2014

Port Marlborough

ANNUAL REPORT

PORT marlborough
NEW ZEALAND LTD

VISION

We strive to deliver value to our customers through flexible, responsive partnerships as the preferred maritime hub for the top of the South Island.

MISSION

- Excellent Customer Service
- Sustainable return to the Shareholder

VALUES

- **SAFETY**
  Our health and safety culture is real, vital and all-encompassing
- **INTEGRITY**
  We always adhere to professional principles, honesty and reliability; delivering customer service and communicating to the very best of our ability
- **RESPONSIBILITY**
  We respect the environment and take a responsible, proactive approach to environmental management
- **RECOGNITION**
  We value employees and their skill levels
- **ENGAGEMENT**
  We engage openly and constructively with the communities in which we operate

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Rachel Russell - Pages: 4/5, 16/17 and 18/19.
Raymond McKay - Page 14/15.

CONTENTS

THE 2014 YEAR IN SUMMARY

Results in Brief and Operational Summary

Group Results	2014	2013
Operating Surplus (Loss) before Non-Cash Revaluations, Tax and Subvention Payment	$6.528m	$5.603m
Valuation Adjustments Non-Cash		
- Property	$0.406m	$0.760m
- Financial Derivatives	$0.626m	$0.828m
Operating Surplus (Loss) before Tax and Subvention Payment	$7.560m	$7.191m
Provision for Tax and Subvention Payment	($1.924m)	($1.563m)
Operating Surplus / (Loss) After Tax	$5.636m	$5.628m
Return on Average Shareholder's Funds (excluding non-cash revaluations)	4.7%	5.2%
Net Asset Backing per Share	$7.25	$6.96
Interim Dividends	6.3c	6.5c
Final Dividend – Recommended per Share	8.5c	6.7c
Dividend – Interim and Proposed Final	**$2.011m**	**$1.794m**

Contribution to Group Revenues	2014 ($000)	2013 ($000)
Port Installations and Services	13,719	13,025
Investment Property (includes Marinas)	8,102	7,748
Marine Farm Facilities	669	669
Miscellaneous	26	45
Total Group Revenue*	**22,516**	**21,487**

** Excludes non-cash revaluations*

1,338 VESSELS ACCOMMODATED AT MARINAS (berths, boatsheds, compounds)

3,443

VESSEL VISITS (over 500GRT)

KEY OPERATIONAL PERFORMANCE INDICATORS

	2014	2013	2012
Number of Ship Visits			
Ferries	3,328	3,487	3,525
Cruise Ships	19	22	20
Other over 500 GRT	91	98	56
Total Ship Visits	**3,443**	**3,607**	**3,601**
Non-Ferry Cargoes			
Logs (Export and Domestic, JAS '000s)	625,910	539,863	454,128
Salt (Tonnes)	-	26,010	-
Cement (Tonnes)	4,826	5,680	3,940
Fish (Tonnes)	10,030	7,778	7,077
Other (Tonnes)	25,059	32,284	28,887
Total Cargo (Tonnes)	**665,825**	**611,615**	**494,032**
Marina Facilities - Berth Occupancy (average %)			
Havelock Marina (366 berths)	71%	74%	76%
Waikawa Marina (459 berths)	93%	94%	93%
Picton Marina (195 berths)	97%	99%	100%
Total Average Occupancy	**87%**	**89%**	**87%**

PORT PROFILE

Port Marlborough New Zealand operates port and marina facilities in the north east of the South Island. The Company plays a key role in Marlborough's regional economy, facilitating the growth of some of the region's most significant and emerging industries including tourism, forestry export and marine farming.

Port Marlborough has three primary spheres of operation. Strategically located at the junction of New Zealand's major North/South road and rail routes with the coast, the port provides the South Island terminal for inter-island passenger and freight ferries at Picton.

In Shakespeare Bay, adjacent to Picton Harbour, Waimahara Wharf provides New Zealand's deepest export berth. Port Marlborough is the second largest marina operator in New Zealand, with three marinas providing nearly 1200 berths plus accommodation for a further 500 vessels in boat sheds and storage compounds.

Operations span several different geographic locations. In each, the Company has substantial property-holdings that offer development potential both in support of traditional port and marina activities and in new ventures.

PICTON

- Inter-island freight and passenger ferry berths and terminals
- Berths for cruise ships up to 320 metres LOA
- Wharf facilities servicing aquaculture, commercial fishing and tourism operators
- Export shipping berth (draft 15.3 metres) and adjacent quayside storage facility in Shakespeare Bay servicing log export, project cargos and general cargos
- Extensive land holdings supporting integrated port activities
- Picton Marina, including berths for super-yachts and other vessels to 35 metres plus

WAIKAWA

- Waikawa Marina, including land-based boat storage and launching facilities
- Waikawa Travelift haulout and hardstand facility (capacity >50 vessels)
- Waikawa Marine Centre, a cluster of marine service industry and hospitality businesses associated with the Marina

HAVELOCK

- Berth, wharf and land-side facilities to service marine farming, tourism, forestry and barging operators in Pelorus Sound
- Havelock Marina, providing berths for recreational vessels, land-side storage and boat launching facilities
- An eight hectare reclamation accommodating a range of maintenance, marine related and value-added industries, with capacity for expansion and growth

MARLBOROUGH SOUNDS

- Wharf and port landing facilities in Elaine Bay and Port Underwood to support marine farming operators

SUBSIDIARIES

Port Marlborough has three wholly-owned subsidiaries: Waikawa Marina Trustee Limited and PMNZ Marina Holdings Limited, both of which were established to facilitate the sale of long-term berth entitlements in the Waikawa Marina extension; and Marlborough Sounds Maritime Pilots Limited which provides pilotage and towage services.

OWNERSHIP

Port Marlborough's sole shareholder is MDC Holdings Limited, a wholly-owned subsidiary of Marlborough District Council. The Council is the Harbour Authority for Marlborough and employs a Harbourmaster and support staff to exercise the duties and powers required under the Local Government and Maritime Transport Acts.

Note: Throughout this report Company and Parent refer to Port Marlborough New Zealand Limited.

The Group comprises the Parent and subsidiaries (as above).

984,582 pax

PASSENGERS THROUGH PORT (ferry & cruise ship passengers)

REPORT OF THE CHAIRMAN AND CHIEF EXECUTIVE

This has been a very positive year for Port Marlborough. Operational performance has lifted significantly on the back of strong log volumes and continued underlying business growth generated by the Company's ongoing capital investment programme. The fundamental commitment of Directors and Management to safety and environmental responsibility as primary Company values is leading cultural change across the business. Whereas the year started with substantial threat around the future of inter-island ferry operations at Picton, we now have certainty and a clear, forward focus.

PERFORMANCE RECORD

616,351

JAS Logs Exported

CLIFFORD BAY DECISION DELIVERED

The Company very much welcomed the decisive announcement by the Minister of Transport on 14 November 2013 that Picton should remain as the southern terminal for the inter-island ferries; and that the Clifford Bay ferry terminal project will not proceed. The Government's two-and-a-half year investigation into the commercial viability of a ferry terminal at Clifford Bay confirmed that Picton has both capacity and capability to meet inter-island terminal needs in a commercially efficient manner for at least the next thirty years.

This decision finally provides the planning confidence required for Port Marlborough to advance a commercially driven investment programme to optimise Port facilities for our customers and for our region.

Discussions are underway with both Interislander and Strait Shipping as we work to understand and provide for their berth, marshalling and terminal needs. We look forward to confirming long-term commercial agreements with both customers that consolidate constructive business relationships across this sector.

Integrated redevelopment plans for the wider Port precinct are being advanced as we embark on a well-considered capital investment programme across the port, under-pinned by commercial demand for facilities.

Performance during the year has been excellent as a consequence of very strong log exports which exceeded forecast volumes by large measure, resulting in the Port's first export year in excess of 600,000 JAS. Performance across other operational areas was satisfactory as additional productive capacity continues to come on stream.

Following significant capital investment in replacement of aged marina facilities and environmental improvements in recent years, our focus in this sector has now turned to business consolidation and a strong emphasis on service delivery through the Marlborough Sounds Marinas operational team.

FINANCIAL PERFORMANCE

The Group's revenues lifted 4.8% to $22.52 million (2013 $21.49 million) as a result of particularly strong log exports, with a record 616,351 JAS exported (19.5% ahead of volume budget). Total cargo through the Port was 18% ahead of budget. Other revenue streams continue to improve as pricing against various capital developments undertaken in previous years begins to reach maturity.

Group pre-tax operating surplus improved by 16.6% on the prior year to reach $6.53 million (adjusted for non-cash revaluations and subvention payment) for the year ended 30 June 2014 (2013: $5.60 million). Net surplus after tax of $5.64 (2013 $5.63 million) includes a net non-cash adjustment of $1.03 million due to movements in investment property and financial derivative (interest rate hedging) valuations as required under International Financial Reporting Standards (IFRS). The previous year's results included a number of non-taxable valuation gains; therefore tax payable is higher this year.

Planned capital investment continued through the year in line with the Company's long-term investment and development programme. Successful completion of the Picton Marina inner basin redevelopment signalled the conclusion of a significant marina facilities upgrade programme undertaken over the past several years. Investment in a fit-for-purpose Information and Communication Technology suite, replacing technology systems first installed in the early 1990's, will deliver tangible business benefits; and will provide the business systems agility needed to optimise future opportunities for growth.

FINANCIAL POSITION AND DIVIDEND

Total Group assets grew 4.4% and now exceed $143.84 million. The Group's equity ratio of 68.5% is satisfactory and is considered appropriate for our diversified business portfolio.

Directors are proposing a final dividend of $1.15 million, bringing the total distribution for the year to $2.01 million. Port Marlborough has distributed a total of $29.7 million in dividends to our shareholder, a wholly owned subsidiary of Marlborough District Council, over the last ten years and nearly $60 million since the Company was established in 1988.

2013/14 STATEMENT OF CORPORATE INTENT PERFORMANCE TARGETS

The targets for financial and operational performance, as detailed in the 2013/14 Statement of Corporate Intent, are compared below with actual results achieved for the period 1 July 2013 to 30 June 2014.

	TARGET	RESULT
FINANCIAL PERFORMANCE		
Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA) - excludes non cash revaluations	*$8.88m*	*$10.51m*
Return on Shareholder's Funds (excluding non-cash revaluations)	*4.1%*	*4.7%*
Equity Ratio	*67.0%*	*68.5%*
OPERATIONAL PERFORMANCE		
Ferry freight movement (% volume movement to prior year)	*1.0%*	*5.3%*
Total Log volumes	*516,000 JAS*	*625,910 JAS*
Cruise ship visits	*19*	*19*
Marina berth occupancy	*88%*	*87.2%*
Marina boatshed occupancy	*95%*	*97.5%*
HEALTH AND SAFETY		
Lost time accidents frequency rate (per 100,000 work hours)	*1.0*	*3.3*
Number of injury accidents	*8*	*6*

2,736,610

FERRIES: LANE METRES FREIGHT

(rail and commercial vehicles)

2010	2011	2012	2013	2014
2,265,058	2,528,628	2,579,125	2,592,400	2,736,610

GOVERNANCE

The effective relationship between the Board and executive staff continues to underpin strong delivery on the Company's strategic objectives, with a medium to long term focus on development of a balanced and robust business portfolio. In particular, executive staff have very much appreciated the ongoing support of the Board and the Shareholder through the uncertainty brought by the Clifford Bay investigation. The composition of the Board remains unchanged from 2013.

