was the second highest in the Company's history and reflects a resurgence in travel since COVID-19 restrictions were lifted.

This helped lift revenue levels significantly across all areas of the airport's business and was the primary contributor to this year's financial result.

However, as with most industries inflation was beyond many budget expectations and the cost of doing business increased significantly during the year and across most cost centers. Particularly double-digit percentage increases occurred in insurance, professional fees, and general maintenance costs especially apron and runway related sealing costs.

Construction began in March on the airport's long anticipated new car park. The facility is on-track to be complete and operational by the first quarter of 2024. With an additional 290 or so parks this is expected to significantly reduce congestion and improve the overall parking experience for our customers.

In conjunction with this new parking equipment which utilises License Plate Recognition Technology was also installed in the existing car park and is included in the new car park. This is a major improvement on the previous ticket-based system and offers our customers a more seamless experience.

Our balance sheet remained strong with positive working capital and debt reduced slightly on 2022 levels. Operating cashflow exceeded \$2 million for the first time and this helped fund capital

projects including construction of the new car park. At balance date close to \$1.75 million had been spent on car park project construction with a similar amount expected to be spent upon completion.

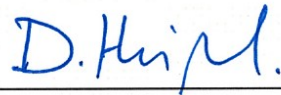
During the year, work also began to understand how we can best integrate MAL's environmental goals with stakeholder expectations and our business aspirations. Like many airports across New Zealand, we are beginning our environmental journey with a materiality assessment in the 2023-24 financial year, which will form the foundation for our sustainability goals in the future.

Looking into the near future, seat capacity schedules remain strong, and we expect passenger levels to continue to improve as international services and capacity continues increase and filters through to the regions.

Thank you to our Board, customers, staff, and the Marlborough community for your continued support over the last year – it is greatly appreciated.



M B J Kerr- Chairman



D Heiford – Chief Executive



Review of Operations

Nature of the Business

Marlborough Airport Limited (MAL) is a Council Controlled Organisation which is responsible for domestic passenger 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.

Performance Measures

2022-23 SOI Results

Objectives	2022 - 2023 Targets	2022 - 2023 Results
People Be a welcoming gateway for travellers and ensure a safe and healthy environment for staff and airport tenants.	> 285,000 passengers	✓ 318,517
	No issues identified under the Health & Safety at Work Act (2015) and the NZCAA Part 139 Certificate rules & regulations	✓ Nil
	Lost time injuries (Nil)	✓ Achieved
	Living wage accreditation	✗ Living wage was paid but MAL did not achieve accreditation.

Objectives	2022 - 2023 Targets	2022 - 2023 Results
Infrastructure		
Facilitate economic development through timely investment in infrastructure.	Complete programmed expenditure within budget	✗ Spending against budget has not been reported due to the late completion of the car park (expected opening now September 2023)
	Entrance upgrade completed	✗ Pending car park completion (expected opening now September 2023)
Financial		
Manage financial performance to ensure MAL achieves its strategic goals, maintains a sustainable business.	NPAT ¹ < \$393,000 (deficit)	✓ \$39,338
	EBITDAF ² > \$620,000	✓ \$803,829
	SH funds/Total assets ³ > 17.5%	✓ 27%
	Cashflow from operations > \$1.25 million (surplus)	✓ \$2 million
	Peak debt < \$5.5 million	✓ \$3.02 million
Risk & Compliance		
All known risks managed and industry best practice adhered to.	Risk rating of Airport kept at a very low level < 7 (maximum 25)	✓ 5.5
	Respond to Independent internal audit and or Civil Aviation Authority (CAA) external audit findings within four weeks	✓ There were no findings.
	Test emergency plans through at least one practice exercise involving all stakeholders	✓ Exercise successfully completed 20 March 2023

Objectives	2022 - 2023 Targets	2022 - 2023 Results
<p>Sustainability</p> <p>Manage Company operations to ensure efficient and effective environmental sustainability alongside other strategic objectives.</p> <p>This is an area of ongoing strategic, policy and programme development.</p>	Review the strategic plan - complete an annual assessment of whether airport capabilities and development projects are in harmony with the long-term strategic plan	✓ Compliant
	Waste landfill (tonnes) - 5% (reduction)	✗ 7% + , However, passenger numbers were also up 52% and the majority of waste is driven by passenger activity. Waste tonnes per passenger was down significantly
	Recycling (tonnes) - 5% (increase)	✓ 27% +
	Replace second light tower bulbs with LED. Investigate solar options for existing consumption and future projects	✓ The second light tower was installed and solar was considered but not progressed in the current year

1 NPAT = Net Profit after Tax. The deficit result is not a target but rather the budgeted result.

2 Earnings before interest, Tax, Depreciation, Amortisation and Fair Value Movements

3 Shareholder Funds to Total Assets; average equity/average total assets.

Safety Management Systems and Health and Safety

MAL developed a system of safety management that combines the legal obligations and requirements of both the Health and Safety at Work Act (HSWA) 2015 and the NZCAA Act 1990. MAL was one of the early trial airports for the CAA's new Aviation Safety Management System (SMS) which was later Certified by them. MAL continues to support CAA in providing an airport safety model to test and prove their new surveillance system which independently ensures airport safety systems are both 'operating and effective'. Additionally, MAL has completed an independent audit of our ongoing compliance of these two Acts by Ford Sumner Law. There were no serious and reportable H&S incidents nor any lost time injuries.

