2015

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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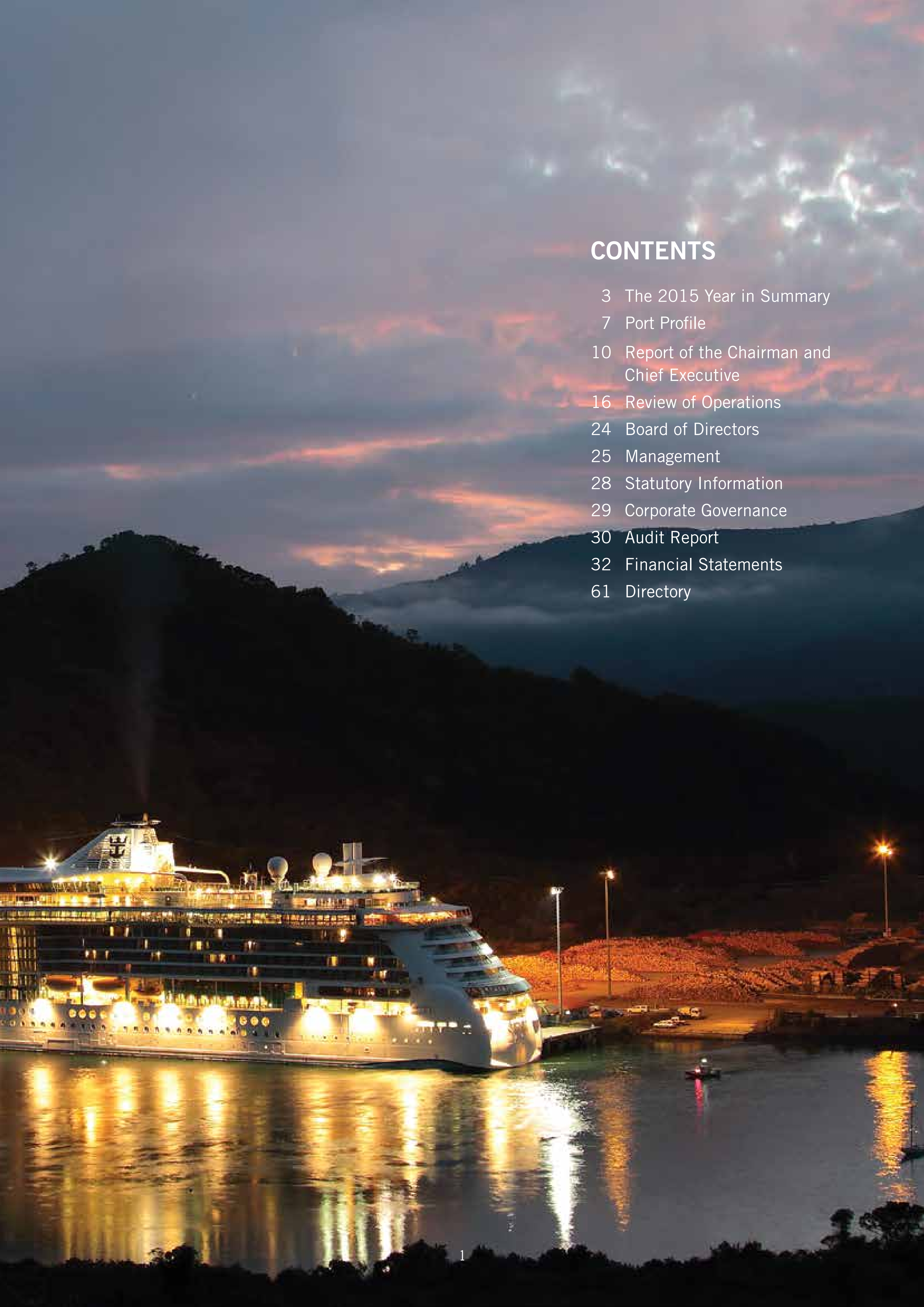


CONTENTS

BUILDING MOMENTUM

This has been a year of significant operational records for Port Marlborough and these have translated to strong financial results. Log exports, cruise ship metrics, and inter-island commercial freight volumes all achieved record levels as the Port demonstrated its ability to respond with flexible and innovative solutions.

THE 2015 YEAR IN SUMMARY

Results in Brief and Operational Summary

Group Results	2015	2014
Operating Surplus (Loss) before Non-Cash Revaluations, Tax and Subvention Payment	$7.246m	$6.528m
Valuation Adjustments Non-Cash		
- Property	$0.730m	$0.406m
- Financial Derivatives	($1.060m)	$0.626m
Operating Surplus (Loss) before Tax and Subvention Payment	$6.916m	$7.560m
Provision for Tax and Subvention Payment	($1.731m)	($1.924m)
Operating Surplus / (Loss) After Tax	$5.185m	$5.636m
Return on Average Shareholder's Funds (excluding non-cash revaluations)	5.1%	4.7%
Net Asset Backing per Share	$7.47	$7.25
Interim Dividends	7.0c	6.3c
Final Dividend – Recommended per Share	8.4c	8.5c
Dividend – Interim and Proposed Final	$2.093m	$2.011m

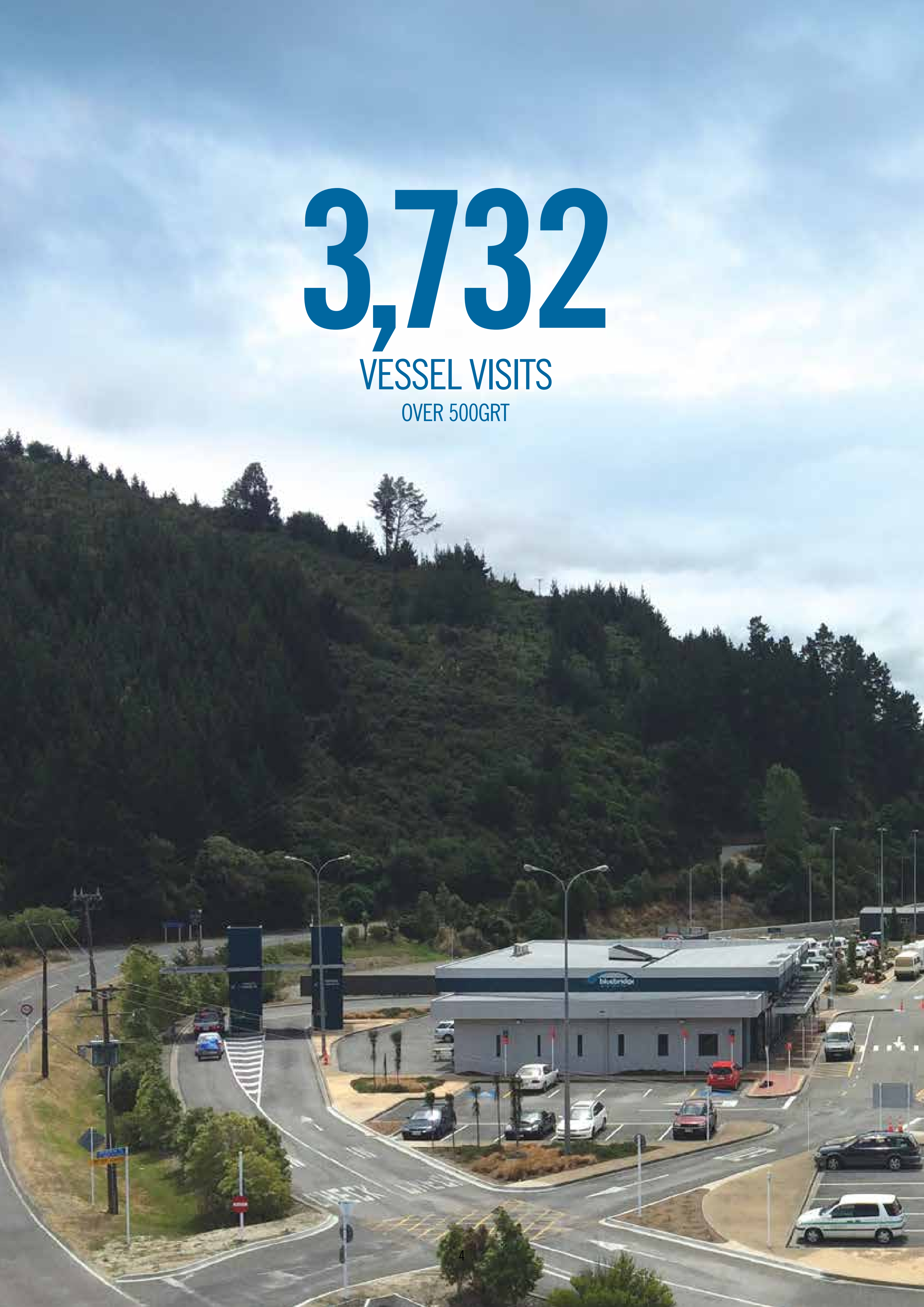
Contribution to Group Revenues	2015 ($000)	2014
Port Installations and Services	15,097	13,719
Investment Property (includes Marinas)	8,618	8,102
Marine Farm Facilities	711	669
Miscellaneous	78	26
TOTAL GROUP REVENUE*	24,504	22,516