HEALTH AND SAFETY

Health and Safety in the workplace is a strategic imperative for Port Marlborough. We are fully committed to leading a health and safety culture across staff and all port users that is real, vital and all-encompassing. Progressively stronger emphasis on lead indicators as a primary safety performance measure together with increased vigilance regarding safety of contractors and other port users has commanded a strong focus throughout the period, and will feature even more prominently in the years ahead.

OUR PEOPLE

This has once again been a full and productive year; we acknowledge and thank all staff throughout the Company, and our many local contractors and service providers for their skill, enthusiasm and commitment.

Consolidation of the the wider leadership team has continued following several new appointments during the 2012-13 year.

Tony Osborne, Manager Property, resigned mid-year to return to Auckland, leaving a valuable legacy from his five years with the Company. Tony led a number of significant commercial developments during his tenure and brought a strong commercial and strategic contribution to the Executive Team. The role of Manager Property is currently vacant.

Many of Port Marlborough's staff are members of and are represented by the Rail and Maritime Transport Union. We take this opportunity to acknowledge and appreciate the important contribution that the RMTU and its representatives make to our workplace.

Lost Time Injuries
(LTI/100,000 hours)

2013/14	2012/13	2011/12	2010/11	2009/10
3	3	0	4	1

Total Staff
(Measured as Fulltime Equivalents employed at year end)

2013/14	2012/13	2011/12	2010/ 11	2009/10
50	49	48	48	49

OUTLOOK

Now that we have planning certainty, our focus is strongly set to ensure the Port has the capacity, flexibility and agility to meet the emerging demands of our direct customers; and offer commercial options to meet transport and marine services needs for Marlborough and the wider top of the South Island.

A primary task is to conclude commercial arrangements with our inter-island ferry customers with appropriate recognition of the need for further investment. In parallel with this we will be planning for replacement, upgrade and expansion of core port infrastructure. This is provided for within the Port's ten-year capital development programme, currently scoped to total $100 million progressively over the period out to 2025.

This level of investment in the region's Port will require careful management and commitment from the Company, its key customers and the Shareholder over the coming years. The renewal of infrastructure to provide for long term contracts with ferry customers will challenge existing funding lines; and innovative proactive solutions may well be required.

CONCLUSION

It is with a great deal of energy and application that we move forward now without the impediment that was Clifford Bay. The scene is well set for the Company to progress development of modern, flexible port facilities and responsive business systems that enable excellent delivery to our customers and for which the region should be justifiably proud.

E G (Ed) Johnson
Chairman

I M McNABB
Chief Executive

REVIEW OF OPERATIONS

PORT OPERATIONS

Port installations and services revenue lifted a further 5.3%, continuing the positive movement of the previous year.

Export log volumes hit a record high and for the first time exceeded 600,000 JAS, contributing to growth in total log throughput of 16% on the previous year. Notwithstanding a softening of volumes since balance date, log trade through the Port is forecast to continue at around 600,000 JAS for the next four to five years followed by a further increase as regional plantings mature.

Cook Strait ferry freight (commercial vehicles and rail) lifted 5.6% on the previous year. Significant transfer of freight from interisland rail to commercial vehicles occurred when the roll-on roll-of vessel *Stena Alegra* replaced Interislander's rail vessel *Aratere* for several months, leading to record throughput of commercial vehicles through the Port.

Ferry passenger and private vehicle numbers continued to soften at -1.5% and -2.5% respectively, in line with trends established in previous years.

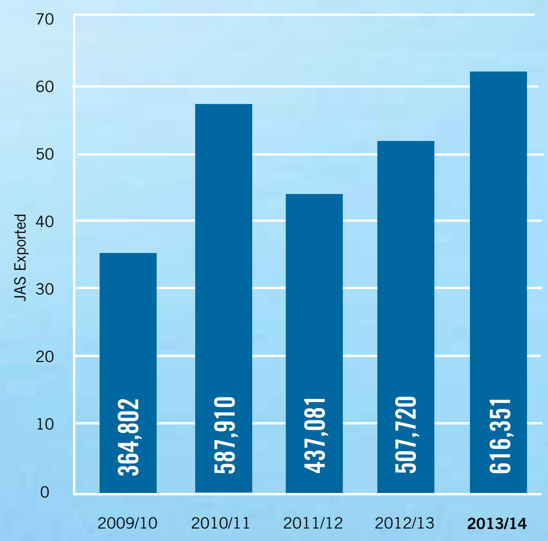
We are strongly committed to providing excellent facilities for both Cook Strait ferry operators, Interislander and Strait Shipping. Practical impacts from the Minister's November announcement that the inter-island ferry port will remain at Picton began immediately, as previously stalled capital investment in new heavy-vehicle marshalling space for Strait Shipping was reactivated to deliver much-needed new facilities for the coming summer.

We look forward to working with both ferry operators to understand their long term requirements as we work to cement productive long-term commitments with each company.

Picton's growing reputation as a responsive, cruise-friendly port led to several unscheduled visits by cruise ships whose original plans were disrupted by bad weather further south. Total cruise visits at 19 were three less than the previous year due to temporary changes in trans-Tasman arrangements by the major cruise lines. The coming season will see a marked growth in cruise activity as 33 ship visits bring more than 48,000 passengers through Picton in what will be the busiest Marlborough cruise season yet.

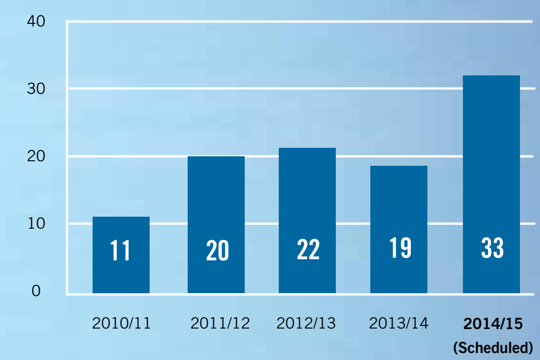
Subsidiary company Marlborough Sounds Maritime Pilots Limited has been active in delivery of marine services in support of log export and cruise vessels, and providing tug assistance to inter-island ferries on several occasions.

Shakespeare Bay Log Exports (JAS)

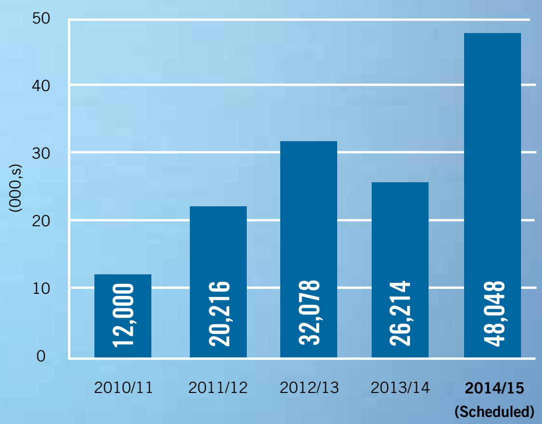


33 scheduled Cruise Ship visits for 2014/2015: 57% increase

Cruise Ship Visits



Passenger Numbers



19 Cruise Ship visits

MARLBOROUGH SOUNDS MARINAS

Marlborough Sounds Marinas' commitment to providing excellent services to recreational boating customers has continued throughout the year.

The Marinas have performed steadily with similar berth occupancy levels year-on-year; and indications of a modest lift in demand for shore-based storage in boatsheds and secure compounds.

At Waikawa Marina, Burnsco's new store opened prior to the boating season and has enjoyed a strong first summer, further consolidating the boating services cluster at Waikawa Marine Centre. A further twelve boatsheds established at Waikawa are fully tenanted.

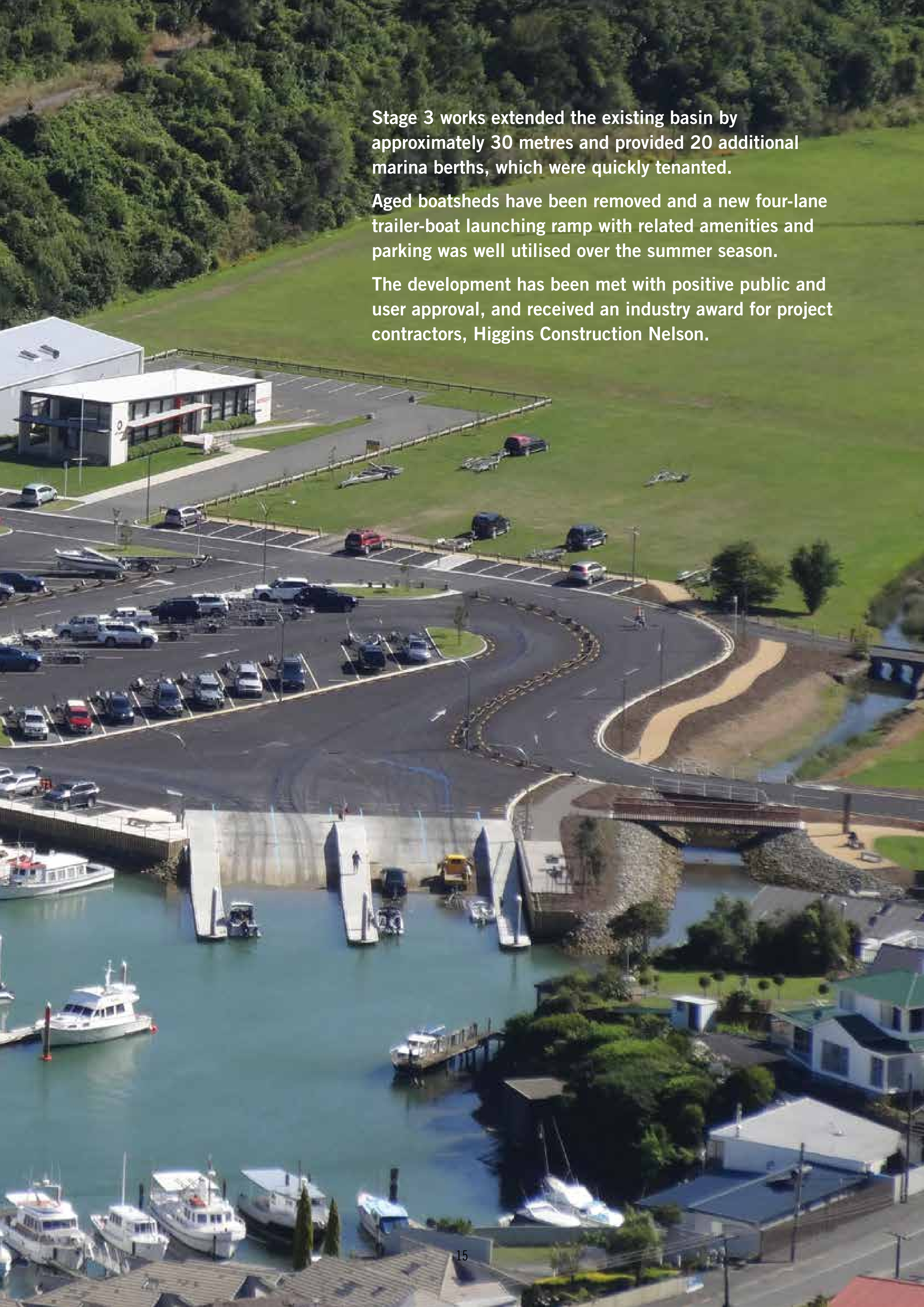
At Havelock, continuing enhancements to user convenience include installation of additional trailer-boat washdown bays.

