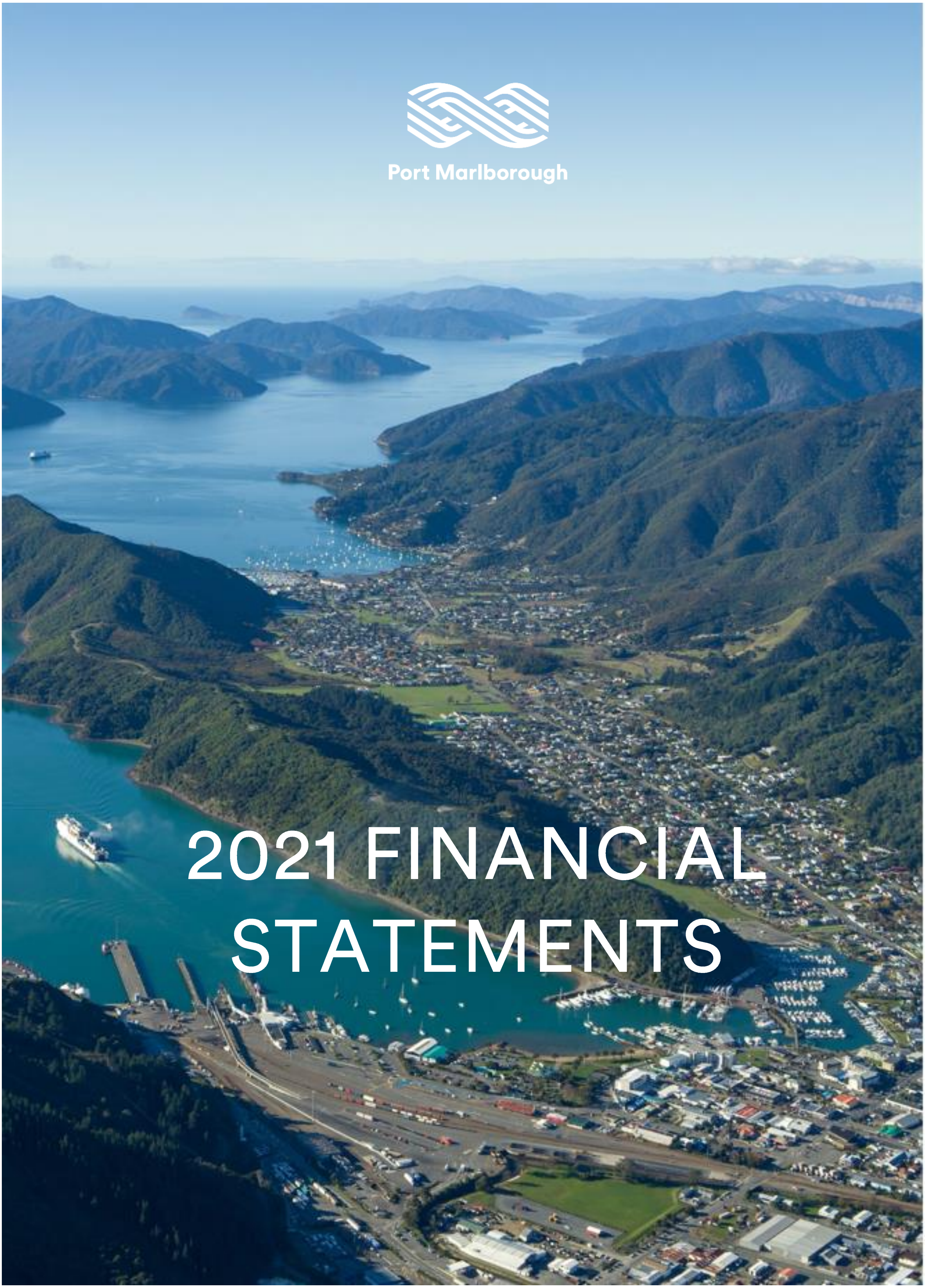

Port Marlborough

2021 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 2021.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly in all material aspects the financial position of Port Marlborough New Zealand Limited and its subsidiaries as at 30 June 2021 and the results of the Group's operations and cash flows for the year ended on that date.

Auditors

Nicole Dring for Deloitte Limited, on behalf of the Office of the Auditor General, is the auditor of Port Marlborough New Zealand Limited and its subsidiaries for the year ended 30 June 2021.

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	
	2021	2020
$100,000 - $110,000	2	4
$110,000 - $120,000	7	3
$130,000 - $140,000	1	2
$140,000 - $150,000	3	1
$150,000 - $160,000	2	2
$170,000 - $180,000	-	1
$180,000 - $190,000	1	1
$200,000 - $210,000	1	1
$210,000 - $220,000	1	-
$220,000 - $230,000	2	2
$350,000 - $360,000	1	1

INTERESTS REGISTER

Directors' remuneration and benefits

The remuneration paid to non-executive Directors during the year. The figures include all benefits, retiring allowances and Fringe Benefit Tax.