** Excludes non-cash revaluations*

3,732

VESSEL VISITS

OVER 500GRT



KEY OPERATIONAL PERFORMANCE INDICATORS

	2015	2014	2013
Number of Ship Visits			
Ferries	3,573	3,328	3,487
Cruise Ships	36	19	22
Other over 500 GRT	123	91	98
Total Ship Visits	**3,732**	**3,443**	**3,607**
Non-Ferry Cargoes			
Logs (Export and Domestic, JAS '000s)	708,139	625,910	539,863
Salt (Tonnes)	-	-	26,010
Cement (Tonnes)	6,245	4,826	5,680
Fish (Tonnes)	13,303	10,030	7,778
Other (Tonnes)	32,638	25,059	32,284
Total Cargo (Tonnes)	**760,325**	**665,825**	**611,615**
Marina Facilities - Berth Occupancy (average %)			
Havelock Marina (369 berths)	69%	71%	74%
Waikawa Marina (473 berths)	92%	93%	94%
Picton Marina (207 berths)	98%	97%	99%
Total Average Occupancy	**85%**	**87%**	**89%**

CONSECUTIVE PERFORMANCE RECORD

665,221

JAS LOGS EXPORTED

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.

FACILITIES

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

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

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

MARLBOROUGH SOUNDS

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

SUBSIDIARIES

Port Marlborough has two 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.

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).

1,098,434 pax

PASSENGERS THROUGH PORT
(Ferry & cruise ship passengers)

REPORT OF THE CHAIRMAN AND CHIEF EXECUTIVE

This has been a year of significant operational records for Port Marlborough and these have translated to strong financial results. Log exports, cruise ship metrics, and inter-island commercial freight volumes all achieved record levels as the Port demonstrated its ability to respond with flexible and innovative solutions.

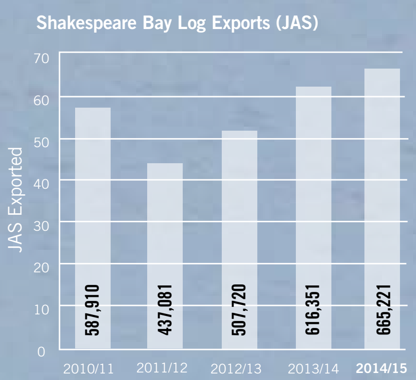
Eighteen months on from the Government's decision to abandon the Clifford Bay ferry terminal proposal, significant investment has been made by both Port Marlborough and Strait Shipping through introduction of a new vessel by the operator, and development of supporting Port infrastructure. Proposals for future investment in support of Interislander are being scoped as work to secure the future of the Cook Strait ferry service gains impetus.

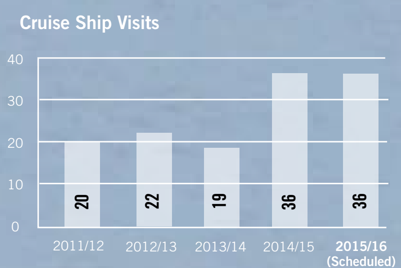
The challenge of increasing cruise ship sizes and visit frequency is currently exercising the minds of our infrastructure and port operations staff as they explore potential berthing and logistics solutions.

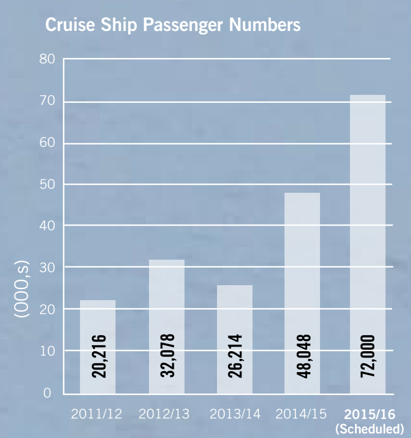
Growth in business activity and certainty around Picton's role as a Cook Strait ferry port have spurred a full review of internal organisational capacity and capability. A number of structural changes including new customer-facing roles designed to streamline effective business delivery to customers will be implemented early in the new business year.

Health and safety initiatives have continued throughout the year as we prepare for the implementation of the new legislation. The level of safety awareness and engagement right across the Company workforce and at Governance level has increased significantly. This is evidenced at a cultural level, whereby safe practices are consistently delivered as a foundation component of the task, rather than an addendum.

We continue to work closely with the Picton, Havelock and wider Marlborough communities in support of many community, education, sport and environmental initiatives. Internally, the Company remains strongly focused on achieving high standards of environmental management as a non-negotiable performance indicator of operational success.







FINANCIAL PERFORMANCE

The Group's revenues lifted 8.8% to $24.50 million (2014 $22.52 million) on the back of a second successive record year for log exports (665,221 JAS, up 7.9% on 2014 volumes) and a record year for cruise activity through the port (36 ship visits; 52,028 passengers). Total cargo through the Port at 14.1% ahead of last year was marginally better than budget. Other revenue streams continue to improve as ferry freight volumes strengthen and prior years' capital developments deliver forecast returns.

Group pre-tax operating surplus improved by 11.0% on the prior year to reach $7.25m million (adjusted for non-cash revaluations and subvention payment) for the year ended 30 June 2015 (2014 $6.53 million). Net surplus after tax of $5.19m (2014 $5.64 million) includes a net non-cash adjustment of -$0.33m (2014 $1.03 million) due to movements in investment property and financial derivative (interest rate hedging) valuations as required under International Financial Reporting Standards (IFRS).