Completion of Stage 3 of the Picton Marina Inner Basin redevelopment in November signalled the end of a multi-year project to replace facilities originally built in the mid-1960s. Picton's waterfront and Marina are integral to the township; therefore a great deal of care was necessary in design of this final phase to integrate the needs and aspirations of the area's multiple stakeholders.

Stage 3 works extended the existing basin by approximately 30 metres and provided 20 additional marina berths, which were quickly tenanted.

Aged boatsheds have been removed and a new four-lane trailer-boat launching ramp with related amenities and parking was well utilised over the summer season.

The development has been met with positive public and user approval, and received an industry award for project contractors, Higgins Construction Nelson.



DEVELOPMENT AND PLANNING

The certainty provided by Clifford Bay decision has finally provided the planning confidence required to advance long term development planning for the Port precinct.

In strong focus are the needs of our inter-island ferry customers and their future fleet configurations, marshalling and terminal requirements. Development planning for ferry facilities is occurring in consultation with ferry operators as we work together to cement long term commercial relationships and practical efficiencies within the Port.

Redevelopment plans for general wharf and associated infrastructure along Westshore are being advanced to ensure that the Port provides both the flexibility and capacity required to meet existing and emerging customer needs, while planning for replacement of aged infrastructure.

Completion of the Picton Stage 3 Marina redevelopment and the opening of the Burnsco store at Waikawa in early summer signalled the conclusion of an active redevelopment phase through the marinas business that has included various upgrades and expansions across all three marinas in recent years.

Port Marlborough's Plan Change 21, which seeks to rationalise swing moorings and marina zoning in Waikawa Bay, remains under appeal to the Environment Court. Significant progress has been made during the year to advance a solution to the matters raised by Plan Change 21, to satisfy the needs of all parties to the appeal.


10

OUR COMMUNITY

The Company continues to engage with our community on a number of levels including Picton and Havelock Business Groups, and the Picton Forum.

Two of our most significant community partners are Kaipupu Point Sounds Wildlife Sanctuary, and Port Marlborough Pavilion at Endeavour Park. Both organisations have just completed their first year of full public operation – and both with resounding success. Port Marlborough values enduring relationships with these partners, and provides assistance to each in many and varied ways.

The Company also supports a number of community events and festivals, including the Picton Foreshore New Year's Eve event and fireworks in partnership with Marlborough District Council, Havelock Mussel Festival, Picton Maritime Festival, and the Marina to Marina Fun Run.

A number of schools are assisted; as are not-for-profit organisations including Marlborough Hospice, Marlborough Salvation Army, St John, Coastguard Marlborough, Marlborough Maritime Radio, and the Picton Community Foodbank.

OUR ENVIRONMENT

We respect the environment and take a responsible, proactive approach to environmental management through our day to day operations, development planning, and wider community partnerships.

Extensive investment in environmental management infrastructure across the three marinas in the past three years has continued with installation of best practice facilities at Picton, including water quality management and recycling facilities. Across all operations the Company has a primary focus to ensure that all discharges to water are of a high and complying environmental standard.

Ongoing projects targeting best practice environmental performance within Shakespeare Bay log yard and port noise have continued through the year.

THE BOARD OF DIRECTORS

Ed Johnson (Chairman)

BA (Hons) Finance and Accounting, MBA (Hons), FInstD

Ed Johnson was appointed to the Board in December 2007 and has been Chairman since December 2008. He is also Chairman of Goldpine Industries Ltd and Indevin Ltd; and is a director Port Otago Limited and ECL Group Ltd. He retired as Chairman and Chief Financial Officer of Shell New Zealand in 2002 after a number of senior management roles in New Zealand, Australia and the UK. In 2001 Ed was appointed the inaugural Honorary Fellow of Massey University's Centre for Business and Sustainable Development. In 2003 he was made a Fellow of the Institute of Directors in New Zealand. Ed resides in Marlborough, dividing his time between the Wairau Valley and Pelorus Sound.

David Wilkie *BE (Civil) FIPENZ MICE*

David Wilkie was appointed to the Board in December 2008. He was formerly an Executive Director with Beca Carter Hollings and Ferner Ltd, Consulting Engineers before retiring to Picton in 1999. David has extensive experience in infrastructure development within New Zealand, Australia and Indonesia and has been a director of other companies.

Keith Taylor *BSc, BCA, FIA, AFInstD*

Keith Taylor was appointed to the Board in December 2009. He is a professional director with extensive experience in senior management roles including Group Managing Director and Chief Executive of Tower Limited. He has property in the Marlborough Sounds. Keith's current directorships include the Reserve Bank, the Earthquake Commission (Deputy Chairman), Gough Holdings Ltd (Chair), Government Superannuation Fund (Chair) and Southern Cross Healthcare.

David Brown *FNZIM*

David Brown was appointed to the Board in December 2008. He is a former Managing Director of diversified public listed company Amuri Corporation Ltd and has been a director of several New Zealand companies in the transport, consulting, technology and engineering sectors. David is Chairman of The Link Pathway Trust, past President of Coastguard Marlborough, and resides in Picton.

Martin Fletcher *CA, MInstD*

Martin Fletcher was appointed to the Board in August 2008. A qualified accountant, he has had extensive experience at a senior level at the Office of the Controller and Auditor General and Transit New Zealand (now part of the NZ Transport Agency). Martin is currently Manager Corporate Finance – CFO with the Marlborough District Council and is Council's representative on the Board of Directors.

Kerry Hitchcock *BCom, LLB, AREINZ, MInstD*

Kerry Hitchcock was appointed to the Board in December 2009. He is Managing Director of NZX listed company NPT Ltd.

Martin Fletcher David Brown Ed Johnson Keith Taylor David Wilkie Kerry Hitchcock

Gavin Beattie Carmen Gimpl Ian McNabb Dean Craighead Rose Prendeville

EXECUTIVE TEAM

Ian McNabb

Chief Executive *Dip VFM MInstD MPINZ*

Ian was appointed Chief Executive in April 2008. His extensive property development and management experience spans roles with Landcorp Property, Van Diemen's Land Company and Manager of Services and Rivers for the Marlborough District Council. In 1997 he was appointed Project Manager with Ngai Tahu Property Limited and from 2004 was General Manager Property Development. Ian has a long history with the Company having been a member of the inaugural 1988 Board of Directors.

Dean Craighead

Chief Financial Officer *BCom CA*

Dean returned to Port Marlborough in November 2005 after a three-year term in private practice. Prior to this he had headed Port Marlborough's accounting team since 1988. He is responsible for financial operations, financial and management reporting and information technology, and also heads the Company administration team. Dean has served on various regional committees of the Institute of Chartered Accountants of New Zealand.

Carmen Gimpl

General Manager Operations *BCom CA*

Carmen has been with Port Marlborough since 2001 and has managed port operations and commercial activity in Picton and Shakespeare Bay since 2006. Her scope of responsibility expanded in October 2009 to also include the Company's three marinas, and general management of subsidiary company Marlborough Sounds Maritime Pilots Limited.

Rose Prendeville

Projects Manager *BTech (I.E), Dip.PM (NZIM)*

Rose has a comprehensive business background spanning production and process engineering, production management, marketing, administration and project management, and has held general management roles in the engineering and construction materials sectors. Having initially joined Port Marlborough in 2003 she was appointed to the role of Projects Manager in 2009. Rose is tasked with providing specialist project management leadership and experience, implementation of best practice project management across the business and leadership of key strategic projects.

Gavin Beattie

Manager – Infrastructure and Engineering
BE Mech (Hons) MIPENZ CPEng

Gavin joined Port Marlborough in September 2012. He previously worked as a consultant engineer working on hydropower and industrial projects in New Zealand and overseas. He has experience in project and contract management as well as technical leadership for a diverse range of engineering projects. Gavin is responsible for management of existing port and marina infrastructure, and provision of new assets. He leads the engineering and workshop team.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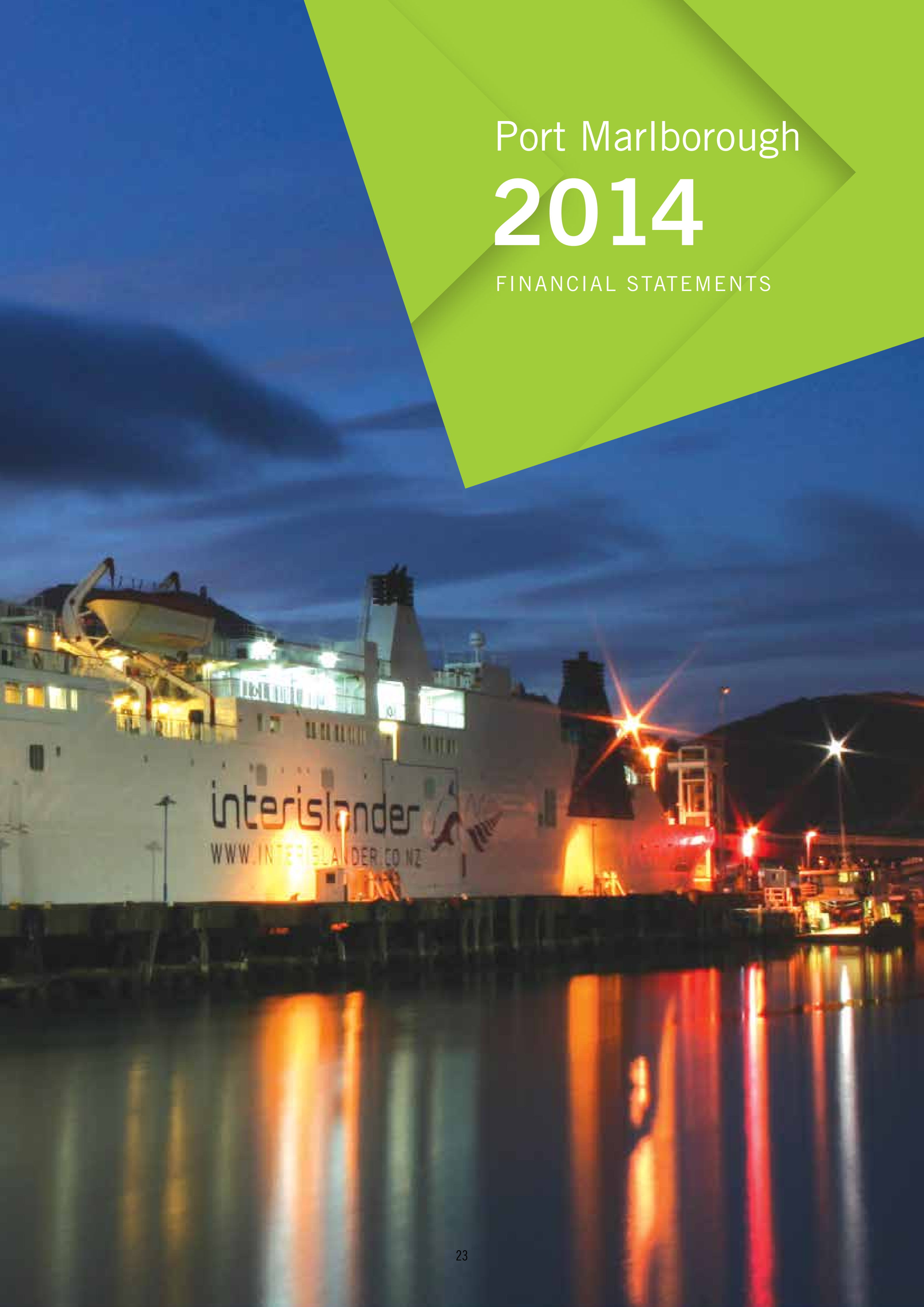
Port Marlborough