Air Traffic Control, Rescue Fire Services (RFS) and Emergency Response Plan (ERP) and Security

MAL suffers from recreational pilots out of Omaka breaching NZWB controlled airspace, these breaches are minor in nature and quickly rectified by our ATC service but do result in reports to the CAA. The airport has an effective RFS providing Category 4 coverage for all Air NZ passenger flights and an Emergency Response Plan in the unlikely event of an airport emergency or aircraft crash, this plan was fully rehearsed in the last 12 months. MAL also enjoys high levels of security with an aerodrome that is fully fenced to international airport standards and utilising CCTV and patrols continuously monitors and report any intentional or accidental breaches in security.



Continuous Monitoring, Improvements and Audits

Important Safety Goals, Objectives and Targets are usually met. MAL records all accidents and incidents that then undergo risk analysis and if required a safety investigation is carried out. At times one measure, airspace incidents, did exceed the target due to both increased surveillance and better reporting. MAL, Airways and CAA are working closely together to produce education information for recreational pilots on NZWB Controlled airspace in a hope to reduce this trend.

MAL has a culture of continuous improvement in all aspects of safety and customer experience and this is reflected in our monthly reporting of improvements throughout the airport. Internal audits are up to date with no findings and the NZCAA 3rd party Certification Audit is due on 31 October 2024 with preparations already underway.

Development

During the year new parking equipment with License Plate Recognition (LPR) technology was installed in the existing car park. Construction of the new car park also began with completion expected in the first quarter of 2024.

LED lights were installed on a second apron lighting tower. The third and remaining tower will have new lights installed in 2024. Major apron maintenance also occurred on Apron 4 as well as the hangar access road to the main apron area.

Financial Performance

MAL's 2023 Net Operating Profit After Tax of \$39,000 was \$369,000 ahead of budget. Revenue was significantly up on budget while costs were marginally over budget. The main drivers for these variances are explained below:

		Year ended 30 June 2023		
		Actual	Budget	Variance
		\$ '000	\$ '000	\$ '000
Income				
Aeronautical	(a)	3,461	2,987	474
Non-aeronautical	(b)	1,148	1,239	(91)
Financial	(c)	140	6	134
Total income		4,749	4,232	517
Expenses				
Operations and maintenance				
Aeronautical	(d)	2,049	1,951	98
Non-aeronautical	(e)	1,322	1,264	58
Other expenses				
Depreciation, impairment and amortisation	(h)	703	868	(165)
Employment	(g)	434	391	43
Finance	(f)	176	151	25
Subvention		-	-	-
Loss on revaluation of Investment Property		20	-	20
Total expenses		4,704	4,625	79
Profit / (Loss) before income tax		45	(393)	438
Less tax expense / (benefit)		6	(63)	69
Net profit / (loss) after taxation		39	(330)	369

Income

- (a) **Aeronautical income** was up significantly on last year and up on budget by \$474,000. Total Passenger numbers during the period were 318,517, up from 209,127 in 2022. This was approximately 10% higher than budget and signals a return to Pre-COVID passenger levels.
- (b) **Non aeronautical income** was up on last year but down by \$91,000 on budget. This was due mainly to lower parking revenues which were impacted by capacity restrictions.
- (c) **Interest income** was up considerably on budget due to favourable swap positions and higher interest rates on cash reserves.