DIRECTOR	2021
K B Taylor (Chairman)	$64,700
A R Besley	$32,350
I R Boyd	$35,436
C J Crampton	$16,250
P S Drummond	$16,100
M B Kerr	$17,635
W B McNabb	$17,283
J C Moxon	$32,350
M F Fletcher (paid to Marlborough District Council)	$32,350

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

Keith Taylor
Butlands Management Services Limited, Director
Resolution Life NOHC Pty Limited, Director
AMP Life, Director
Southern Cross Medical Care Society, Healthcare Trust and Hospitals Limited, Director / Trustee

Andrew Besley
Black Dog Vineyards Limited (Investment and Consultancy Company), Company Director / Shareholder

Ian Boyd
AustOn Corporation Pty Ltd (and Associated Entities), Director
OTPP NZ Forest Investments Limited, Director
Wood Industry Development and Education Trust, Trustee

Colin Crampton
Engineering NZ, Board Member
Lifelines Wellington, Deputy Chair
University of Canterbury, Advisory Board Member
Wellington Water, Chief Executive

Martin Fletcher
Calmar Cherries Ltd, Director/Shareholder
Marlborough District Council, Chief Financial Officer

Warren McNabb
Alpine Energy Ltd, Director
Boyce Investments Ltd, Shareholder / Director
Energy 3 Limited, Shareholder / Director
Infratec Limited, Director
Infratec renewables (Rarotonga) Limited, Director
Lancewood Forests Limited, Director
Lulworth Wind Farm Limited, Director
Pistol Vineyard Investments Limited, Director
The Bluffs Vineyard Company Limited, Shareholder / Director
Weld Cone Wind Farm Limited, Director

Jennifer Moxon
Fisher Funds Management Limited, Director
Marlborough Skills Leadership Group, Deputy Chair
NZ Trade & Enterprise – Strategic Advisory Board Member

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 present fairly in all material aspects the financial position of the Group as at 30 June 2021, and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of 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 Group 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 Group to prevent and detect fraud and other irregularities.

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 seven non-executive Directors: a Chairman and six 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 31 of this report and their interests are listed on page 2. Port Marlborough's constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

Board committees

Two Committees of the Board assist the Board to provide leadership and policy in discharging governance responsibilities regarding specific areas of risk. The Health and Safety Committee, comprised of all Directors and chaired by Ian Boyd, supports delivery against the Board's Charter including strategy and review of the safety risk management framework.

The Audit and Risk Committee comprises three Directors, Warren McNabb (Chair), Martin Fletcher and Jennifer Moxon. This committee supports the Board in its oversight of the Company's financial reporting processes, the independent auditors, the Company's compliance with legal and regulatory requirements, and overview of wider business risk.

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 2021

Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2021 on pages 6 to 32.

Authorisation for issue

The Board of Directors authorised the issue of these Financial Statements on 24 September 2021.

K B Taylor Chairman   **W McNabb** Director

For and on behalf of the Board of Directors

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Readers of Port Marlborough New Zealand Limited Group's Financial Statements for the Year Ended 30th June 2021

The Auditor-General is the auditor of Port Marlborough New Zealand Limited (the Group).The Auditor-General has appointed me, Nicole Dring, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 6 to 30, that comprise the consolidated statement of financial position as at 30th June 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2021; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards, Reduced Disclosure Regime.

Our audit was completed on 24 September 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

Responsibilities of the Auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information in the Annual Report, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

Nicole Dring
For Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

24th September 2021

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 30 June 2021		Group	
		2021	2020
	Notes[1]	$ '000	$ '000
Revenue	3.1	31,419	30,237
Other income	3.1	(19)	546
Investment property revaluation	9	8,755	(6,867)
Operations and maintenance	3.3	(8,531)	(8,092)
Employee benefits expense	22.6	(7,387)	(7,488)
Depreciation, impairment & amortisation expense	3.2	(3,683)	(3,437)
Finance (costs) gain	3.2	131	(1,376)
Subvention payments		(1,057)	(861)
Profit before income tax		19,628	2,662
Income tax expense	4.1	(3,678)	571
Profit/(loss) after income tax		15,950	3,233

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2021		Group	
		2021	2020
	Notes	$ '000	$ '000
Profit for the year		15,950	3,233
Other Comprehensive income, net of tax			
Items that will never be classified to profit or loss:			
(Loss)/gain on revaluation of property, plant and equipment	8	-	-
Income tax relating to revaluation of property, plant and equipment	4.3	-	-
Total comprehensive Income for the year net of tax		15,950	3,233
Comprehensive income attributable to equity holders of the parent		15,950	3,233

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2021		Group	
		2021	2020
	Notes	$ '000	$ '000
Equity at beginning of the year		150,754	150,945
Total Comprehensive income for the year, net of tax		15,950	3,233
Dividends	17	(3,642)	(3,424)
Balance at end of the year		163,062	150,754