2014

FINANCIAL STATEMENTS



Statutory Information

Directors' Report

The Directors of Port Marlborough New Zealand Limited are pleased to present to the Shareholder their Annual Report and financial statements for the year ended 30 June 2014.

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 Port Marlborough New Zealand Limited and its subsidiaries as at 30 June 2014 and the results of the Group's 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 of Port Marlborough New Zealand Limited and its subsidiaries for the year ended 30 June 2014.

Employee Remuneration

The number of employees whose total remuneration received in their capacity as employees was within the specified bands is shown below. The details are identical for both the Parent and the Group.

Remuneration	Number of Employees 2014	2013
$100,000 – 110,000	2	1
$130,000 – 139,000	2	1
$170,000 – 179,000	2	1
$180,000 – 189,000	1	-
$190,000 – 199,000	-	1
$210,000 – 219,000	-	1
$330,000 – 339,000	-	1
$340,000 – 350,000	1	-

The figures include all benefits, retiring allowances and Fringe Benefit Tax.

Interests Register

Directors' Remuneration and Benefits

The remuneration paid to non-executive Directors during the year ended 30 June 2014 was: E G Johnson $57,500. Messrs D A H Brown, M F Fletcher, K D Hitchcock, K B Taylor and D R Wilkie $28,750 each.

The fees relating to M F Fletcher were paid to Marlborough District Council.

Directors' and Officers' Liability Insurance

The Company has arranged Directors' and Officers' Liability Insurance with QBE Insurance International 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' Interests in Contracts

The following Directors have declared interests in the identified entities. The declaration serves as notice that the Director may have a commercial interest in or benefit from any transaction between the holding company or Group and the identified entities.

Members Interests:

Ed Johnson
Fulton Hogan Limited, Shareholder
Goldpine Group Ltd, Chairman/Shareholder
Indevin Limited, Chairman/Shareholder
ECL Group Limited, Director
Port Otago Limited, Director
National Institute of Water and Atmospheric Research, Director
Stone Farm Holdings Limited, Director/Shareholder
E G and D M Johnson Family Trust, Trustee

David Brown
Link Pathway Trust, Trustee
Bishopdale Theological College Foundation, Board Member
Hornby Trust, Trustee

Martin Fletcher
Marlborough District Council, Manager Corporate Finance CFO
Calmar Cherries Ltd, Director/Shareholder

Kerry Hitchcock
Charta Limited, Director
Kerry D Hitchcock Limited, Director
Crescent Management Limited, Director
Unicentre Limited, Director
Charta Real Estate Limited, Director
Tamaki Station Limited, Director
Forte Management Limited, Director
Tamaki Investment Trust Company Limited, Director
Charta Management Holdings Limited, Director
Charta Funds Management Limited, Director
K D Investment Trust Company Limited, Director
Bay Investments Trust Company Limited, Director
Charta Management Limited, Director
Kauri Tamaki Limited, Director
Kauri Property Fund Limited, Director
NPT Capital Limited, Director
Ocean Boulevard Shopping Centre Limited, Director
The National Property Trust No 2 Limited, Director
342 Lambton Quay Limited, Director
Eastgate Shopping Centre Limited, Director
The National Property Trust Investments Limited, Director
99 Albert Street Limited, Director
Hornby Mall Limited, Director
The National Property Trust No 1 Limited, Director
36 Sel Peacock Drive Limited, Director
NPT Management Team Limited, Director
NPT Limited, Director
22 Stoddards Road Limited, Director

Keith Taylor
Earthquake Commission, Deputy Chairman
Butlands Management Services Limited, Director
Southern Cross Medical Care Society, Healthcare Trust and Hospitals Limited, Director/Trustee
Reserve Bank of New Zealand, Deputy Chairman
Gough Holdings Ltd/Chairman
Government Superannuation Fund, Chairman
Carey Baptist Theological College, Board Member
Speirs Group Limited, Chairman

David Wilkie
Smart Alliances Ltd, Director
Wilkie Harris Family Trust, Trustee

Directors' Loans

There were no loans 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.

Statement of Responsibility

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

Corporate Governance Statement

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. Corporate governance encompasses the direction and control of the business by the Directors and the accountability of the Directors to the Shareholder, MDC Holdings Ltd, for the performance of the Company, and compliance by the Company with laws and standards. This summary provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board of Directors (the "Board") is appointed by the shareholders to supervise the management of the Company and its subsidiary companies (the "Group"). The Board establishes the Group's objectives, strategies for achieving objectives, and the overall policy framework within which the Group's business is conducted and monitors management's performance. The Board has delegated the day-to-day management of the Group to the Chief Executive.

The Board also ensures that appropriate procedures are in place to provide for effective internal control.

Board Operations and Membership

The Board comprises six non-executive Directors: a Chairman and five Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' qualifications and details are set out on page 20 of this report.

Port Marlborough's constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

Board Committees

The Board has an Audit Committee comprising the six non-executive Directors: a Chairman and five Directors. The Audit Committee is responsible for overseeing the financial, accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements, and making recommendations on financial and accounting policies.

Statement of Corporate Intent

In accordance with section 13 of the Port Companies Act 1988 the Board submits an annual Statement of Corporate Intent (SCI). The SCI sets out the Company's overall objectives, intentions, and financial and performance targets. The SCI is approved by the shareholder, MDC Holdings Limited which is wholly owned by the Marlborough District Council.

Risk Management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets and longer-term strategic plans are prepared, and agreed by the Board. Financial statements and operational reports are prepared on a monthly basis and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

In addition, the Board reviews risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and recommendations made by the external auditors.

Directors' Approval of Financial Statements

For the Year Ended 30 June 2014.

Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2014 on pages 28 to 56.

Authorisation for Issue

The Board of Directors authorised the issue of these Financial Statements on 15 September 2014.

EG Johnson Chairman **MF Fletcher** Director

For and on behalf of the Board of Directors

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF
PORT MARLBOROUGH NEW ZEALAND LIMITED AND GROUP'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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

We have audited the financial statements of the company and group on pages 28 to 56, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Financial statements

In our opinion the financial statements of the company and group on pages 28 to 56:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the company and group's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date.

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 and group as far as appears from an examination of those records.

Our audit was completed on 15 September 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements 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. 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. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements 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 and group'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
- the overall presentation of the financial statements.

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

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 that:

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements 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, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Port Companies Act 1988.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 19 of the Port Companies Act 1988.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

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

Income Statement

For the Financial Year Ended 30 June, 2014

	Notes	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Revenue	2(a)	22,461	21,417	21,260	20,153
Other income	2(b)	55	70	52	61
Investment Property Revaluation	9	406	760	406	760
Operations and Maintenance		(6,784)	(6,696)	(6,067)	(6,078)
Employee benefits expense	4	(5,223)	(5,110)	(4,994)	(4,815)
Depreciation, impairment and amortisation expense	2(b)	(2,133)	(2,328)	(1,975)	(2,164)
Finance costs	2(b)	(1,222)	(922)	(1,222)	(922)
Subvention Payments		(367)	(374)	(367)	(374)
Profit before income tax expense		**7,193**	**6,817**	**7,093**	**6,621**
Income tax expense	3(a)	(1,557)	(1,189)	(1,529)	(1,134)
Profit for the year		**5,636**	**5,628**	**5,564**	**5,487**

Statement of Comprehensive Income

For the Financial Year Ended 30 June, 2014

	Notes	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Profit for the year		**5,636**	**5,628**	**5,564**	**5,487**
Other Comprehensive Income, net of tax					
Gain on Revaluation of Property, plant and equipment		-	**9,939**	-	**9,939**
Income tax relating to valuation of Property, plant and equipment		-	**(2,860)**	-	**(2,860)**
Total Comprehensive Income for the Year, net of tax		**5,636**	**12,707**	**5,564**	**12,566**
Comprehensive Income attributable to Members of the parent entity		**5,636**	**12,707**	**5,564**	**12,566**

Statement of Changes in Equity

For the Financial Year Ended 30 June, 2014

	Notes	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Equity at beginning of the year		94,601	83,579	94,417	83,536
Total Comprehensive Income for the Year, net of tax		**5,636**	**12,707**	**5,564**	**12,566**
Dividends	**18**	(1,766)	(1,685)	(1,766)	(1,685)
Balance at end of the year		**98,471**	**94,601**	**98,215**	**94,417**

Notes to the financial statements are included on pages 31 to 56.