Capital investment gained impetus in the commercial port area in support of increased confidence in the Cook Strait ferry trade and changing patterns of freight movement. New commercial vehicle and freight marshalling facilities were developed for Strait Shipping adjacent to the company's existing Bluebridge passenger terminal, and introduction of the *Strait Feronia* (now the largest vessel on the Cook Strait run) necessitated upgrade of Strait Shipping's berth adjacent to Waitohi Wharf.

2,967,129

FERRIES: LANE METRES FREIGHT

(Rail and commercial vehicles)

2011	2012	2013	2014	2015
2,528,628	2,579,125	2,592,400	2,736,610	2,967,129

FINANCIAL POSITION AND DIVIDEND

Total Group assets grew 1.8% and now exceed $146.39 million. The Group's equity ratio of 69.4% is satisfactory and is considered appropriate for our diversified business portfolio.

Directors are proposing a final dividend of $1.41 million, bringing the total distribution for the year to $2.1 million. Port Marlborough has distributed a total of $30.4 million in dividends to our shareholder, a wholly owned subsidiary of Marlborough District Council, over the last ten years and nearly $61.7 million since the Company was established in 1988.

2014/15 STATEMENT OF CORPORATE INTENT PERFORMANCE TARGETS

The targets for financial and operational performance, as detailed in the 2014/15 Statement of Corporate Intent, are compared below with actual results achieved for the period 1 July 2014 to 30 June 2015.

FINANCIAL PERFORMANCE	***TARGET***	***RESULT***
Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA) - excludes non cash revaluations	*$10.51m*	*$11.46m*
Return on Shareholder's Funds (excluding non-cash revaluations)	*4.4%*	*5.1%*
Equity Ratio	*68.7%*	*69.4%*
OPERATIONAL PERFORMANCE		
Ferry freight movement (% volume movement to prior year)	*1.0%*	*8.8%*
Total Log volumes	*689,000 JAS*	*708,139 JAS*
Cruise ship visits	*34*	*36*
Marina berth occupancy	*90%*	*85%*
Marina boatshed occupancy	*96%*	*98%*
HEALTH AND SAFETY		
Lost time accidents frequency rate (per 100,000 work hours)	*2.0*	*2.5*
Number of injury accidents	*7*	*6*

GOVERNANCE

Directors David Wilkie and David Brown retired from the Board by rotation in December 2014 and we take this opportunity to thank them for their valued contribution to our governance. New directors Peter Drummond and Mathew Kerr took up their appointments to the Board early in the New Year. Peter is an Auckland-based professional director, while Matt is a Blenheim-based accountant.

The Board shares a strong and productive relationship with executive staff, with the collective focus remaining firmly on delivering the Company's strategic plan to underpin continued sustainable business growth and performance.

HEALTH AND SAFETY

Health and Safety in the workplace remains a primary strategic and operational imperative for Port Marlborough. The Board and leadership team continued in earnest to shape an authentic safety culture throughout the business, where every staff member knows what 'good safety culture' looks like.

Across all operational areas, focus on the activities of contractors and other third parties has continued to command centre stage. Communication, systems and management practices have become increasingly assertive to ensure that all parties fully understand and fulfil their roles in achieving a safe operating environment as we prepare for the higher expectations and added scrutiny of the new legislation.

OUR PEOPLE

The significant demands of a growing and evolving enterprise have extended staff across the business and we thank our people for rising to meet the challenge. Activity continued apace with record operational volumes together with ongoing changes to internal systems and structures.

Carmen Gimpl, General Manager Operations, resigned in December after fourteen years' service to Port Marlborough in a variety of accounting and operational management roles.

A review of organisational structure commenced in February to ensure that we are able to deliver business outputs to our customers as effectively as possible, now and in the future. With a focus on devolving decision making and responsibility, a number of new team leader and management roles were established. Overall growth in permanent staff numbers is around 7%. Implementation of the revised structure has occurred following balance date with several staff redeployed within the Company, and recruitment for several positions ongoing.

Rhys Welbourn was appointed to the new role of Manager Business Delivery effective early July 2015; he leads the Port, Marinas and Property operational teams in delivery of all customer requirements and developing new business. Rhys is making a welcome return to Port Marlborough having previously been a member of the Port's engineering team prior to achieving a scholarship to read for his MBA at Cranfield University in the UK four years ago. Most recently, Rhys held the role of Infrastructure Manager at PrimePort Timaru and was also responsible for business development.

COOK STRAIT FERRY FLEET CAPACITY INCREASES

New Bluebridge ship *Strait Feronia* joins the Cook Strait ferry fleet – largest ferry on the Strait.

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

2010/11	2011/12	2012/13	2013/14	2014/15
48	48	49	50	50

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.

OUTLOOK

Strong trade through the port is forecast to continue through the coming period. Log volumes are expected to remain consistent at around 650,000 JAS. While cruise ship visits will remain similar in number to the previous year, passenger numbers at some 72,000 are set to be around 35% higher due to the proportion of larger ships scheduled to visit.

Increased capacity on Cook Strait through introduction of larger vessels by both operators sets the scene for further growth of interisland freight movement, contingent upon wider economic conditions. Stable results are expected from Marlborough Sounds Marinas, consistent with the mature nature of this business unit where fluctuations in performance are typically minor and generally reflect economic confidence.

Infrastructure investment in the immediate future is focused on rejuvenation of Waitohi Wharf to extend both capacity and working life. Wider planning continues with the ultimate goal of reducing current reliance on Waimahara Wharf for berthing of larger ships, and rationalising ferry berth infrastructure to support operator requirements.

CONCLUSION

The past year has seen a number of throughput records eclipsed, with log volumes, ferry commercial freight and cruise ship visits hitting new highs. This has brought into sharp focus the importance of a sound commercial strategic view of the company's infrastructure assets as we move forward. Significant investment will be required if we are to satisfy the needs of all existing and new customers.

E G (Ed) Johnson
Chairman

I M McNABB
Chief Executive

REVIEW OF OPERATIONS

PORT OPERATIONS

The year-end 10 percent increase in revenue from port installations and services reflects an ongoing lift in activity across core port trades.

Export log volumes hit a record high for the second successive year, exceeding 650,000 JAS and contributing to total log volume growth of 13% over the previous period. Forecast of a similar volume for the coming year has been supported by steady exports since balance date; however low prices now being realised in the Chinese and Indian log markets are leading to growing caution among exporters.

Cook Strait ferry activity increased significantly across all metrics for the first time in several years. Commercial vehicle and rail freight grew 8.8% year on year to achieve record levels. Ferry passenger and private vehicle numbers rebounded with growth of 11% and 12% respectively, providing the first positive growth result for these metrics since 2008.

Both Cook Strait ferry operators have moved to introduce larger vessels to the Cook Strait run. Strait Shipping announced their purchase of *Strait Feronia* in the latter part of the year. At 186 metres length overall (LOA) and with capacity for 2150 vehicle lane metres and 400 passengers, *Strait Feronia* is now the largest vessel on Cook Strait.

Interislander announced the planned return of *Stena Alegra*, previously leased in 2014. Now renamed *Kaiarahi* and carrying the Interislander livery, the extensively refurbished vessel will return to the Cook Strait in the coming spring.

Capital investment through the year has focussed on meeting port infrastructure requirements for the ferry fleet and their freight customers. A new freight marshalling yard situated immediately north of the Bluebridge passenger terminal was delivered to Strait Shipping in November last year, and an upgrade of the Strait Shipping berth was commenced to accommodate the *Strait Feronia*.