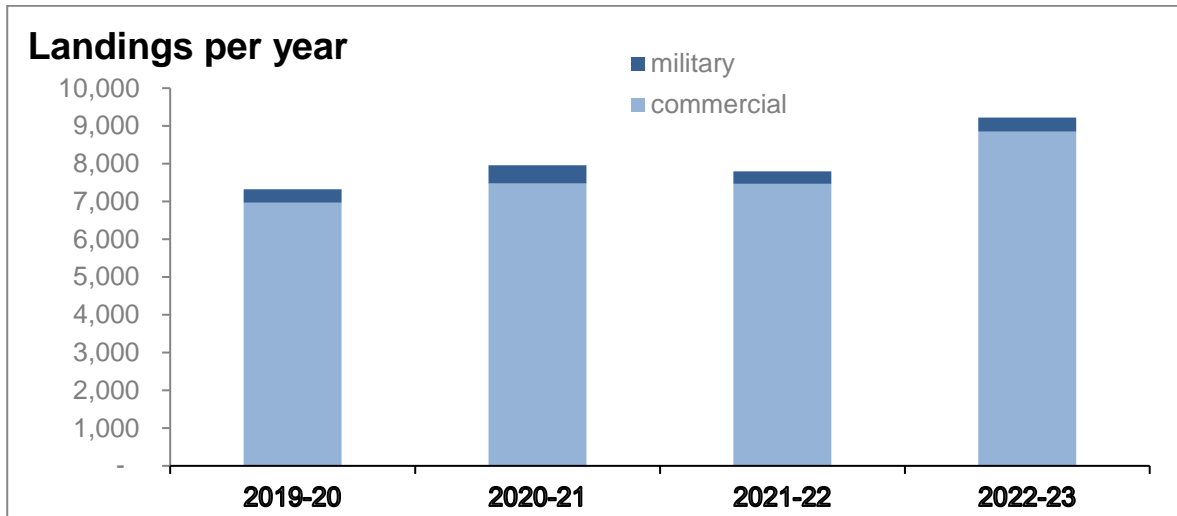
Expenses

- (d) **Aeronautical** operations and maintenance costs were over budget for the year due mainly to a significant increase in provision for the runway reseal. This saw the annual provision increase from a budgeted \$976,880 to approximately \$1.1 million. The runway reseal is due to be completed in 2024/25 at a current cost of \$7.5 million up from an estimated \$6.7 million in 2022.
- (e) **Non-aeronautical** operations and maintenance costs were essentially on budget.
- (f) **Finance costs** were over budget for the year, due to significant increases in interest rates. However, there were also swap interest receipts of \$90,333 on borrowings which meant the net cost of debt was under budget by approximately \$65,000 for the year.
- (g) **Employment expenses** were over budget due to higher-than-expected wage inflation and increases in holiday provision.
- (h) **Depreciation and amortisation expense** was lower than budget due to the delay in completion of the car park extension.

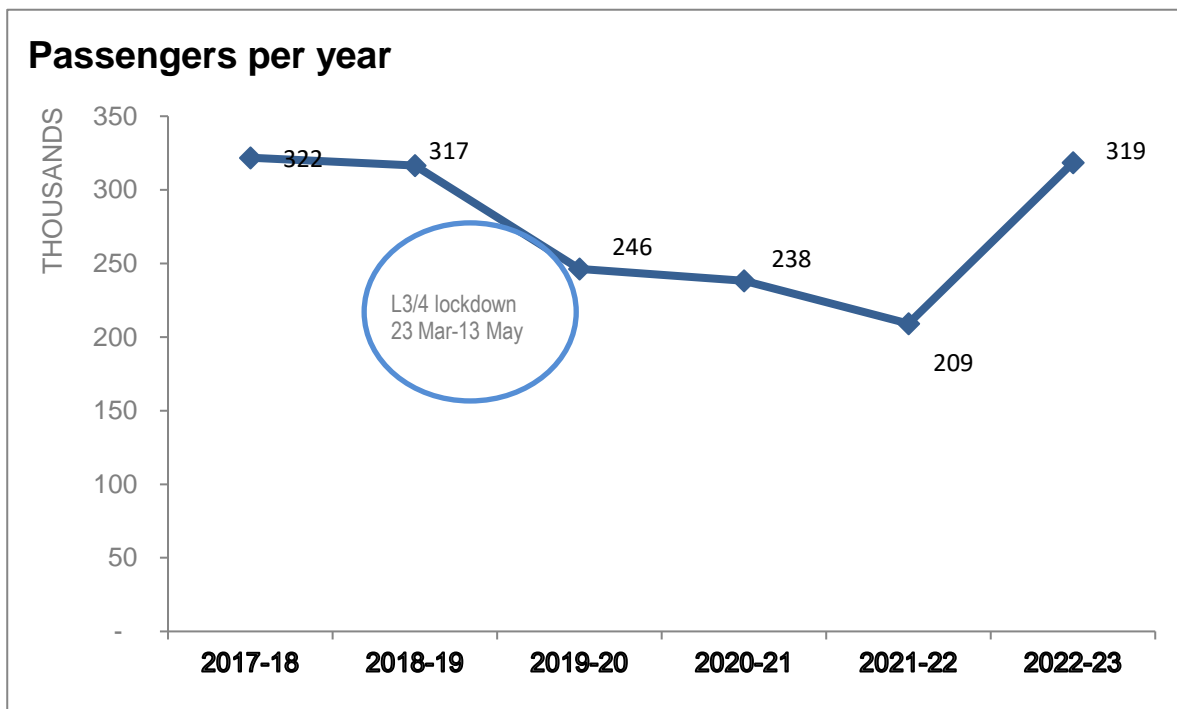


Aircraft and Passenger Activity

Number of Passengers and aircraft landings in Marlborough



Total landings were up 18% on the previous year from 7,843 to 9,227 in 2023. Military landings totalled 377 for the year and are currently not charged under the licence agreement MAL holds with the New Zealand Defence Force (NZDF).