Statement of Financial Position

As at 30 June, 2014

	Notes	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current assets					
Cash and cash equivalents	24(a)	1,350	572	1,212	515
Trade and other receivables	6	2,320	2,245	2,291	2,173
Inventories	7	330	275	330	275
Inter-Group Loan		-	-	303	487
Total current assets		**4,000**	**3,092**	**4,136**	**3,450**
Non-current assets					
Investment in subsidiaries	21	-	-	1,580	1,580
Property, plant and equipment	8	64,940	65,346	62,937	63,194
Investment property	9	74,034	69,358	74,034	69,358
Other intangible assets	10	867	44	867	38
Total non-current assets		**139,841**	**134,748**	**139,418**	**134,170**
Total assets		**143,841**	**137,840**	**143,554**	**137,620**
Current liabilities					
Trade and other payables	11	2,697	3,156	2,632	3,098
Current tax liabilities	3(c)	335	90	365	107
Provisions	12	56	46	56	46
Other financial liabilities - Derivatives	13	-	137	-	137
Total current liabilities		**3,088**	**3,429**	**3,053**	**3,388**
Non-current liabilities					
Borrowings from MDC Holdings Ltd	14	33,500	30,700	33,500	30,700
Deferred tax liabilities	3(d)	8,510	8,348	8,514	8,353
Other financial liabilities - Derivatives	13	272	762	272	762
Total non-current liabilities		**42,282**	**39,810**	**42,286**	**39,815**
Total liabilities		**45,370**	**43,239**	**45,339**	**43,203**
Net assets		**98,471**	**94,601**	**98,215**	**94,417**
Equity					
Capital and other equity instruments	15	13,588	13,588	13,588	13,588
Capital reserve	16(a)	2,693	2,693	2,693	2,693
Revaluation reserve	16(b)	33,076	33,076	33,076	33,076
Retained earnings	17	49,114	45,244	48,858	45,060
Parent entity interest		98,471	94,601	98,215	94,417
Total equity		**98,471**	**94,601**	**98,215**	**94,417**

Notes to the financial statements are included on pages 31 to 56.

Cash Flow Statement

For the Financial Year Ended 30 June, 2014

		Group		Parent	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash flows from operating activities					
Receipts from customers		22,455	21,322	21,203	19,991
Interest received		21	25	21	25
Payments to suppliers and employees		(12,538)	(11,268)	(11,594)	(10,378)
Interest and other costs of finance paid		(1,849)	(1,750)	(1,849)	(1,750)
Subvention payments		(374)	(406)	(374)	(535)
Income tax paid (Net of refunds)		(1,150)	(1,165)	(1,110)	(1,097)
Net cash provided by operating activities	24(e)	6,565	6,758	6,297	6,256
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	40	-	40
Payment for property, plant and equipment		(1,736)	(2,636)	(1,733)	(2,627)
Payment for Investment property		(4,306)	(7,036)	(4,306)	(7,036)
Repayments/(Advances) subsidiaries		-	-	184	488
Payment for intangible assets		(779)	(37)	(779)	(37)
Net cash used in investing activities		(6,821)	(9,669)	(6,634)	(9,172)
Cash flows from financing activities					
Proceeds from borrowings		2,800	4,750	2,800	4,750
Dividends paid		(1,766)	(1,685)	(1,766)	(1,685)
Net cash provided in financing activities		1,034	3,065	1,034	3,065
Net increase/(decrease) in cash and cash equivalents		**778**	**154**	**697**	**149**
Cash and cash equivalents at the beginning of the financial year		**572**	**418**	**515**	**366**
Cash and cash equivalents at the end of the financial year	24(a)	**1,350**	**572**	**1,212**	**515**

Notes to the financial statements are included on pages 31 to 56.

Notes to the Financial Statements

For the Financial Year Ended 30 June, 2014

1. Summary of Accounting Policies

Statement of Compliance

The Company and Group is a profit-oriented entity incorporated in New Zealand. Its principal products and services are the provision of port and marina facilities at the northern tip of the South Island of New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Company is a port company for the purposes of the Port Companies Act 1988 and its financial statements comply with that Act.

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 profit-orientated entities.

The consolidated and Parent financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 15 September, 2014.

The financial statements comprise the activities of Port Marlborough New Zealand Limited and the other entities in which the Company has a controlling interest.

The Group consists of:

- Port Marlborough New Zealand Limited.
- Waikawa Marina Trustee Limited.
- PMNZ Marina Holdings Limited.
- Marlborough Sounds Maritime Pilots Limited.

Basis of Preparation

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

Significant judgements, estimates and assumptions made by Management in the preparation of these financial statements are outlined below:

- Asset revaluation (notes 8 and 9)
- Financial instruments valuation (note 25)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June, 2014, and the comparative information presented in these financial statements for the year ended 30 June, 2013.

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

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

All business combinations are accounted for by applying the purchase method.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognised as goodwill (Discount on Acquisition). If, after reassessment, the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is credited to the Income Statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intragroup transactions and balances between group enterprises are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are recorded in the Parent entity's financial statements at cost less any subsequent accumulated impairment losses.

Revenue recognition

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at reporting date.

Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer, which is usually when the goods are delivered and title has passed.

Interest income is accrued on an effective interest rate method, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised as revenue, net of imputation credits, when the shareholders' rights to receive payment have been established.

Other income is recognised as revenue when control over the assets is obtained.

Interest & Dividends Paid

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

Leasing

All leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

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

Finance Costs

Interest expense is accrued on a time basis using the effective interest method.

Borrowing costs:
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or 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.
To the extent that fixed rate borrowings are used to finance a qualifying asset, the capitalised borrowing costs reflect the hedged interest rate.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the Income Statement 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 and Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset when Port Marlborough New Zealand Limited has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 and the Group intends to settle its current tax assets and liabilities on a net basis.

Fair Value Measure

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.

Fair value measurements are categorised into a three level hierarchy that reflects the significant of the inputs used in making the measurements.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Property, Plant and Equipment, and Depreciation

The Company and Group has six classes of Property Plant and Equipment:

- Freehold Land
- Improvements
- Buildings
- Wharf Infrastructure
- Plant, Equipment, Furniture and Vehicles
- Work in progress

Freehold Land, and Buildings, Wharves, Jetties and Pavings are initially stated at cost, and subsequently revalued to fair value at the date of revaluation, as determined by an independent valuer and by reference to the assets highest and best use, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost. Cost represents the 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 Property, Plant and Equipment are stated at cost or deemed cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

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 profit or loss, 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 profit or loss 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.

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 fair value.

Infrastructural Assets

Infrastructural Assets, principally wharves and jetty facilities, are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and accumulated impairment losses (if any).

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation of these assets commences when the assets are ready for their intended use.

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

• Buildings	30 – 100 years
• Improvements	20 – 50 years
• Infrastructural	10 – 50 years
• Plant, Equipment, Furniture and Vehicles	2 – 10 years

The useful lives and estimated residual values are reviewed at each balance date and amended if necessary.

Investment Property

Investment property is property held primarily to earn rentals and/or for capital appreciation, and includes Port Marlborough's marinas, reclamation land and their supporting facilities.

Investment property is stated at its fair value at balance date. An external, independent valuation firm, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

Impairment

At each reporting date, the Company and Group reviews the carrying amounts of its tangible and finite life 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 and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use.

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

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

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

For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity. Any impairment of goodwill is not subsequently reversed.

Intangibles

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Inventories are held for maintenance purposes only.

Financial instruments

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

Financial Assets

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

- Cash & Cash Equivalents

Cash and cash equivalents are classified as 'loans and receivables' 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 & Other Receivables

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

- Derivative Financial Instruments (Financial Assets or Financial Liabilities)

The Company and Group enters into interest rate swaps to manage interest rate risk. Derivative financial instruments are classified as 'fair value through profit or loss'. 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 and Group do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised in the Income Statement. The Group does not use derivative financial instruments for speculative purposes.

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 are classified as 'other financial liabilities', and are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

- Borrowings

Borrowings are classified as 'other financial liabilities' and are initially recognised at cost, being the fair value of the consideration received plus 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 and Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Employee Entitlements

Provision is made in respect of the Company's and Group's liability for retiring gratuity allowances, annual and long service leave, and sick leave.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for accumulating short-term compensated absences (e.g.annual and sick leave) are measured as the additional amount of unused entitlement accumulated at balance date.

Provisions

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

Goods and Services Tax (GST)

These financial statements have been prepared exclusive of GST, except for 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.

Statement of Cash Flows

Operating activities include cash received from all income sources of the Company and Group 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 and Group.

New standards adopted

In the current year, the Company and Group are adhering to the following new standards and amendments to relevant standards that are mandatorily effective for an accounting period beginning on or after 1 July 2013;

- NZ IAS 1 Presentation of Financial Statements: presentation of items of other comprehensive income.
- NZ IFRS 13 Fair Value Measurement: additional disclosures.
- NZ IFRS 10 Consolidated Financial Statements: revised interpretation on definition of control.
- NZ IFRS 12 Disclosure of Interests in Other Entities.

The application to the amendments to the above standards does not result in any material impact on the amounts recognised in the consolidated financial statements.

New standards and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company and Group, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement, effective from 1 July 2017.
- Amendment to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities, effective from 1 July 2014.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, effective from 1 July 2016.
- IFRS 15 Revenue from contracts with customers, effective 1 January 2017.

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.

New accounting standards framework

In April 2012 the External Reporting Board issued a new accounting standards framework for New Zealand, mandatory for periods starting 1 July 2013. The framework provides for different accounting standards for 'for-profit' and 'public benefit' entities. The framework has four reporting tiers determined by set criteria or election. The Company and Group meet the Tier 1 criteria, and will report on a for-profit basis.

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000

2. Profit From Operations

(a) Revenue

Revenue from continuing operations consisted of the following items:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Revenue from the rendering of services	14,338	13,644	13,137	12,380
Operating lease rental revenue:				
Investment properties	8,102	7,748	8,102	7,748
Interest revenue:				
Bank deposits / IRD use of money	21	25	21	25
	22,461	21,417	21,260	20,153
Attributable to:				
Continuing operations	22,461	21,417	21,260	20,153

(b) Profit before income tax

Profit/(Loss) before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Gain on disposal of property, plant and equipment	-	20	-	20
Other	55	50	52	41
	55	70	52	61
Gains attributable to:				
Continuing operations	55	70	52	61

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

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Finance costs				
Interest on loans	1,848	1,750	1,848	1,750
Total interest expense	1,848	1,750	1,848	1,750
Other finance costs- losses/(gains) on Derivatives	(626)	(828)	(626)	(828)
	1,222	922	1,222	922
Direct operating expenses of investment properties:				
Properties generating rental income	3,164	3,081	3,164	3,081
Operating lease payments	23	23	23	23
Bad and doubtful debts	20	7	20	7

	Notes	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
2. Profit From Operations continued					
Depreciation of non-current assets	8	2,109	1,878	1,957	1,725
Amortisation of non-current assets	10	24	27	18	16
Impairment of non-current assets	8	-	423	-	423
		2,133	2,328	1,975	2,164
Donations / Sponsorship		48	44	48	44
Employer contribution to superannuation		221	202	218	190

3. Income Taxes

(a) Income tax recognised in profit or loss

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Tax expense comprises:				
Current tax expense	1,394	1,245	1,368	1,187
Prior year adjustment to current tax	-	1	-	-
Deferred tax expense/(credit) relating to the origination and reversal of temporary differences	163	(57)	161	(53)
Total tax expense	1,557	1,189	1,529	1,134
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 from operations	7,193	6,817	7,093	6,621
Income tax expense calculated at 28%	2,014	1,909	1,986	1,854
Non-deductible expenses	7	3	7	3
Non-taxable income	(200)	(453)	(200)	(453)
Group loss offsets	(264)	(270)	(264)	(270)
	1,557	1,189	1,529	1,134