We continue to work with Interislander to understand and plan for their longer-term needs at Picton.

Cruise ship activity records were also conclusively eclipsed this year. A total of 36 ship visits was just three more than the previous record (2012-13); however the total number of passengers through the port at 52,104 lifted performance of this sector to a whole new level, more than 60% ahead of the previous high.

Picton again came to the party in hosting several unscheduled cruise ship visits. A major achievement for the Port and Picton township was the accommodation, at very short notice, of two high profile ships from the famed Cunard line. When the itineraries of *Queen Victoria* (294m LOA) and *Queen Mary II* (345m LOA) were disrupted by bad weather in Fiordland, Picton was given just a few days' notice of their impending visits – to take place on consecutive days.

Queen Mary II is considerably larger than any ship that has previously berthed in Picton, so urgent preparations included assessment of maritime risk and development of a berthing plan. The Port team and wider cruise hosting community responded to the challenge and succeeded in hosting 4,300 unexpected visitors across two days in mid-March.

With the Port's ability to host larger ships now proven, we are working to grow this business further to provide tangible economic benefits to the Port, to Picton and to the wider region.

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CRUISE SHIP VISITS

MARLBOROUGH SOUNDS MARINAS

Activity at all three marinas was noticeably up during a strong summer season. This was particularly evident in the increase of trailer-boat activity, with launching ramps at Waikawa, Havelock and Picton all busier over the summer period than they have been for some years.

Overall the marinas business unit continues to perform steadily, with only minor fluctuations in occupancy rates across each of the marinas in the last twelve months.

Following a significant period of capital investment across the marinas portfolio in recent years we are now in a phase of asset consolidation. Focus has increased on initiatives to further improve the experiences of our marina customers through service enhancement and improved communication on all fronts.

Physical works around the marinas have included a start on programmed half-life berth maintenance at Waikawa that will continue progressively through the marina. Havelock land-based commercial facilities have been extended for an additional tenant and several new enquiries have been fielded for the commercial precinct.

1,329

VESSELS ACCOMMODATED AT MARINAS
(Berths, boatsheds and compounds)

DEVELOPMENT AND PLANNING

A landmark ceremony occurred in October when Port Marlborough and Te Ātiawa O Te Waka-a-Māui Trust signed an agreement to pave the way for a long term, integrated planning solution that will resolve conflicts in spatial allocation within Waikawa Bay.

Port Marlborough had proposed a private plan change in June 2010 which sought to clarify where future marina development may or may not occur at Waikawa, and to introduce new management arrangements for existing swing moorings within the Bay. Te Ātiawa, kaitiaki in Waikawa Bay, strongly resisted the proposal. The plan change application was declined by a panel of Council Commissioners in May 2011, and Port Marlborough appealed that decision to the Environment Court.

In the intervening three years Port Marlborough worked closely with Te Ātiawa, the Marlborough District Council and other parties to develop a well-balanced cultural, social and environmental long term plan for Waikawa. Ultimately, a sustainable solution was reached that ensured Te Ātiawa's ability to exercise its responsibilities as kaitiaki in Waikawa Bay's future while accommodating controlled future development in the Bay. The plan change subsequently passed through the required regulatory gateways and was formally approved by the Minister of Conservation in June.

Importantly, the October 2014 ceremony celebrated additional arrangements between Port Marlborough and Te Ātiawa which provide for long term and enduring relationships between them. Port Marlborough acknowledged the occasion with a gift to Te Ātiawa of a framed photograph (reproduced here) of the outer part of Totaranui Queen Charlotte Sound, an area of considerable significance within Te Ātiawa's rohe.

Port Marlborough will proceed to develop specific plans for further development of Waikawa Marina in the coming year, with the intention of proceeding to resource consent stage in the near future.

Planning for further development of the commercial port precinct continues. Longer term planning will benefit from clarity around future requirements for the Interisland ferry fleet, and we are hopeful of achieving a reasonable level of certainty in the coming year as we work with Interislander towards renewal of commercial contracts.

The increasing size of cruise ships visiting Picton coupled with growing visit frequency has the potential to cause congestion at Waimahara Wharf with downstream impacts on log exporters. Alternative berthing options are being investigated to ensure that both business streams can comfortably co-exist.

As an interim measure, a comprehensive upgrade to extend the operating capacity and longevity of Waitohi Wharf will be undertaken in the coming year.

OUR COMMUNITY

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

Our long-term relationships with the Port Marlborough Pavilion at Endeavour Park and Kaipupu Point Sounds Wildlife Sanctuary continue as cornerstones of our community and environmental sponsorship programmes.

Port Marlborough is now a long-time sponsor of significant community festivals and events including the Picton Maritime Festival, Picton Christmas Parade and the Picton New Year's Eve fireworks.

Marlborough Sounds Marinas is long-time sponsor of the Havelock Mussel Festival, and more recently has been delighted to partner the Marina2Marina fun run event.

The Company also supports numerous schools, not-for-profit organisations and sporting organisations across the Marlborough region.

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 past years has delivered tangible improvements. The challenge now is to roll out increased environmental awareness and practical improvements across the wider port and marina area, particularly in relation to third party operations.

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

THE BOARD OF DIRECTORS

Ed Johnson (Chairman)

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

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, Indevin Ltd, and a director of Port Otago Ltd 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. More recently in 2012 he retired as Chairman of Fulton Hogan Ltd after 17 years on that board. In 2001 Ed was appointed the inaugural Honorary Fellow of Massey University's Centre for Business and Sustainable Development. He is a Certified Fellow of the Institute of Directors in New Zealand. Ed resides in Marlborough dividing his time between the Wairau Valley and Pelorus Sound.

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. Kerry is the Managing Director of NZX listed property company NPT Limited, and a Director of Northcote Road 1 Holdings Limited (Smales Farm). He has comprehensive experience as a property investment and development specialist, having been involved in the property sector since 1983. Over the last 30 years Kerry has seen the New Zealand property market grow rapidly, and has managed companies through the highs and the lows. Kerry is a Chartered Member of the Institute of Directors.

Keith Taylor *BSc, BCA, FIA, CFInstD*

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.

Peter Drummond *MNZM, CFInstD*

Peter Drummond is an experienced director with extensive international business management and marketing expertise. He was made a Fellow of the Institute of Directors in 1999 and an Accredited/Chartered Fellow in 2005. He has served on a wide range of community organisations. Peter is currently Chairman of Appliance Connection Ltd, Watercare Harbour Clean-Up Trust, Variety Medical Missions South Pacific, and Ngati Whatua o Orakei Whai Maia Ltd. He is a Director of NARTA New Zealand Ltd, NARTA International Pty Ltd, and Ngati Awa Group Holdings Limited; and is a member of the Fire Review Panel for the Department of Internal Affairs.

Mathew Kerr *B.B.S. MInstD, CA*

Mathew Kerr is a qualified Chartered Accountant and Senior Partner, Winstanley Kerridge Chartered Accountants, Blenheim. He is a Trustee and the Treasurer of Marlborough Stadium Trust, Trustee of the Marlborough Hospice Foundation and Director of several private companies. Mathew is a keen local yachtsman.

Martin Fletcher Kerry Hitchcock Ed Johnson Mathew Kerr Keith Taylor Peter Drummond

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.