Total passenger movements increased by 52% up from just 209,191 in 2022 to 318,517 this year. This marks the end of three year passenger down-turn due to the pandemic and a return to historic passenger levels.

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 47- 48 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 monthly 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 2022-23 SOI results see the Performance Measures section of this report.



Directors' Responsibility Statement



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 2023.

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 2023 on pages 16 to 44.

The Board authorised the issue of these Financial Statements on 25 September 2023.



M B J Kerr – 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 FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

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

Opinion

We have audited:

- the financial statements of the Company on pages 16 to 44, that comprise the statement of financial position as at 30 June 2023, the income statement, 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 pages 3 to 5.

In our opinion:

- the financial statements of the Company on pages 16 to 44;
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023 and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and
- the performance information of the company on pages 3 to 5 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives, for the year ended 30 June 2023

Our audit was completed on 25 September 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of 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 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^{1 2}.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers³ taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's approved budget.

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

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

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

¹ If the entity is a bottom-tier company subsidiary or is the Gisborne Airport Authority, then the only reference to the Board of Director's responsibilities should be to the Companies Act 1993.

² A reference to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 should only be included in the audit report for airport companies, but not for airport authorities, or subsidiaries of airport companies..

³ Appointed Auditors shall replace "readers" with an equivalent addressee such as "shareholders" where an actual private sector ownership interest exists or where a private sector ownership interest is anticipated.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 2, pages 6 to 12 and pages 45 to 48 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]⁴.

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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Anthony Smith
Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

Financial Statements

Income Statement for the financial year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Revenue from contracts and operations	3.1	4,614	2,969
Interest revenue	3.1	140	22
Gains and (losses)	3.1	(25)	64
Operations and maintenance	3.2	(3,805)	(3,144)
Finance costs	3.2	(176)	15
Subvention		-	(13)
Depreciation, impairment and amortisation	7,9	(703)	(704)
Profit / (Loss) before income tax expense		45	(791)
Income tax expense / (benefit)	4.1	6	(223)
Total profit / (loss) for the year after tax		39	(568)

Statement of Comprehensive Income for the financial year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Total profit / (loss) for the year after tax		39	(568)
Comprehensive income, net of tax			
Items that will not be classified to profit or loss:			
Gain on revaluation of property, plant and equipment	7	-	1,220
Income tax relating to revaluation of property, plant and equipment	4.3	-	(342)
Total comprehensive income attributable to equity holders		39	310

Notes to the Financial Statements are included on pages 20 to 44 and are an integral part of, and should be read in conjunction with, these Financial Statements.

Statement of Changes in Equity for the financial year ended 30 June 2023


	Notes	2023	2022
		\$ '000	\$ '000
Share Capital		1,171	1,171
Retained Earnings	17	(503)	65
Revaluation Reserve		2,998	2,118
Balance at the beginning of the year		3,664	1,332
Net Profit/(Loss) after taxation		39	(568)
Other Comprehensive Income		-	878
Share Capital		1,171	1,171
Retained Earnings	17	(466)	(503)
Revaluation Reserve		2,998	2,998
Balance at the end of the year		3,703	3,664

Notes to the Financial Statements are included on pages 20 to 44 and are an integral part of, and should be read in conjunction with, these Financial Statements.

Statement of Financial Position as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Current assets			
Cash and cash equivalents		969	921
Trade and other receivables	5	484	411
Derivative financial instruments	12.2	8	-
Total current assets		1,461	1,332
Non-current assets			
Property, plant and equipment	7	11,047	9,333
Right of use asset	9	706	748
Investment property	8	560	580
Deferred tax assets	4.3	645	244
Derivative financial instruments	12.2	126	142
Total non-current assets		13,084	11,047
Total assets		14,545	12,379
Current liabilities			
Trade and other payables	11	991	155
Lease liability	14	31	32
Current tax liability	4.2	242	13
Total current liabilities		1,264	200
Non-current liabilities			
Provisions	13	5,836	4,727
Borrowings	15	3,020	3,035
Lease liability	14	722	753
Total non-current liabilities		9,578	8,515
Total liabilities		10,842	8,715
Net assets		3,703	3,664
Equity			
Share capital and other equity instruments	16	1,171	1,171
Asset revaluation reserve		2,998	2,996
Retained earnings	17	(466)	(503)
Total equity		3,703	3,664


M B J Kerr – Chairman


M S Wheeler - Director

Notes to the Financial Statements are included on pages 20 to 44 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 2023