3. Income Taxes cont.	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(b) Income tax recognised in other comprehensive income				
The following current and deferred amounts were charged directly in other comprehensive income:				
Deferred tax	-	2,860	-	2,860
Property revaluations	-	2,860	-	2,860
(c) Current tax assets and liabilities				
Current tax assets:				
Tax (payable)	(335)	(90)	(365)	(107)
(d) Deferred tax liabilities comprise:				
Temporary differences	8,510	8,348	8,514	8,353

Taxable and deductible temporary differences arising from the following:

2014 Group	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	6,711	(212)	-	6,499
Investment property	2,070	204	-	2,274
	8,781	(8)	-	8,773
Gross deferred tax assets:				
Derivative instruments	252	(175)	-	77
Provisions	181	5	-	186
	433	(170)	-	263
Attributable to:				
Continuing operations	8,348	162	-	8,510

Taxable and deductible temporary differences arising from the following:

2014 Parent	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	6,711	(212)	-	6,499
Investment property	2,070	204	-	2,274
	8,781	(8)	-	8,773
Gross deferred tax assets:				
Derivative instruments	252	(175)	-	77
Provisions	176	6	-	182
	428	(169)	-	259
Attributable to:				
Continuing operations	8,353	161	-	8,514

3. Income Taxes cont.

Taxable and deductible temporary differences arising from the following:

2013 Group	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	4,133	(282)	2,860	6,711
Investment property	2,066	4	-	2,070
	6,199	(278)	2,860	8,781
Gross deferred tax assets:				
Derivative instruments	484	(232)	-	252
Provisions	170	11	-	181
	654	(221)	-	433
Attributable to:				
Continuing operations	5,545	(57)	2,860	8,348

Taxable and deductible temporary differences arising from the following:

2013 Parent	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	4,133	(282)	2,860	6,711
Investment property	2,066	4	-	2,070
	6,199	(278)	2,860	8,781
Gross deferred tax assets:				
Derivative instruments	484	(232)	-	252
Provisions	169	7	-	176
	653	(225)	-	428
Attributable to:				
Continuing operations	5,546	(53)	2,860	8,353

	Group		Parent	
(e) Imputation credit account balances	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(Available directly and indirectly to shareholders of the parent company, through Parent company)	8,668	7,914	8,561	7,880

4. Key Management Personnel Compensation

Included in the employee benefit expenses is the compensation of the Directors and Executives, being the key management personnel of the entity, which is set out below:

	Group		Parent	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Employee benefits	1,157	1,173	1,157	1,173
Directors Fees	201	192	201	192
	1,358	1,365	1,358	1,365

5. Remuneration of Auditors

	Group		Parent	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Auditor of the Parent entity				
Audit of the financial statements	55	51	47	44
	55	51	47	44

The approved auditor of Port Marlborough New Zealand Limited is Michael Wilkes of Deloitte acting as agent for the Office of the Auditor-General.

6. Current Trade & Other Receivables

	Group		Parent	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Trade and other receivables (i)	1,997	1,899	1,968	1,825
Allowance for doubtful debts	(50)	(30)	(50)	(30)
	1,947	1,869	1,918	1,795
Other – Related Party	373	376	373	378
	2,320	2,245	2,291	2,173

(i) The average credit period on sales of goods and services is 38 days (2013: 38 days). Interest may be charged on past due trade receivables depending on circumstances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience. Any movement in the allowance for doubtful debts is recognised in the profit or loss for the current financial year. Further information is provided in Note 25. No trade and other receivables have been pledged as security (2013: Nil).

7. Current Inventories

	Group		Parent	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Goods held for maintenance				
At cost	330	275	330	275

8. Property, Plant & Equipment

Group	Freehold Land at fair value $'000	Improvements at fair value less Depreciation $'000	Buildings at fair value less Depreciation $'000	Wharf Infrastructure at fair value less Depreciation $'000	Plant, Equipment Furniture and Vehicles at Cost $'000	Work in progress $'000	Total $'000
Gross carrying amount							
Balance 30 June 2012	15,144	6,686	6,749	25,119	7,431	244	61,373
Additions	-	-	82	-	969	1,647	2,698
Disposals	-	-	-	-	(91)	-	(91)
Net Revaluation increments/(decrements)	(275)	636	962	4,189	(261)	-	5,251
Transfers from Capital Works in progress	-	-	1,320	23	-	(1,343)	-
Transfers to Inventories	-	-	-	-	-	(61)	(61)
Balance 30 June 2013	14,869	7,322	9,113	29,331	8,048	487	69,170
Additions	-	10	13	59	245	1,453	1,780
Disposals	-	-	(47)	-	(260)	(19)	(326)
Transfers from Capital Works in progress	-	-	-	886	400	(1,286)	-
Transfers to Intangibles	-	-	-	-	-	(16)	(16)
Balance 30 June 2014	**14,869**	**7,332**	**9,079**	**30,276**	**8,433**	**619**	**70,608**

Group	Freehold Land at fair value $'000	Improvements at fair value less Depreciation $'000	Buildings at fair value less Depreciation $'000	Wharf Infrastructure at fair value less Depreciation $'000	Plant, Equipment Furniture and Vehicles at Cost $'000	Work in progress $'000	Total $'000
Accumulated depreciation/ amortisation and impairment							
Balance 30 June 2012	-	452	425	1,932	3,473	-	6,282
Disposals	-	-	-	-	(71)	-	(71)
Net adjustments from revaluation increments/(decrements)	-	(963)	(632)	(2,772)	(321)	-	(4,688)
Impairment - Note 2	-	279	-	144	-	-	423
Depreciation expense - Note 2	-	232	212	919	515	-	1,878
Balance 30 June 2013	-	-	5	223	3,596	-	3,824
Disposals	-	-	(6)	-	(259)	-	(265)
Depreciation expense - Note 2	-	246	246	1,064	553	-	2,109
Balance 30 June 2014	**-**	**246**	**245**	**1,287**	**3,890**	**-**	**5,668**
Net Book Value							
As at 30 June 2013	14,869	7,322	9,108	29,108	4,452	487	65,346
As at 30 June 2014	14,869	7,086	8,834	28,989	4,543	619	64,940

8. Property, Plant & Equipment continued

Parent	Freehold Land at fair value $'000	Improvements at fair value less Depreciation $'000	Buildings at fair value less Depreciation $'000	Wharf Infrastructure at fair value less Depreciation $'000	Plant, Equipment Furniture and Vehicles at Cost $'000	Work in progress $'000	Total $'000
Gross carrying amount							
Balance 30 June 2012	15,144	6,686	6,749	25,119	5,075	244	59,017
Additions	-	-	82	-	960	1,647	2,689
Disposals	-	-	-	-	(82)	-	(82)
Net Revaluation increments/(decrements)	(275)	636	962	4,189	(261)	-	5,251
Transfers from Capital Works in progress	-	-	1,320	23	-	(1,343)	-
Transfers to Inventories	-	-	-	-	-	(61)	(61)
Balance 30 June 2013	14,869	7,322	9,113	29,331	5,692	487	66,814
Additions	-	10	13	59	242	1,453	1,777
Disposals	-	-	(47)	-	(260)	(19)	(326)
Transfers from Capital Works in progress	-	-	-	886	400	(1,286)	-
Transfers to Intangibles	-	-	-	-	-	(16)	(16)
Balance 30 June 2014	**14,869**	**7,332**	**9,079**	**30,276**	**6,074**	**619**	**68,249**

Parent	Freehold Land at fair value $'000	Improvements at fair value less Depreciation $'000	Buildings at fair value less Depreciation $'000	Wharf Infrastructure at fair value less Depreciation $'000	Plant, Equipment Furniture and Vehicles at Cost $'000	Work in progress $'000	Total $'000
Accumulated depreciation/ amortisation and impairment							
Balance 30 June 2012	-	452	425	1,932	3,413	-	6,222
Disposals	-	-	-	-	(62)	-	(62)
Net adjustments from revaluation increments/(decrements)		(963)	(632)	(2,772)	(321)	-	(4,688)
Impairment-Note 2	-	279	-	144	-	-	423
Depreciation expense- Note 2	-	232	212	919	362	-	1,725
Balance 30 June 2013	-	-	5	223	3,392	-	3,620
Disposals	-	-	(6)	-	(259)	-	(265)
Depreciation expense- Note 2	-	246	246	1,064	401	-	1,957
Balance 30 June 2014	-	246	245	1,287	3,534	-	5,312
Net Book Value							
As at 30 June 2013	14,869	7,322	9,108	29,108	2,300	487	63,194
As at 30 June 2014	**14,869**	**7,086**	**8,834**	**28,989**	**2,540**	**619**	**62,937**

8. Property, Plant & Equipment continued

(a) Valuation basis

An independent valuation of land, buildings, improvements and wharf infrastructure that are not investment properties is performed on a three-yearly basis. Valuers are rotated regularly.

Land, buildings, improvements and wharf infrastructure were last valued on 30 June 2013 by Crighton Anderson, independent registered valuers and associates of the NZ Institute of Valuers. The valuers have recent experience in the location and category of the items being valued. The fair values of the assets represent the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

Valuation reports are provided to both the CEO and CFO for review. The review focuses on checking material movements and ensuring all additions and disposals are captured. The CEO is a qualified valuer and has an extensive background in property management.

The Valuation Reports are also reviewed by a sub-committee of the Board. A summary report on valuation movements is also provided to the Board and full copies of the valuer's reports are available to Directors.

Valuations have been updated for subsequent additions at cost, less any subsequent depreciation or impairment losses.

Any revaluation surplus net of deferred income taxes is credited to other comprehensive income and is shown in Reserves (refer note 16).

(b) Fair Value Measurement

Assets have been categorised as specialised or non-specialised.

Specialised

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
- Generally specialised structures located in particular geographical locations for business reasons

Wharf structures and improvements (hardstand, roads, services etc) generally fall into this category. For these assets fair value has been based on depreciated replacement cost (DRC) due to the limited market based evidence as the items are rarely sold, except as part of a continuing business.

Non-Specialised

Assets in this category comprise land and buildings, one or more of the following valuation methodologies has been adopted for each asset:

- Comparable Sales approach
- Depreciated Replacement Cost Value (DRC)
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cashflow

Details of the Groups Property/Infrastructure assets and information about their fair value hierarchy as at 30 June 2014 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value as at 30/6/14 $'000
Freehold land	-	-	14,869	14,869
Improvements	-	-	7,086	7,086
Buildings	-	-	8,834	8,834
Wharf infrastructure	-	-	28,989	28,989

There were no transfers between levels during the year.

(c) Cost Model

The carrying amount of land, improvements, buildings and wharf infrastructure had been recognised under the cost model as follows:

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Freehold land	5,706	5,706	5,706	5,706
Improvements	5,989	6,285	5,989	6,285
Buildings	3,210	3,356	3,210	3,356
Wharf Infrastructure	14,913	14,445	14,913	14,445

9. Investment Property

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of financial year	69,358	61,562	69,358	61,562
Additions from subsequent expenditure	3,261	3,205	3,261	3,205
Capital Work in Progress	1,045	3,831	1,045	3,831
Disposals	(36)	-	(36)	-
Net gain from fair value adjustments	406	760	406	760
Balance at end of financial year	74,034	69,358	74,034	69,358

(a) Valuation basis

Investment properties were valued on 30 June 2014 by Colliers International (2013: Crighton Anderson), independent registered valuers and associates of the NZ Institute of Valuers. Board policy is to rotate valuers on a three to four year cycle basis.