Rose Prendeville

Manager Projects and Support

BTech (I.E.), Dip.PM

Rose has a comprehensive business background spanning production and process engineering, production management, marketing, administration and project management, and has had 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

BE Mech (Hons) MIPENZ CPEng

Gavin joined Port Marlborough as the Engineering and Infrastructure Manager in 2012. He previously worked as a consultant engineer 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 infrastructure and provision of new assets and he leads the engineering and workshop team.

Rhys Welbourn

Manager Business Delivery

MBA, BA (Hons), PG Dip. GIS, Dip Eng (Civil)

Rhys left Port Marlborough in 2010 having received a scholarship to read for an MBA at Cranfield University (UK). Upon completion, Rhys took the role of Infrastructure Manager at PrimePort Timaru eventually taking on the additional roles of 2IC and Business Development. While at PrimePort, Rhys was successful in implementing operational and commercial improvements and played an instrumental role in securing Holcim Cement as an anchor trade for the next 35-plus years.

Rhys is responsible for the Port and Marinas operations and the property portfolio, and leads new business development.

2015

Port Marlborough

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 2015.

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 2015 and the results of the Group's operations and cash flows for the year ended on that date.

Auditors

Mike Hoshek 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 2015.

Employee Remuneration - Parent Company

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

Remuneration	Number of Employees	
	2015	2014
$100,000 – 110,000	2	2
$110,000 – 120,000	3	-
$130,000 – 140,000	-	2
$150,000 – 160,000	2	-
$170,000 – 180,000	-	2
$180,000 – 190,000	-	1
$190,000 – 200,000	1	-
$240,000 – 250,000	1	-
$340,000 – 350,000	-	1
$380,000 – 390,000	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 2015 was: E G Johnson $60,000. Messrs M F Fletcher, K D Hitchcock and K B Taylor $30,000 each. Messrs D A H Brown, P S Drummond, M B J Kerr and D R Wilkie $15,000 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
Stone Farm Holdings Limited, Director/Shareholder
E G and D M Johnson Family Trust, Trustee

David Brown (Retired 11 December 2014)
Link Pathway Trust, Trustee
Bishopdale Theological College Foundation, Board Member
Hornby Trust, Trustee

Peter Drummond (Appointed 11 December 2014)
Appliance Connexion Ltd, Chairman
Fish Pot New Zealand, Chairman
Ngati Whatua o Orakei Whai Maia, Chairman
NARTA Australia Pty Ltd, Director
NARTA NZ Ltd, Director
Watercare Services Ltd, Director
Ngati Awa, Director

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

Matt Kerr (Appointed 11 December 2014)
Berdith Holdings Limited, Director
Decagon Rentals Limited, Director
Kakapo Bay Forests (2004) Ltd, Director
North of the Wairua Limited, Director
Saints Investments Limited, Director
Winstanley Kerridge Chartered Accountants Limited, Director
Winstanley Kerridge Trustees (2004) Limited, Director
Winstanley Kerridge Trustees Limited, Director
WK Trustees (2007) Ltd, 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 Limited/Chairman
Government Superannuation Fund, Chairman
Carey Baptist Theological College, Board Member

David Wilkie (Retired 11 December 2014)
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 2015, 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 2013.

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 Limited, 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 24 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 2015.

Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2015 on pages 32 to 60.

Authorisation for Issue

The Board of Directors authorised the issue of these Financial Statements on 18 September 2015.

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 2015

The Auditor-General is the auditor of Port Marlborough New Zealand Limited (the company) and its New Zealand domiciled subsidiaries. The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the company and group, consisting of Port Marlborough New Zealand Limited and its subsidiaries (collectively referred to as 'the group'), on her behalf.

Opinion

We have audited the financial statements of the company and group on pages 32 to 60, that comprise the statement of financial position as at 30 June 2015, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the company and group:

- present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Our audit was completed on 18 September 2015. 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 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.

Deloitte.

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 the 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.

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 the preparation and fair presentation of financial statements for the company and group that comply with generally accepted accounting practice in New Zealand, New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

The Board of Directors is also 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.

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.

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.

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

Income Statement

For the Financial Year Ended 30 June, 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Revenue	2(a)	24,458	22,461	23,035	21,260
Other income	2(b)	46	55	43	52
Investment property revaluation	9	730	406	730	406
Operations and maintenance		(7,505)	(6,784)	(6,790)	(6,067)
Employee benefits expense	4	(5,542)	(5,223)	(5,178)	(4,994)
Depreciation, impairment and amortisation expense	2(b)	(2,326)	(2,133)	(2,175)	(1,975)
Finance costs	2(b)	(2,945)	(1,222)	(2,945)	(1,222)
Subvention payments		(373)	(367)	(373)	(367)
Profit before income tax expense		**6,543**	**7,193**	**6,347**	**7,093**
Income tax expense	3(a)	(1,358)	(1,557)	(1,303)	(1,529)
Profit for the year		**5,185**	**5,636**	**5,044**	**5,564**

Statement of Comprehensive Income

For the Financial Year Ended 30 June, 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Profit for the year		**5,185**	**5,636**	**5,044**	**5,564**
Other Comprehensive Income, net of tax					
Gain on revaluation of property, plant and equipment		-	-	-	-
Income tax relating to valuation of property, plant and equipment		-	-	-	-
Total Comprehensive Income for the Year, net of tax		**5,185**	**5,636**	**5,044**	**5,564**
Comprehensive Income attributable to Members of the parent entity		**5,185**	**5,636**	**5,044**	**5,564**

Statement of Changes in Equity

For the Financial Year Ended 30 June, 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Equity at beginning of the year		98,471	94,601	98,215	94,417
Total Comprehensive Income for the Year, net of tax		**5,185**	**5,636**	**5,044**	**5,564**
Amalgamation - Marlborough Sounds Maritime Pilots Limited (MSMP)		-	-	369	-
Dividends	18	(2,106)	(1,766)	(2,106)	(1,766)
Balance at end of the year		**101,550**	**98,471**	**101,522**	**98,215**

Notes to the financial statements are included on pages 35 to 60.

Statement of Financial Position

As at 30 June, 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Current assets					
Cash and cash equivalents	24(a)	1,538	1,350	1,513	1,212
Trade and other receivables	6	2,533	2,320	2,530	2,291
Inventories	7	302	330	302	330
Inter-Group Loan		-	-	-	303
Total current assets		**4,373**	**4,000**	**4,345**	**4,136**
Non-current assets					
Investment in subsidiaries	21	-	-	-	1,580
Property, plant and equipment	8	65,432	64,940	65,432	62,937
Investment property	9	75,756	74,034	75,756	74,034
Other intangible assets	10	829	867	829	867
Total non-current assets		**142,017**	**139,841**	**142,017**	**139,418**
Total assets		**146,390**	**143,841**	**146,362**	**143,554**
Current liabilities					
Trade and other payables	11	3,199	2,697	3,199	2,632
Current tax liabilities	3(c)	364	335	364	365
Provisions	12	60	56	60	56
Other financial liabilities - Derivatives	13	49	-	49	-
Total current liabilities		**3,672**	**3,088**	**3,672**	**3,053**
Non-current liabilities					
Borrowings from MDC Holdings Limited	14	31,500	33,500	31,500	33,500
Deferred tax liabilities	3(d)	8,385	8,510	8,385	8,514
Other financial liabilities - Derivatives	13	1,283	272	1,283	272
Total non-current liabilities		**41,168**	**42,282**	**41,168**	**42,286**
Total liabilities		**44,840**	**45,370**	**44,840**	**45,339**
Net assets		**101,550**	**98,471**	**101,522**	**98,215**
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	52,193	49,114	52,165	48,858
Parent entity interest		101,550	98,471	101,522	98,215
Total equity		**101,550**	**98,471**	**101,522**	**98,215**

Notes to the financial statements are included on pages 35 to 60.