	2023	2022
	\$ '000	\$ '000
Cash flow from operating activities		
Receipts from customers	4,480	2,959
Payments to suppliers and employees	(2,164)	(2,986)
Interest and other costs of finance paid	(149)	(74)
Income tax paid (net of refunds)	(164)	(40)
Subvention payment	-	(13)
Net cash provided by / (used in) operating activities	2,003	(154)
Cash flow from investing activities		
Payments for property, plant and equipment	(2,049)	(714)
Interest received	140	22
Proceeds from sale of property, plant and equipment	1	33
Net cash provided by / (used in) investing activities	(1,908)	(659)
Cash flow from financing activities		
Repayment of lease liability	(32)	(31)
Repayment of related party borrowings	(15)	-
Net cash provided by / (used in) financing activities	(47)	(31)
Net increase / (decrease) in cash and cash equivalents	48	(844)
Cash and cash equivalents at the beginning of the financial year	921	1,765
Cash and cash equivalents at the end of the financial year	969	921

Notes to the Financial Statements are included on pages 20 to 44 and are an integral part of, and should be read in conjunction with, these Financial Statements.

Notes to the Financial Statements

1. 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.

2. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statements for the year ended 30 June 2023, and the comparative information presented in these Financial Statements for the year ended 30 June 2022:

2.1 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.

2.2 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 7 and 8.
- 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 8.

2.3 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 (2022: Nil).

2.4 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:

- Lease liability (note 14)
- Asset revaluation (note 7 and note 8)
- Financial instruments (note 12 and note 21)
- Provision for runway reseal (note 13.1)

2.5 COVID-19 pandemic

The COVID-19 Protection framework (traffic light system) ended at 11:59 pm September 12, 2022. These financial statements reflect the ongoing recovery of domestic and international air travel following the impacts of COVID-19. MAL passenger numbers have already recovered to pre COVID-19 levels. Scheduled capacity for future months remains strong. Where appropriate, further disclosure of the material impacts of COVID-19 are included in relevant sections of these financial statements.

2.6 New standards adopted

MAL has not applied any new standards or concessions in the current year.

2.7 New standards and interpretations issued but not yet effective

There are no other new or amended standards that are issued, but not yet effective, that are expected to have a material impact on MAL.

2.8 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.

2.9 Specific accounting policies

Specific accounting policies are contained within the relevant notes.

3. Profit from operations

3.1 Revenue

Revenue from operations consisted of the following items:

	2023	2022
	\$ '000	\$ '000
Revenue from contracts:		
Landing charges	3,461	1,975
Rental lease and concessions	420	390
Total revenue from contracts	3,881	2,365
Other operating revenue:		
Parking	550	436
Investment property rental income	47	44
Outgoings recovered	136	113
Government Grant income	-	11
Total revenue from operations	4,614	2,969
Interest revenue:		
Bank deposits and interest rate swaps	140	22
Total revenue attributable to operations	4,754	2,991
Gains and (losses)		
- on fair value of Investment Property	(20)	45
- on sale or disposal of fixed assets	(5)	19
Total gains and (losses)	(25)	64

Revenue recognition policies

Revenue is recognised as the amount of consideration expected to be received in exchange for transferring the control of promised goods or services to a customer. NZ IFRS 15 does not apply to revenues other than those from contracts with customers. Under NZ IFRS 15 revenue from landing charges is recognised at the point performance obligations are satisfied, and at the transaction price specified in the relevant contract.

Landing charges - Revenue from landing fee charges is MAL's primary source of revenue. The performance obligation is satisfied at either the time an aircraft lands or at the time passengers enter or exit the terminal to board flights. Revenue is measured based on the published transaction prices for the period.

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

Parking – is charged on an hourly and daily basis and therefore satisfaction of the performance obligation is over time. Revenue is measured based on published transaction prices.

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

Government grant income – relates to wage subsidies and is recognised at the amount of consideration received and in the period it is required to be applied. No grants were received in the current period.

3.2 Expenses

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

	2023	2022
	\$ '000	\$ '000
Operations and maintenance		
Operating expenses	1,493	1,258
Rescue fire services	550	550
Management fees	145	120
Impairments - expected credit loss	-	-
Expenses from investment property	15	-
Repairs and maintenance	1,602	1,216
Total operations and maintenance	3,805	3,144
Finance costs		
Interest expense - related party loans	135	49
Bank charges	5	5
Loss or (gain) on fair value of interest rate swaps	8	(99)
Interest expense - lease liability	28	30
Total finance costs	176	(15)

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 2.27% and 6.10% (2022: 0.57% and 1.64%).