The Valuers have recent experience in the location and category of the item being valued. The fair value of the assets represents the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

At each reporting date, the valuation reports are provided to both the CEO and CFO for review. The review focuses on checking material movements and ensuring all additions and disposals are captured. The CEO is a qualified valuer and has an extensive background in property management.

The Valuation Reports are also reviewed by a sub-committee of the Board. A summary report on valuation movements is provided to the Board and full copies of the valuer's reports are available to Directors.

(b) Fair Value Measurement of Group Investment Properties

Investment property assets are located in Picton, Waikawa Bay and Havelock. The assets comprise a mix of rural, residential, port-related commercial and industrial and the marinas in each of the three locations. Total land area is 51.45 hectares.

In completing valuations of investment property assets, one or more of the following valuation methodologies has been adopted for each asset:

- Comparable Sales approach
- Depreciated Replacement Cost Value (DRC)
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cashflow

9. Investment Property continued

The Marinas comprise the bulk of investment properties. Discounted cashflow valuations were completed for the three marinas using the following discount rates:

The variations in the discount rate adopted reflect the investment strength of each of the respective Marinas.

In the case of rental capitalisation for commercial property, rates adopted ranged between 7.00% and 8.25%.

Details of the Groups investment properties and information about the fair value hierarchy as at 30 June 2014 are as follows:

Discounted Cashflow Summary

Property	Discount Rate
Picton Marina	9.25%
Waikawa Marina	9.75%
Havelock Marina	10.25%

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value as at 30/6/14 $'000
Investment property located in Marlborough, New Zealand	-	-	74,034	74,034

There were no transfers between levels during the year.

10. Other Intangible Assets

	Group Software $'000	Parent Software $'000
Gross carrying amount		
Balance at 30 June, 2012	378	357
Additions	43	37
Balance at 30 June, 2013	421	394
Additions	847	847
Disposals	(114)	(114)
Balance at 30 June, 2014	1,154	1,127
Accumulated amortisation & impairment		
Balance at 30 June, 2012	350	340
Amortisation (i)	27	16
Balance at 30 June, 2013	377	356
Disposals	(114)	(114)
Amortisation (i)	24	18
Balance at 30 June, 2014	287	260
Net book value		
As at 30 June, 2013	44	38
As at 30 June, 2014	867	867

(i) Amortisation expense is included in the line item 'depreciation, impairment and amortisation expense' in the income statement.

11. Trade & Other Payables

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Trade creditors	725	813	679	765
Property, Plant and Equipment	200	685	200	685
Rentals received in advance	487	477	487	477
Employee entitlements	716	640	697	630
Other	8	8	8	8
Related Parties - Subvention payments	367	374	367	374
- Interest	194	159	194	159
- Other	-	-	-	-
	2,697	3,156	2,632	3,098

The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. Provisions

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Movement in Provision, Employee Benefits				
Opening balance	46	59	46	59
(Reduction to provision)/additional provision for the current period	10	(13)	10	(13)
Closing balance	56	46	56	46

13. Other Financial Liabilities

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current	-	137	-	137
Non-Current	272	762	272	762
At fair value				
Interest rate swaps	272	899	272	899

Information on basis of valuation is provided under Note 25 (iii) Financial Instruments.

14. Non-Current Borrowings

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Secured				
At amortised cost:				
Loans from:				
Parent entity	33,500	30,700	33,500	30,700

Loan Maturities
Funds have been raised under a $33.8 million (2013: $32.45 million) facility with MDC Holdings Limited (parent). MDC Holdings have signalled through their Statement of Corporate Intent, their intention to meet the Company's long term funding requirements.

Interest and Security
Term loans incurred an interest expense of $1,848,583 (2013 $1,749,618). Interest rates ranged between 3.58% and 6.35% (2013 3.59% and 7.75%). A Negative Pledge Deed has been entered into with MDC Holdings Limited.

15. Capital and Other Equity Instruments

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
13,587,650 fully paid ordinary shares (2013: 13,587,650)	13,588	13,588	13,588	13,588
	13,588	13,588	13,588	13,588

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

16. Reserves

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Capital (a)	2,693	2,693	2,693	2,693
Asset revaluation (b)	33,076	33,076	33,076	33,076
	35,769	35,769	35,769	35,769

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(a) Capital reserve				
Balance at beginning of financial year	2,693	2,693	2,693	2,693
Movements	-	-	-	-
Balance at end of financial year	2,693	2,693	2,693	2,693

The Capital reserve is used from time to time to transfer capital profits from retained profits. There is no policy of regular transfer.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(b) Asset revaluation reserve				
Balance at beginning of financial year	33,076	25,997	33,076	25,997
Revaluation increments/(decrements)	-	9,939	-	9,939
Deferred tax - Property revaluations	-	(2,860)	-	(2,860)
Balance at end of financial year	33,076	33,076	33,076	33,076

The asset revaluation reserve arises on the revaluation of wharves and jetty facilities, operational land and buildings (excludes Investment property). Where a revalued wharf, jetty facility, land or building is sold etc, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to the "Statement of Comprehensive Income".

17. Retained Earnings

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Balance at beginning of financial year	45,244	41,301	45,060	41,258
Net profit/(Loss) attributable to members of the Parent entity	5,636	5,628	5,564	5,487
Dividends paid (note 18)	(1,766)	(1,685)	(1,766)	(1,685)
Balance at end of financial year	49,114	45,244	48,858	45,060

18. Dividends

	2014 Cents per Share	2014 Total $000	2013 Cents per Share	2013 Total $000
Recognised amounts				
Fully paid ordinary shares	13	1,766	12.4	1,685

In addition, the above cash distributions carried maximum imputation credits.

19. Commitments for Expenditure

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(a) Capital expenditure commitments				
Property, Plant and Equipment	127	4,000	127	4,000
	127	4,000	127	4,000

20. Leases

Operating leases as lessee

(a) Leasing arrangements
Operating leases relate to land and office equipment. All operating lease contracts contain market review clauses in the event that the Company/Group exercises its option to renew. The Company/Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(b) Non-cancellable operating lease payments				
Not longer than 1 year	5	6	5	6
Longer than 1 year and not longer than 5 years	-	1	-	1
Longer than 5 years	-	-	-	-
	5	7	5	7

Disclosures for lessors

(a) Leasing arrangements
Operating leases relate to rental property owned by the consolidated entity with lease terms of up to 30 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(b) Non-cancellable operating lease receivables				
Not longer than 1 year	4,943	4,671	4,943	4,671
Longer than 1 year and not longer than 5 years	8,251	10,816	8,251	10,816
Longer than 5 years	5,210	4,649	5,210	4,649
	18,404	20,136	18,404	20,136

21. Subsidiaries

	Country of Incorporation	Nature of Business	Ownership Interest Parent 2014 %	2013 %
The Company has the following subsidiaries:				
Waikawa Marina Trustee Limited	New Zealand	Trustee	100	100
PMNZ Marina Holdings Limited	New Zealand	Non Trading	100	100
Marlborough Sounds Maritime Pilots Limited	New Zealand	Pilotage & Tug Services	100	100

(i) Port Marlborough New Zealand Limited is the head entity within the consolidated Group.

22. Contingent Assets & Liabilities

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
	-	-	-	-

2014 Group and Parent Contingent assets
There are no contingent assets (2013: Nil)

2014 Group and Parent Contingent liabilities
In the normal course of business the Company and Group are subject to potential loss contingencies arising from such matters as guarantees and contractual obligations by government and private parties. In the judgement of Directors no losses in respect of such matters are expected to be material to the Group's financial position.

23. Related Party Disclosures

(a) Parent entities

The Parent entity in the consolidated entity is Port Marlborough New Zealand Limited, which is 100% owned by MDC Holdings Limited which is in turn 100% owned by the ultimate Parent entity, Marlborough District Council.

(b) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 21 to the financial statements.

(c) Transactions with related parties

Amounts receivable from and payable to related parties at balance date are disclosed in Notes 6, 11 and 14 of these financial statements.

Transactions involving the Parent entity

During the financial year, Port Marlborough New Zealand Limited paid subvention payments of $374,276 (2013: $406,514) and provided for subvention payments of $367,226 at balance date (2013: $374,276).

During the financial year, Port Marlborough New Zealand Limited entered into an arrangement with the parent, whereby the parent entered into interest rate hedging arrangements and obtained borrowings on behalf of Port Marlborough New Zealand Limited. All financing obtained by the parent was on lent to Port Marlborough New Zealand Limited on a matched funding basis.

At balance date there was an amount outstanding of $372,500, (2013: $372.500), in relation to the relocation of a tenant with the parent's owner, The Marlborough District Council.

Transactions involving Subsidiaries

During the current and previous financial year, Port Marlborough New Zealand Limited provided accounting and administration services to its subsidiaries for no consideration. (2013: Nil). Port Marlborough New Zealand Limited also made available loan funding on a repayable on demand basis at nil interest.

Terms/price under which related party transactions were entered into

Interest is charged on the outstanding inter-company loan balances and other related party loans at commercial interest rates. During the financial year Port Marlborough New Zealand Limited paid interest of $1,848,583 (2013: $1,749,618) on loans from its Parent.

Port Marlborough New Zealand Limited incurred gains of $626,432 on the valuation of the interest rate swaps held at balance and had $272,473 owing to the parent at balance date in relation to the swaps.
Loans with subsidiaries are interest free and repayable on demand.

Transactions eliminated on consolidation

Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

Guarantees provided or received

Nil.

(d) Directors

Mr Johnson is a shareholder of Fulton Hogan Limited who undertook construction work for the year totalling $173,682 (2013: $1,641,333), $0 (2013: $65,136) was payable to Fulton Hogan Limited as at 30 June.

Mr K B Taylor is a Director of Southern Cross Medical Care Society, whom the company paid $71,268 for employee health insurance (2013: $64,726).

(e) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in Note 4 to the financial statements.

24. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

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:

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and cash equivalents	1,350	572	1,212	515
(b) Business acquired/disposed				
Additional share capital in subsidiary	-	-	-	-
(c) Financing facilities				
Secured bank loan facility with MDC Holdings Limited (Refer Note 14)				
• Amount used	33,500	30,700	33,500	30,700
• Amount unused	300	1,750	300	1,750
	33,800	32,450	33,800	32,450
(d) Cash balances not available for use				
Nil				
(e) Reconciliation of profit for the period to net cash flows from operating activities				
Profit after tax for the period	5,636	5,628	5 564	5,487
(Gain)/loss on sale or disposal of non-current assets	-	(20)	-	(20)
(Gain)/loss on revaluation of investment property (Note 9)	(406)	(760)	(406)	(760)
Loss/(gain) on revaluation of fair value through profit or loss financial assets (Note 2b)	(626)	(828)	(626)	(828)
Depreciation, impairment and amortisation of non-current assets (Note 2b)	2,133	2,328	1,975	2,164
Increase/(decrease) in deferred tax balances (Note 3(d))	162	(57)	161	(53)
Changes in net assets				
(Increase)/decrease in assets:				
Current receivables	(75)	6	(118)	(181)
Current inventories	(55)	(11)	(55)	(11)
Increase/(decrease) in liabilities:				
Current payables	(459)	391	(466)	368
Current tax	245	81	258	90
Current provisions	10	-	10	-
Net cash from operating activities	6,565	6,758	6,297	6,256

25. Financial Instruments

(i) Financial risk and Capital management

The Parent and Group's capital includes share capital, reserves, retained earnings and a secured bank loan facility. The objective of the Parent and Group's capital management is to ensure a strong credit rating to support business growth and maximise shareholder value.

The Parent and Group's capital is managed at Parent company level. The Parent and Group is not subject to externally imposed capital requirements for the twelve months ended 30 June 2014 and 30 June 2013.

The Parent and Group's capital structure is managed and adjustments are made, with Board approval, to the structure in light of economic conditions at the time. There were no changes to objectives, policies or processes during the year.

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

(ii) Interest rate risk

Interest rate risk is the risk that the Parent and Group may be affected by changes in the general level of interest rates. The consolidated entity is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of interest rate swap contracts.

Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity 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 Fixed Interest rate		Notional Principal Amount		Fair Value	
	2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Less than 1 year	-	5.17	-	7,500	-	(137)
1 to 2 years	4.87	-	8,500	-	(114)	-
2 to 7 years	4.81	4.61	24,500	28,000	(158)	(762)
	4.82	4.64	33,000	35,500	(272)	(899)

Details of the Company and Group's exposure to interest rate risk is included under section (vi) below.

(iii) Credit risk

Credit risk is the risk that a counterparty will default on its obligations resulting in a financial loss to the Parent and Group. Financial assets, which potentially subject the Parent and Group to concentration of credit risk consist principally of cash, bank balances, trade and other receivables and advances to subsidiaries. The Group's cash equivalents are placed with high credit quality financial institutions.

The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

Trade and Other Receivables consist of a large number of customers, spread across a range of industries that have operations in the northern half of the South Island and predominantly in Marlborough. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, guarantees or other arrangements with a similar effect are put in place.

Approximately 55% (2013: 54%) of Trade and Other Receivables is due from eight customers, with this exception the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparty is MDC Holdings Limited.

Total credit risk was comprised as follows:

25. Financial Instruments continued

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and cash equivalents	1,350	572	1,212	515
Trade and other receivables	2,320	2,245	2,291	2,173
Total credit risk	3,670	2,817	3,503	2,688

Collateral and other credit enhancements obtained
The Parent and Group do not hold any collateral as security or other credit enhancements over trade and other receivables.

Trade and other receivables that are either past due or impaired.
The table below sets out information regarding the ageing of trade and other receivables which are past due, but which have not been assessed as impaired as management believes that these amounts will be fully recoverable.

	Group		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
30 – 60 Days	88	160	88	160
60 – 90 Days	17	24	17	24
Over 90 Days	70	38	70	38
Total	175	222	175	222
Ageing of Impaired trade and other receivables				
Over 90 Days	50	30	50	30

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

(iv) Liquidity Risk

Liquidity risk is the risk that the Group and Parent will not be able to meet their financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Parent and Group's short, medium, and long-term funding and liquidity management requirements. The Parent and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Parent and Group manages liquidity risk by maintaining adequate reserves, intra-group funding facilities, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(v) Liquidity and Interest rate profile

The following tables detail the Parent and Group's exposure to liquidity risk and interest rate risk:

Group 2014		Fixed Maturity Dates				
	Weighted Average Interest Rate %	Less than 1 Year $'000	1-2 Years $'000	2-7 Years $'000	Non Interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	2.25	1,350	-	-	-	1,350
Trade and Other Receivables	-	-	-	-	2,320	2,320
	-	1,350	-	-	2,320	3,670
Financial liabilities:						
Trade payables	-	-	-	-	2,697	2,697
Related party loans	5.87	9,000	8,500	16,000	-	33,500
Employee benefits	-	-	-	-	56	56
Interest rate swaps	-	-	114	158	-	272
	-	9,000	8,614	16,158	2,753	36,525
Related Party Loans - Interest	-	-	511	5,588	-	6,099
	-	9,000	9,125	21,746	2,753	42,624

25. Financial Instruments continued

Group 2013		Fixed Maturity Dates				
	Weighted Average Interest Rate %	Less than 1 Year $'000	1-2 Years $'000	2-7 Years $'000	Non Interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	2.25	572	-	-	-	572
Trade and Other Receivables	-	-	-	-	2,245	2,245
	-	572	-	-	2,245	2,817
Financial liabilities:						
Trade payables	-	-	-	-	3,156	3,156
Related party loans	5.28	-	13,200	17,500	-	30,700
Employee benefits	-	-	-	-	46	46
Interest rate swaps	-	137	-	762	-	899
		137	13,200	18,262	3,202	34,801
Related Party Loans - Interest	-	313	-	4,788	-	5,101
		450	13,200	23,050	3,202	39,902

Parent 2014		Fixed Maturity Dates				
	Weighted Average Interest Rate %	Less than 1 Year $'000	1-2 Years $'000	2-7 Years $'000	Non Interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	2.25	1,212	-	-	-	1,212
Trade and Other Receivables	-	-	-	-	2,291	2,291
Inter-Group Loan	-	-	-	-	303	303
		1,212	-	-	2,594	3,806
Financial liabilities:						
Trade payables	-	-	-	-	2,632	2,632
Related party loans	5.87	9,000	8,500	16,000	-	33,500
Employee benefits	-	-	-	-	56	56
Interest rate swaps	-	-	114	158	-	272
		9,000	8,614	16,158	2,688	36,460
Related Party Loans - Interest	-	-	511	5,588	-	6,099
	-	9,000	9,125	21,746	2,688	42,559

Parent 2013		Fixed Maturity Dates				
	Weighted Average Interest Rate %	Less than 1 Year $'000	1-2 Years $'000	2-7 Years $'000	Non Interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	2.25	515	-	-	-	515
Trade and Other Receivables	-	-	-	-	2,173	2,173
Inter-Group Loan	-	-	-	-	487	487
	-	515	-	-	2,660	3,175
Financial liabilities:						
Trade payables	-	-	-	-	3,098	3,098
Related party loans	5.28	-	13,200	17,500	-	30,700
Employee benefits	-	-	-	-	46	46
Interest rate swaps	-	137	-	762	-	899
	-	137	13,200	18,262	3,144	34,743
Related Party Loans - Interest	-	313	-	4,788	-	5,101
		450	13,200	23,050	3,144	39,844

25. Financial Instruments continued

(vi) Categories of Financial Instruments

Group – 2014	Loans and Receivables $'000	Financial Assets/ Liabilities at Fair Value Through Profit or Loss $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Assets				
Cash and Cash Equivalents	1,350	-	-	1,350
Trade and Other Receivables	2,320	-	-	2,320
Total Financial Assets	3,670	-	-	3,670
Liabilities				
Trade and Other Payables	-	-	2,697	2,697
Other Financial Assets/Liabilities – Derivatives	-	272	-	272
Borrowings	-	-	33,500	33,500
Total Financial Liabilities	-	272	36,197	36,469

Group – 2013	Loans and Receivables $'000	Financial Assets at Fair Value Through Profit or Loss $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Assets				
Cash and Cash Equivalents	572	-	-	572
Trade and Other Receivables	2,245	-	-	2,245
Total Financial Assets	2,817	-	-	2,817
Liabilities				
Trade and Other Payables	-	-	3,156	3,156
Other Financial Assets/Liabilities – Derivatives	-	899	-	899
Borrowings	-	-	30,700	30,700
Total Financial Liabilities	-	899	33,856	34,755

Parent – 2014	Loans and Receivables $'000	Financial Assets/ Liabilities at Fair Value Through Profit or Loss $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Assets				
Cash and Cash Equivalents	1,212	-	-	1,212
Trade and Other Receivables	2,291	-	-	2,291
Inter-Group Loan	303	-	-	303
Total Financial Assets	3,806	-	-	3,806
Liabilities				
Trade and Other Payables	-	-	2,632	2,632
Other Financial Assets/Liabilities – Derivatives	-	272	-	272
Borrowings	-	-	33,500	33,500
Total Financial Liabilities	-	272	36,132	36,404

25. Financial Instruments continued

Parent – 2013	Loans and Receivables $'000	Financial Assets at Fair Value Through Profit or Loss $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Assets				
Cash and Cash Equivalents	515	-	-	515
Trade and Other Receivables	2,173	-	-	2,173
Inter-Group Loan	487	-	-	487
Total Financial Assets	3,175	-	-	3,175
Liabilities				
Trade and Other Payables	-	-	3,098	3,098
Other Financial Assets/Liabilities – Derivatives	-	899	-	899
Borrowings	-	-	30,700	30,700
Total Financial Liabilities	-	899	33,798	34,697

(vii) Fair value of financial instruments
The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The Company has categorised these assets/liabilities as Level 2 under the fair value hierarchy.
The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

(viii) Sensitivity Analysis
The Parent and Group have undertaken an analysis to determine the impact on the current year profit if there is a significant change in the general level of interest rates. This analysis showed the following:

	2014 $000	2013 $000
50 basis point increase		
Group net profit would decrease by approximately	505	483
Parent net profit would decrease by approximately	505	483
50 basis point decrease		
Group net profit would increase by approximately	535	508
Parent net profit would increase by approximately	535	508

A 50 basis point increase is deemed reasonable by management. The sensitivity analysis has been prepared taking into consideration all interest bearing assets and liabilities.

Company Directory

Board of Directors:

Ed G Johnson (Chairman)	BA (Hons) Finance and Accounting, MBA (Hons), FInstD
David AH Brown	FNZIM
Martin F Fletcher	CA, MInstD
Kerry D Hitchcock	BCom, LLB, AREINZ, MInstD
Keith B Taylor	BSc, BCA, FIA, AFInstD
David R Wilkie	BE (Civil) FIPENZ MICE

Executive:

Ian McNabb	Dip VFM, MInstD, MPINZ	Chief Executive
Dean Craighead	BCom, CA	Chief Financial Officer
Gavin Beattie	BE Mech (Hons) MIPENZ CPEng	Manager Engineering & Infrastructure
Carmen Gimpl	BCom, CA	General Manager Operations
Rose Prendeville	B.Tech (I.E), Dip.PM (NZIM)	Projects Manager

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Auditor	Michael Wilkes of Deloitte, for the Office of the Auditor General
Legal Advisor	Radich Law
Banker	Bank of New Zealand

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