Cash Flow Statement

For the Financial Year Ended 30 June, 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Cash flows from operating activities					
Receipts from customers		24,192	22,455	22,835	21,203
Interest received		32	21	31	21
Payments to suppliers and employees		(12,475)	(12,538)	(11,368)	(11,594)
Interest and other costs of finance paid		(1,886)	(1,849)	(1,886)	(1,849)
Subvention payments		(367)	(374)	(367)	(374)
Income tax paid (Net of refunds)		(1,454)	(1,150)	(1,465)	(1,110)
Net cash provided by operating activities	24(e)	8,042	6,565	7,780	6,297
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		25	-	25	-
Payment for property, plant and equipment		(3,004)	(1,736)	(2,989)	(1,733)
Payment for investment property		(613)	(4,306)	(613)	(4,306)
Repayments/(Advances) subsidiaries		-	-	300	184
Payment for intangible assets		(156)	(779)	(156)	(779)
Net cash used in investing activities		(3,748)	(6,821)	(3,433)	(6,634)
Cash flows from financing activities					
Proceeds from borrowings		-	2,800	-	2,800
Repayment of borrowings		(2,000)	-	(2,000)	-
Dividends paid		(2,106)	(1,766)	(2,106)	(1,766)
Net cash provided in financing activities		(4,106)	1,034	(4,106)	1,034
Net increase/(decrease) in cash and cash equivalents		**188**	**778**	**241**	**697**
Cash and cash equivalents at the beginning of the financial year		**1,350**	**572**	**1,212**	**515**
Cash MSMP amalgamation		**-**	**-**	**60**	**-**
Cash and cash equivalents at the end of the financial year	24(a)	**1,538**	**1,350**	**1,513**	**1,212**

Notes to the financial statements are included on pages 35 to 60.

Notes to the Financial Statements

For the Financial Year Ended 30 June, 2015

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 2013 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 18 September, 2015.

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.

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, 2015, and the comparative information presented in these financial statements for the year ended 30 June, 2014.

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, 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
• Wharf Infrastructure	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 rental income 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 10 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 2014;

- Amendments to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities.
- Amendments to NZ IFRS 10 Consolidated Financial Statements.
- Amendments to NZ IFRS 12 Disclosure of Interests in Other Entities.

The application of 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 January 2018.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, effective from 1 January 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 have adopted the Tier 1 criteria, and report on a for-profit basis.

2. Profit From Operations

(a) Revenue

Revenue from continuing operations consisted of the following items:

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Revenue from the rendering of services	15,808	14,338	14,386	13,137
Operating lease rental revenue:				
Investment properties	8,618	8,102	8,618	8,102
Interest revenue:				
Bank deposits / IRD use of money	32	21	31	21
	24,458	22,461	23,035	21,260

(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 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Other	46	55	43	52
	46	55	43	52

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

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Finance costs				
Interest on loans	1,885	1,848	1,885	1,848
Total interest expense	1,885	1,848	1,885	1,848
Other finance costs- losses/(gains) on Derivatives	1,060	(626)	1,060	(626)
	2,945	1,222	2,945	1,222
Direct operating expenses of investment properties:				
Properties generating rental income	3,414	3,164	3,414	3,164
Operating lease payments	29	23	29	23
Bad and doubtful debts	3	20	3	20

		Group		Parent	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
2(b). Profit From Operations continued					
Depreciation of non-current assets	8	2,200	2,109	2,049	1,957
Amortisation of non-current assets	10	126	24	126	18
Impairment of non-current assets	8	-	-	-	-
		2,326	2,133	2,175	1,975
Donations / Sponsorship		75	48	75	48
Employer contribution to superannuation		226	221	217	218

3. Income Taxes

(a) Income tax recognised in profit or loss				
Tax expense comprises:				
Current tax expense	1,483	1,394	1,432	1,368
Deferred tax expense/(credit) relating to the origination and reversal of temporary differences	(125)	163	(129)	161
Total tax expense	1,358	1,557	1,303	1,529
The prima facie income tax expense on pre-tax accounting Profit reconciles to the income tax expense in the financial statements as follows:				
Profit before income tax	6,543	7,193	6,347	7,093
Income tax expense calculated at 28%	1,832	2,014	1,777	1,986
Non-deductible expenses	5	7	5	7
Non-taxable income	(210)	(200)	(210)	(200)
Group loss offsets	(269)	(264)	(269)	(264)
	1,358	1,557	1,303	1,529

3. Income Taxes cont.	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
(b) Income tax recognised in other comprehensive income				
The following current and deferred amounts were charged directly in other comprehensive income:				
Deferred tax	-	-	-	-
Property revaluations	-	-	-	-
(c) Current tax assets and liabilities				
Current tax:				
Tax (payable)	(364)	(335)	(364)	(365)
(d) Deferred tax liabilities comprise:				
Temporary differences	8,385	8,510	8,385	8,514

Taxable and deductible temporary differences arising from the following:

2015 Group	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	6,499	(213)	-	6,286
Investment property	2,274	328	-	2,602
Intangibles	-	72	-	72
	8,773	187	-	8,960
Gross deferred tax assets:				
Derivative instruments	77	297	-	374
Provisions	186	15	-	201
	263	312	-	575
Attributable to:				
Continuing operations	8,510	(125)	-	8,385

Taxable and deductible temporary differences arising from the following:

2015 Parent	Opening balance $'000	Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant & equipment	6,499	(213)	-	6,286
Investment property	2,274	328	-	2,602
Intangibles	-	72	-	72
	8,773	187	-	8,960
Gross deferred tax assets:				
Derivative instruments	77	297	-	374
Provisions	182	19	-	201
	259	316	-	575
Attributable to:				
Continuing operations	8,514	(129)	-	8,385

3. Income Taxes cont.

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

	Group		Parent	
(e) Imputation credit account balances	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
(Available directly and indirectly to shareholders of the parent company, through Parent company)	8,666	8,668	8,509	8,561

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Employee benefits	1,132	1,157	1,132	1,157
Directors Fees	210	201	210	201
	1,342	1,358	1,342	1,358

5. Remuneration of Auditors

	Group		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Auditor of the Parent entity				
Audit of the financial statements	55	55	47	47
	55	55	47	47

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

6. Current Trade & Other Receivables

	Group		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade and other receivables (i)	2,210	1,997	2,207	1,968
Allowance for doubtful debts	(50)	(50)	(50)	(50)
	2,160	1,947	2,157	1,918
Other – Related Party	373	373	373	373
	2,533	2,320	2,530	2,291

(i) The average credit period on sales of goods and services is 38 days (2014: 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 (2014: Nil).