4. Taxation

4.1 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:

	2023	2022
	\$ '000	\$ '000
Profit / (Loss) before income tax expense	45	(791)
Tax at current rate 28%	13	(221)
Plus/(less) tax adjustments:		
Prior year adjustment	-	(9)
Non-deductible items	(7)	8
Income tax expense / (benefit) recognised in the Income Statement	6	(223)
Comprising:		
Current tax expense	406	84
Prior year adjustment	-	(9)
Deferred tax credit	(400)	(298)
Total tax expense	6	(223)

4.2 Current tax asset/ (liability)

	2023	2022
	\$ '000	\$ '000
Balance at the beginning of the year	(13)	21
Current tax expense	(406)	(84)
Prior year adjustment	-	9
Income tax paid (net of refunds)	177	41
Balance at the end of the year	(242)	(13)

4.3 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	Provisions \$ '000	Leases \$ '000	Derivative financial instruments \$ '000	Totals \$ '000
Balance at 30 June 2021	753	15	(1,064)	(4)	13	(287)
Recognised in:						
Other comprehensive income	342	-	-	-	-	342
Profit or loss	(62)	4	(265)	(3)	27	(299)
Balance at 30 June 2022	1,033	19	(1,329)	(7)	40	(244)
Recognised in:						
Profit or loss	(78)	1	(314)	(7)	(3)	(401)
Balance at 30 June 2023	955	20	(1,643)	(14)	37	(645)

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. Trade and other receivables

	2023	2022
	\$ '000	\$ '000
Trade and other receivables	428	392
GST receivable	56	19
Expected Credit Loss	-	-
Balance at the end of the year	484	411

Trade and other receivables policies

Trade and other receivables are initially recognised at the transaction price. Balances are written off when the probability of recovery is remote.

MAL makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and are adjusted for factors looking forward that are specific to the debtor and general economic conditions of the industry.

MAL writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or where trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

Due to the impacts of Covid-19 on MAL and its customers an assessment was undertaken on trade debtors to assess customers' ability to meet repayments. No additional expected credit losses were identified.

6. 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.

7. Property, plant and equipment (PPE)

	Cost / Fair value	Accumulated depreciation	Carrying amount	Additions	Disposals	Disposals depreciation adjustment	Depreciation	Asset reclassification	Revaluation cost adjustment	Revaluation depreciation adjustment	Cost / Fair value	Accumulated depreciation	Carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
	1 July 2021			30 June 2022									
Freehold carpark and land improvements	2,049	(185)	1,865	139	-	-	(185)	-	(67)	369	2,120	-	2,120
Buildings	6,015	(402)	5,612	11	-	-	(404)	-	112	806	6,137	-	6,137
Plant and equipment	557	(399)	158	135	(47)	33	(36)	-	-	-	645	(401)	243
Office, furniture and fittings	334	(190)	144	2	(1)	1	(36)	-	-	-	336	(226)	110
Work in progress	397	-	397	326	-	-	-	-	-	-	723	-	723
Total PPE	9,352	(1,176)	8,176	613	(48)	34	(661)	-	44	1,176	9,960	(627)	9,333

	1 July 2022			30 June 2023									
Freehold carpark and land improvements	2,120	-	2,120	12	(1)	-	(177)	-	1	1	2,132	(178)	1,954
Buildings	6,137	-	6,137	47	(16)	1	(383)	-	-	-	6,169	(383)	5,785
Plant and equipment	646	(401)	243	411	(293)	178	(69)	-	-	-	763	(293)	471
Office, furniture and fittings	336	(226)	110	1	(7)	4	(32)	-	-	-	330	(253)	77
Work in progress	723	-	723	2,038	-	-	-	-	-	-	2,761	-	2,761
Total PPE	9,961	(627)	9,333	2,509	(316)	184	(661)	-	1	1	12,155	(1,107)	11,047



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 Property, Plant and Equipment. 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 15).

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. 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. 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 – 25.0% SL |

7.1 Valuation basis

MAL's **Freehold car park and land improvements** and **Buildings** were valued on 30 June 2022 by WSP, independent registered valuers and associates of the NZ Institute of Valuers who have recent experience in the location and category of the items being valued. The fair values of assets represent the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

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.

7.2 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.

7.3 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:

	2023	2022
	\$ '000	\$ '000
Freehold carpark and land improvements	1,205	1,315
Buildings	3,359	3,589

7.4 Capital expenditure commitments

MAL had approximately \$1.62 million committed to complete construction of the car park at balance date. (2022: nil)

8. Investment property

	2023	2022
	\$ '000	\$ '000
Balance at the beginning of the year	580	535
Net gain / (loss) from fair value adjustment	(20)	45
Balance at the end of the year	560	580

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.

8.1 Valuation basis

MAL's investment properties were valued on 30 June 2023 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.

The market is being impacted by the uncertainty that the Covid 19 outbreak, flow on and overall macro-economic conditions and climate activity have caused. Therefore, the valuation of investment properties performed by Alexander Hayward has been reported on the basis of having 'significant market uncertainty'. Alexander Hayward state as a result, less certainty exists than normal and that a "higher degree" of caution should be attached to the valuation than normally would be the case.

8.2 Fair value model

The valuation was undertaken using an 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 7.00% (2022, 6.75%).