7. Current Inventories

	Group		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Goods held for maintenance				
At cost	302	330	302	330

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 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
Additions	-	18	43	143	366	2,503	3,073
Disposals	-	-	-	-	(129)	-	(129)
Transfers from Capital Works in progress	-	1,458	481	380	243	(2,562)	-
Transfers to Investment Property	-	-	-	-	(425)	-	(425)
Balance 30 June 2015	**14,869**	**8,808**	**9,603**	**30,799**	**8,488**	**560**	**73,127**

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 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
Disposals	-	-	-	-	(128)	-	(128)
Depreciation expense - Note 2	-	261	246	1,147	546	-	2,200
Transfers to Investment Property	-	-	-	-	(45)	-	(45)
Balance 30 June 2015	**-**	**507**	**491**	**2,434**	**4,263**	**-**	**7,695**
Net Book Value							
As at 30 June 2014	14,869	7,086	8,834	28,989	4,543	619	64,940
As at 30 June 2015	14,869	8,301	9,112	28,365	4,225	560	65,432

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 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
Additions	-	18	43	143	351	2,503	3,058
Disposals	-	-	-	-	(128)	-	(128)
MSMP Amalgamation	-	-	-	-	2,369	-	2,369
Transfers from Capital Works in progress	-	1,458	481	380	243	(2,562)	-
Transfers to Investment Property	-	-	-	-	(421)	-	(421)
Balance 30 June 2014	**14,869**	**8,808**	**9,603**	**30,799**	**8,488**	**560**	**73,127**

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 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
Disposals	-	-	-	-	(128)	-	(128)
Depreciation expense- Note 2	-	261	246	1,147	395	-	2,049
MSMP Amalgamation	-	-	-	-	503	-	503
Transfers to Investment Property	-	-	-	-	(41)	-	(41)
Balance 30 June 2015	-	507	491	2,434	4,263	-	7,695
Net Book Value							
As at 30 June 2014	14,869	7,086	8,834	28,989	2,540	619	62,937
As at 30 June 2015	**14,869**	**8,301**	**9,112**	**28,365**	**4,225**	**560**	**65,432**

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 2015 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value as at 30/6/15 $'000
Freehold land	-	-	14,869	14,869
Improvements	-	-	8,301	8,301
Buildings	-	-	9,112	9,112
Wharf infrastructure	-	-	28,365	28,365

There were no transfers between levels during the year.

(c) Cost Model

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

	Group		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Freehold land	5,706	5,706	5,706	5,706
Improvements	7,441	5,989	7,441	5,989
Buildings	4,001	3,210	4,001	3,210
Wharf Infrastructure	14,586	14,913	14,586	14,913

9. Investment Property

	Group		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of financial year	74,034	69,358	74,034	69,358
Additions from subsequent expenditure	161	3,261	161	3,261
Capital Work in Progress	451	1,045	451	1,045
Disposals	-	(36)	-	(36)
Transfers Property, plant and equipment	380	-	380	-
Net gain from fair value adjustments	730	406	730	406
Balance at end of financial year	75,756	74,034	75,756	74,034

(a) Valuation basis

Investment properties were valued on 30 June 2015 and 2014 by Colliers International, 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 2015 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 30/6/15 $'000
Investment property located in Marlborough, New Zealand	-	-	75,756	75,756

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, 2013	421	394
Additions	847	847
Disposals	(114)	(114)
Balance at 30 June, 2014	1,154	1,127
Additions	88	88
MSMP Amalgamation	-	27
Disposals	(41)	(41)
Balance at 30 June, 2015	1,201	1,201
Accumulated amortisation & impairment		
Balance at 30 June, 2013	377	356
Disposals	(114)	(114)
Amortisation (i)	24	18
Balance at 30 June, 2014	287	260
Disposals	(41)	(41)
MSMP Amalgamation	-	27
Amortisation (i)	126	126
Balance at 30 June, 2015	372	372
Net book value		
As at 30 June, 2014	867	867
As at 30 June, 2015	829	829

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

11. Trade & Other Payables

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Trade creditors	1,258	725	1,258	679
Property, Plant and Equipment	198	200	198	200
Rentals received in advance	485	487	485	487
Employee entitlements	695	716	695	697
Other	8	8	8	8
Related Parties - Subvention payments	373	367	373	367
- Interest	182	194	182	194
	3,199	2,697	3,199	2,632

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

12. Provisions

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Movement in Provision, Employee Benefits				
Opening balance	56	46	56	46
(Reduction to provision)/additional provision for the current period	4	10	4	10
Closing balance	60	56	60	56

13. Other Financial Liabilities

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Current	49	-	49	-
Non-Current	1,283	272	1,283	272
At fair value				
Interest rate swaps	1,332	272	1,332	272

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

14. Non-Current Borrowings

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Secured				
At amortised cost:				
Loans from:				
Parent entity	31,500	33,500	31,500	33,500

Loan Maturities
Funds have been raised under a $33.5 million (2014: $33.8 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 $1.885 million, (2014 $1.848 million). Interest rates ranged between 4.25% and 6.30% (2014 3.58% and 6.35%). A Negative Pledge Deed has been entered into with MDC Holdings Limited.

15. Capital and Other Equity Instruments

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
13,587,650 fully paid ordinary shares				
(2014: 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 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'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
(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 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
(b) Asset revaluation reserve				
Balance at beginning of financial year	33,076	33,076	33,076	33,076
Revaluation increments/(decrements)	-	-	-	-
Deferred tax - Property revaluations	-	-	-	-
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, is transferred directly to retained earnings.

17. Retained Earnings

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Balance at beginning of financial year	49,114	45,244	48,858	45,060
Net profit/(Loss) attributable to members of the Parent entity	5,185	5,636	5,044	5,564
Amalgamation (MSMP)	-	-	369	-
Dividends paid (note 18)	(2,106)	(1,766)	(2,106)	(1,766)
Balance at end of financial year	52,193	49,114	52,165	48,858

18. Dividends

	2015 Cents per Share	2015 Total $000	2014 Cents per Share	2014 Total $000
Recognised amounts				
Fully paid ordinary shares	15.5	2,106	13	1,766

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

19. Commitments for Expenditure

	Group 2015 $'000	Group 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
(a) Capital expenditure commitments				
Property, Plant and Equipment	423	127	423	127
	423	127	423	127

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(b) Non-cancellable operating lease payments				
Not longer than 1 year	-	5	-	5
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	-	5	-	5

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(b) Non-cancellable operating lease receivables				
Not longer than 1 year	3,791	4,943	3,791	4,943
Longer than 1 year and not longer than 5 years	6,115	8,251	6,115	8,251
Longer than 5 years	3,227	5,210	3,227	5,210
	13,133	18,404	13,133	18,404

21. Subsidiaries

	Country of Incorporation	Nature of Business	Ownership Interest Parent 2015 %	2014 %
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

(i) Marlborough Sounds Maritime Pilots Limited (MSMP) was amalgamated with Port Marlborough New Zealand Limited on 30 June 2015, it was previously a wholly-owned subsidiary.

(ii) Port Marlborough New Zealand Limited is the parent entity within the consolidated Group.

22. Contingent Assets & Liabilities

	Group		Parent	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
	-	-	-	-

2015 Group and Parent Contingent assets
There are no contingent assets (2014: Nil)

2015 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 $367,226 (2014: $374,276) and provided for subvention payments of $373,255 at balance date (2014: $367,226).

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 (2014: $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 (2014: 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 $1,885,588 (2014: $1,848,583) on loans from its Parent.

Port Marlborough New Zealand Limited incurred losses of $1,059,330 on the valuation of the interest rate swaps held at balance and had $1,331,803 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 $1,498 (2014: $173,682). $722 (2014: nil) 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 $43,797 for employee health insurance (2014: $71,268).