9. Right of use asset

	2023	2022
	\$ '000	\$ '000
Gross carrying amount		
Balance at the beginning of the year	875	875
Additions / (disposals)	-	-
Balance at the end of the year	875	875
Accumulated amortisation and impairment		
Balance at the beginning of the year	127	85
Amortisation	42	42
Balance at the end of the year	169	127
Net book value at the end of the year	706	748

MAL assesses whether a contract is or contains a lease, at inception of the contract. MAL recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value asset. The Right of use asset is amortised over the life of the lease.

10. Intangible assets

	2023	2022
	\$ '000	\$ '000
Software gross carrying amount:		
Balance at the beginning of the year	112	112
Disposals	(15)	-
Balance at the end of the year	97	112
Software accumulated amortisation and impairment:		
Balance at the beginning of the year	112	112
Amortisation	(15)	-
Balance at the end of the year	97	112
Software net book value at the end of the year		

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

	2023	2022
	\$ '000	\$ '000
Trade creditors	132	65
Expenses accrued	761	31
Income in advance	20	20
Payroll liabilities	54	30
Related parties - Interest	24	9
Balance at the end of the year	991	155

Trade and other payables policies

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of invoice.

Thereafter, interest may be charged on the outstanding balances at various interest rates. The group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

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 active swaps ranged between 0.05% and 0.10% (2022: 0.05% and 0.10%).

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

	2023	2022
	\$ '000	\$ '000
Active swap contracts with Westpac bank	2,250	2,250
Future dated swap contracts with Westpac bank	4,500	-
Total	6,750	2,250

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

	2023	2022
	\$ '000	\$ '000
Interest rate swap asset / (liability) at FVTPL	134	142
Classified as:		
Current	8	-
Non-current	126	142

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

	2023	2022
	\$ '000	\$ '000
Balance at the beginning of the year	4,727	3,786
Additions	1,109	941
Balance at the end of year	5,836	4,727
Classified as:		
Non-current	5,836	4,727

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 May 2023 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 \$7.52 million (2022: \$6.7 million).

The Business and Economic Research Limited (BERL) price level adjustors plus a 4.5% 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. Lease liability

	2023	2022
	\$ '000	\$ '000
Balance at the beginning of the year	785	816
Principal repayments	(32)	(31)
Balance at the end of year	753	785
Classified as:		
Current	31	32
Non-current	722	753

MAL has utilised the recognition practical expedients specified in NZIFRS16 in respect of short-term and low value leases where appropriate. MAL has also elected to apply the practical expedient which states that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

The lease liability was measured at the present value of the minimum lease payments, discounted at the incremental borrowing rate applicable to that lease 1 July 2020. The weighted average incremental borrowing cost applied to lease liabilities at 1 July 2021 was 3.69%. The lease term was determined at 18.6 years.

15. Borrowings

	2023	2022
	\$ '000	\$ '000
Opening unsecured loans from parent at amortised cost	3,035	3,035
Plus drawdown / (Less repayment)	(15)	-
Unsecured loans from parent at amortised cost	3,020	3,035
Classified as:		
Non-current	3,020	3,035

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.

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.

15.1 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.

15.2 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 15 months.

16. Share capital and other equity instruments

	2023	2022
	\$ '000	\$ '000
1,170,726 fully paid ordinary shares (2022: 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. The asset revaluation reserve arises on the revaluation of MAL's freehold car park and land improvements and buildings. 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

	2023	2022
	\$ '000	\$ '000
Balance at the beginning of the year	(503)	65
Total profit / (loss) for the year after tax	39	(568)
Balance at the end of the year	(466)	(503)

18. Operating leases arrangements

18.1 MAL as lessee

Non-cancellable operating lease commitments:

	2023	2022
	\$ '000	\$ '000
Not longer than 1 year	62	62
Longer than 1 year and not longer than 5 years	245	247
Longer than 5 years	703	763

Lessee policies

MAL assess whether a contract is or contains a lease, at inception of the contract. MAL recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, MAL recognises the lease payments as an operating expense on a straight – line basis over the term of the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Lease arrangements

The operating leases relate to MAL's land. 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

Maturity analysis of lease payments due:

	2023	2022
	\$ '000	\$ '000
Year 1	313	459
Year 2	220	202
Year 3	72	136
Year 4	-	55
Year 5	-	-
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 6 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

19.1 Contingent assets

MAL had no contingent assets or liabilities as at 30 June 2023 (2022: Nil).

20. Related party transactions

20.1 Parent entities

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

20.2 Entities controlled/significantly influenced by the Crown

MAL enters into 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. MAL received no payments during the year from PMNZL (2022: \$1,410+GST).