M. P. Drummond is a Director of Watercare Services Ltd, whom the Company paid $12,098 (2014: nil) for TSP and deposited dust monitoring. $1,008 (2014: nil) was payable as at 30 June.

(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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash and cash equivalents	1,538	1,350	1,513	1,212
(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	31,500	33,500	31,500	33,500
• Amount unused	2,000	300	2,000	300
	33,500	33,800	33,500	33,800
(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	5,185	5,636	5,044	5 564
(Gain)/loss on sale or disposal of non-current assets	(24)	-	(25)	-
(Gain)/loss on revaluation of investment property (Note 9)	(730)	(406)	(730)	(406)
Loss/(gain) on revaluation of fair value through profit or loss financial assets (Note 2b)	1,060	(626)	1,060	(626)
Depreciation, impairment and amortisation of non-current assets (Note 2b)	2,326	2,133	2,175	1,975
Increase/(decrease) in deferred tax balances (Note 3d)	(125)	162	(129)	161
Amalgamation MSMP	-	-	26	-
Changes in net assets				
(Increase)/decrease in assets:				
Current receivables	(213)	(75)	(239)	(118)
Current inventories	28	(55)	28	(55)
Increase/(decrease) in liabilities:				
Current payables	502	(459)	567	(466)
Current tax	29	245	(1)	258
Current provisions	4	10	4	10
Net cash from operating activities	8,042	6,565	7,780	6,297

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 2015 and 30 June 2014 except for negative pledge security as outlined in note 14.

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 2015 %	Average Contract Fixed Interest rate 2014 %	Notional Principal Amount 2015 $'000	Notional Principal Amount 2014 $'000	Fair Value 2015 $'000	Fair Value 2014 $'000
Less than 1 year	4.81	-	8,500	-	(49)	-
1 to 2 years	5.58	4.87	3,500	8,500	(168)	(114)
2 to 10 years	4.44	4.81	22,500	24,500	(1,115)	(158)
	4.55	4.82	34,500	33,000	(1,332)	(272)

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 59% (2014: 55%) 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash and cash equivalents	1,538	1,350	1,513	1,212
Trade and other receivables	2,533	2,320	2,530	2,291
Total credit risk	4,071	3,670	4,043	3,503

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
30 – 60 Days	80	88	75	88
60 – 90 Days	85	17	85	17
Over 90 Days	105	70	105	70
Total	270	175	265	175
Ageing of Impaired trade and other receivables				
Over 90 Days	50	50	50	50

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 2015		Fixed Maturity Dates				
	Weighted Average Interest Rate %	Less than 1 Year $'000	1-2 Years $'000	2-10 Years $'000	Non Interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	2.25	1,538	-	-	-	1,538
Trade and other receivables	-	-	-	-	2,533	2,533
		1,538	-	-	2,533	4,071
Financial liabilities:						
Trade payables	-	-	-	-	3,199	3,199
Related party loans	5.50	-	15,500	16,000	-	31,500
Employee benefits	-	-	-	-	60	60
Interest rate swaps	-	49	168	1,115	-	1,332
		49	15,668	17,115	3,259	36,091
Related party loans - Interest	-	96	390	6,104	-	6,590
		145	16,058	23,219	3,259	42,681

25. Financial Instruments continued

Group 2014	Weighted Average Interest Rate %	Fixed Maturity Dates Less than 1 Year $'000	1-2 Years $'000	2-10 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	-	17,500	16,000	-	33,500
Employee benefits	-	-	-	-	56	56
Interest rate swaps	-	-	114	158	-	272
		-	17,614	16,158	2,753	36,525
Related party loans - Interest	-	-	511	5,588	-	6,099
		-	18,125	21,746	2,753	42,624

Parent 2015	Weighted Average Interest Rate %	Fixed Maturity Dates Less than 1 Year $'000	1-2 Years $'000	2-10 Years $'000	Non Interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	2.25	1,513	-	-	-	1,513
Trade and other receivables	-	-	-	-	2,437	2,437
Inter-group loan	-	-	-	-	3	3
		1,513	-	-	2,440	3,953
Financial liabilities:						
Trade payables	-	-	-	-	3,199	3,199
Related party loans	5.5	-	15,500	16,000	-	31,500
Employee benefits	-	-	-	-	60	60
Interest rate swaps	-	49	168	1,115	-	1,332
		49	15,668	17,115	3,259	36,091
Related party loans - Interest	-	96	390	6,104	-	6,590
		145	16,058	23,219	3,259	42,681

Parent 2014	Weighted Average Interest Rate %	Fixed Maturity Dates Less than 1 Year $'000	1-2 Years $'000	2-10 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	-	17,500	16,000	-	33,500
Employee benefits	-	-	-	-	56	56
Interest rate swaps	-	-	114	158	-	272
		-	17,614	16,158	2,688	36,460
Related party loans - Interest	-	-	511	5,588	-	6,099
		-	18,125	21,746	2,688	42,559

25. Financial Instruments continued

(vi) Categories of Financial Instruments

Group – 2015	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	1,538	-	-	1,538
Trade and other receivables	2,533	-	-	2,533
Total Financial Assets	4,071	-	-	4,071
Liabilities				
Trade and other payables	-	-	3,199	3,199
Other financial assets/liabilities – derivatives	-	1,332	-	1,332
Borrowings	-	-	31,500	31,500
Total Financial Liabilities	-	1,332	34,699	36,031

Group – 2014	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	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

Parent – 2015	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	1,513	-	-	1,513
Trade and other receivables	2,530	-	-	2,530
Total Financial Assets	4,043	-	-	4,043
Liabilities				
Trade and other payables	-	-	3,199	3,199
Other financial assets/liabilities – derivatives	-	1,332	-	1,332
Borrowings	-	-	31,500	31,500
Total Financial Liabilities	-	1,332	34,699	36,031

25. Financial Instruments continued

Parent – 2014	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	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

(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:

	2015 $000	2014 $000
50 basis point increase		
Group net profit would increase by approximately	717	505
Parent net profit would increase by approximately	717	505
50 basis point decrease		
Group net profit would decrease by approximately	744	535
Parent net profit would decrease by approximately	744	535

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	BA (Hons) Finance and Accounting MBA (Hons), CFInstD	Chairman
David A H Brown	FNZIM	(Retired 11 December 2014)
Peter S Drummond	MNZM, CFInstD	(Appointed 11 December 2014)
Martin F Fletcher	CA, MInstD	
Kerry D Hitchcock	BCom, LLB, AREINZ, MInstD	
Mathew B J Kerr	B.B.S. MInstD, CA,	(Appointed 11 December 2014)
Keith B Taylor	BSc, BCA, FIA, CFInstD	
David R Wilkie	BE (Civil) FIPENZ MICE	(Retired 11 December 2014)

Executive:

Ian McNabb	Dip VFM, MInstD, MPINZ	Chief Executive
Dean Craighead	BCom, CA	Chief Financial Officer
Rose Prendeville	B.Tech (I.E), Dip.PM (NZIM)	Manager Projects and Support
Gavin Beattie	BE Mech (Hons) MIPENZ CPEng	Manager Infrastructure
Rhys Welbourn	MBA, BA (Hons), PG Dip. GIS, Dip Eng (Civil)	Manager Business Delivery

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Legal Advisor	Radich Law
Banker	Bank of New Zealand

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