MDC Holdings Limited (MDCH)

Interest is charged on the outstanding related party loan at commercial interest rates. The parent entered into swap agreements with Westpac 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:

	2023	2022
	\$	\$
Amounts paid to MDCH during the year:		
Interest on loans	135	49
Interest received on swaps	90	-
Swap valuation fees	1	1
Amounts payable/(receivable) to/(from) MDCH at balance date:		
Interest on loans	24	9
Interest on swaps	(14)	-
Borrowings	3,020	3,035
Swaps (active) held on behalf by MDC Holdings Ltd	2,250	2,250

Marlborough District Council (MDC)

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

	2023	2022
	\$	\$
Services charged by MDC during the year	263	241
Subvention payment	-	13
Services payable to MDC at balance date	-	1
Received from MDC during the year	3	10

Port Marlborough New Zealand Limited (PMNZL)

PMNZL is a related party to MAL as it has the same parent. Transactions between MAL and PMNZL are as follows, excluding GST:

	2023	2022
	\$	\$
Received from PMNZL during the year	-	1,410

21. Categories of financial instruments

Financial assets / (liabilities)		Financial assets at amortised cost \$ '000	Financial liabilities at amortised cost \$ '000	Designated as FVTPL \$ '000	Total \$ '000
Cash and cash equivalents		921	-	-	921
Trade and other receivables	5	392	-	-	392
Interest rate swaps	12.2	-	-	142	142
Trade and other payables	11	-	(125)	-	(125)
Lease liability	14	-	(785)	-	(785)
Related party loans	15	-	(3,035)	-	(3,035)
Balance at 30 June 2022		1,313	(3,945)	142	(2,490)
Cash and cash equivalents		969	-	-	969
Trade and other receivables	5	484	-	-	484
Interest rate swaps	12.2	-	-	134	134
Trade and other payables	11	-	(991)	-	(991)
Lease liability	14	-	(753)	-	(753)
Related party loans	15	-	(3,020)	-	(3,020)
Balance at 30 June 2023		1,453	(4,764)	134	(3,177)

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 MAL was most of the way through the construction of a new car parking facility. This new facility is expected to be open and operational by September 2023.

Statutory Information

Auditors

Anthony Smith of Deloitte Limited, acting on behalf of the Office of the Auditor General is the auditor for MAL for the year ended 30 June 2023.

Dividends

A recommendation will be made at the next Annual General Meeting.

Employee remuneration

The number of employees whose total remuneration received in their capacity as employees was within the specified bands is shown below:

REMUNERATION	NUMBER OF EMPLOYEES	
	2023	2022
\$110,000 - \$120,000	1	1



Interest register

Directors' remuneration and benefits

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

Directors' transactions

There were no transactions in 2023.

Directors' loans

There were no loans given by MAL to Directors.

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' 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.

Matt Kerr (Chairperson)

MDC Holdings Limited	Chair
Denovo Vineyard Trust	Trustee
Kakapo Bay Forests (2004) Ltd	Director/Shareholder
Marlborough Grape Growers Cooperative	Director
Marlborough Hospice Foundation Trust	Trustee
Marlborough Stadium Trust	Chair
Saints Investments Limited	Director
The Kershaw Trust	Trustee

Jamie Arbuckle

Marlborough District Council	Councillor
MDC Holdings Limited	Director
Marlborough Harness Racing Club Inc.	Committee Member
New Zealand First (Political Party)	Board Member

Alexandra Barton

MDC Holdings Limited	Director
Barton Food Limited Director	Director/Shareholder
BDO Marlborough Tasman Limited	Director/Shareholder
BDO New Zealand Limited	Director
BDO New Zealand Nominee Limited	Director/Shareholder
Fairhall Fundraising Inc	Member
Malbec Trust	Trustee
Marlborough Lines Limited	Director
Ngāti Apa ki te Rā Tō Trust Board	
Audit & Risk Subcommittee	Member
Seaview Capital Limited	Director
Village to Village Charitable Trust	Trustee

David Croad

Marlborough District Council	Deputy Mayor
MDC Holdings Limited	Director
Marlborough Housing for the Elderly Trust	Trustee
Neil and Dianne Croad Family Trust	Trustee

Nadine Taylor

Marlborough District Council	Mayor
MDC Holdings Limited	Director
Fairhaven Family Trustee	Trustee
G&N Taylor Fishing Trust	Trustee
Legacy Fishing Limited	Director/Shareholder
Legacy Investments 2010 Limited	Director/Shareholder
Rainey Family Trust	Trustee
Woodgate Family Trust	Trustee

Mark Wheeler

Marlborough District Council	Chief Executive
MDC Holdings Limited	Director
CAMA Trust	Trustee

Company Directory

Directors

M B J Kerr(Chairman)
J Arbuckle
A M Barton
D Croad
N Taylor
M S Wheeler

Registered Office

Marlborough District Council
15 Seymour Street
Blenheim

Company Number

517274

CEO

Dean Heiford
Marlborough District Council
Telephone (03) 520 7400

Auditor

Anthony Smith 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

Ford Sumner Lawyers
Level 7 Midland Chambers
45 Johnston Street
Wellington
Telephone (04) 9103200

Shareholders

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