[1] Notes to the Financial Statements are included on pages 9 to 30

Port Marlborough

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021		Group	
		2021	2020
	Notes	$ '000	$ '000
CURRENT ASSETS			
Cash and cash equivalents	21.2	6,000	2,473
Trade and other receivables	5	2,809	5,543
Inventories	6	306	324
Current tax receivable	4.2	402	-
Total current assets		9,517	8,340
NON-CURRENT ASSETS			
Property, plant and equipment	8	101,478	103,064
Investment property	9	105,646	91,353
Trade and other receivables	5	40	57
Other intangible assets	10	307	407
Total non-current assets		207,471	194,881
Total assets		216,988	203,221
CURRENT LIABILITIES			
Trade and other payables	11	4,042	5,220
Current tax liabilities	4.2	-	65
Other current liabilities	13	-	150
Total current liabilities		4,042	5,435
NON-CURRENT LIABILITIES			
Borrowings from MDC Holdings Limited	12	31,000	29,000
Deferred tax liabilities	4.3	16,945	15,169
Other non-current liabilities	13	1,939	2,863
Total non-current liabilities		49,884	47,032
Total liabilities		53,926	52,467
Net Assets		163,062	150,754
EQUITY			
Capital and other equity instruments	14	13,588	13,588
Revaluation reserve	15	57,982	58,262
Retained earnings	16	91,492	78,904
Total Equity		163,062	150,754

K B Taylor Chairman

W McNabb Director

For and on behalf of the Board of Directors

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year Ended 30 June 2021		Group	
		2021	2020
	Notes	$ '000	$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		32,544	29,055
Wage subsidy NZ Government		-	521
Interest received		5	7
Payments to suppliers and employees		(15,471)	(15,365)
Interest and other costs of finance paid		(946)	(1,100)
Subvention Payment		(861)	(228)
Income tax paid (net of refunds)	4.2	(2,369)	(2,022)
Net cash provided by/(used in) operating activities	21.1	12,902	10,868
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		27	18
Payment for property, plant and equipment		(1,356)	(2,893)
Payment for investment property		(6,371)	(4,980)
Payment for intangible assets		(33)	(40)
Net cash provided by/(used in) investing activities		(7,733)	(7,895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		2,000	1,500
Payment for lease		-	(100)
Dividends paid		(3,642)	(3,424)
Net cash used in financing activities		(1,642)	(2,024)
Net increase in cash and cash equivalents		3,527	949
Cash and cash equivalents at the beginning of the financial year		2,473	1,524
Cash and cash equivalents at the end of the financial year	21.2	6,000	2,473

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2021

1 Company information

The Consolidated Financial Statements comprise the activities of Port Marlborough New Zealand Limited (PMNZ) and the other entities in which the Company has a controlling interest. The Consolidated Financial Statements presented are for the Group as at and for the year ended 30 June 2021.

The Group consists of:

- Port Marlborough New Zealand Limited
- Waikawa Marina Trustee Limited
- PMNZ Marina Holdings Limited

The Group is a profit-oriented company incorporated in New Zealand. Its principal products and services are the provision of port and marina facilities at the north eastern corner 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 and the Companies Act 1993. The Company is a port company for the purposes of the Port Companies Act 1988 and its financial statements also comply with that Act.

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

2 Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statement for the year ended 30 June 2021, and the comparative information presented in these Financial Statements for the year ended 30 June 2020.

2.1 Statement of compliance

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") - Tier 2, and other applicable financial reporting standards as appropriate for profit-oriented entities that apply the reduced disclosure regime (RDR). The Group qualifies for NZ IFRS (RDR) as it does not have public accountability and is not a large for profit public sector entity. The Group has elected to apply NZ IFRS (RDR) and has applied disclosure concessions with the exception of the cash flow reconciliation under FRS 44/NZ IAS 7.

2.2 Basis of preparation

The presentation currency is New Zealand Dollars ($). All financial information has been rounded to the nearest thousand, unless otherwise stated. The Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST with the exception of trade receivables and trade payables, which include GST.

The consolidated Financial Statements have been prepared on the basis of historical cost, except for certain non-current assets and derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the notes to the consolidated Financial Statements. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

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 significance 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).

2.3 Accounting estimates and judgements

The preparation of Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgements, estimates and assumptions made by management in the preparation of these Financial Statements are outlined below:

- Asset revaluation (notes 8 and 9)
- Financial instruments (note 13)

2.4 Impairment

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

When 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. An impairment of goodwill is not subsequently reversed.

2.5 Ferry Terminal Redevelopment

Planning for major redevelopment of the Waitohi Picton Ferry Precinct to accommodate KiwiRail's new Cook Strait fleet, due to arrive from 2025, has progressed over the period. Resource consents for the project were achieved in April, having been processed as a listed project through the COVID-19 Recovery (Fast-track Consenting) Act. The project team is continuing to refine engineering plans and negotiate commercial arrangements.

Whilst the plans for the Ferry Precinct Redevelopment are progressing, the existing assets continue to be used to generate returns until engineering plans are finalised and commercial arrangements are in place, and there are no indicators of impairment as at 30 June 2021.

2.6 COVID-19

The Port is an essential service provider and continued operations throughout the heightened alert levels of the 2020 COVID-19 response. With the exception of cruise ship activity, Group revenues have not been adversely impacted by COVID-19 disruptions.

The previously buoyant cruise sector has been completely inactive through the year due to border closures and a government ban on cruise activity. We continue to work with industry in preparation for safe return of cruise, in whatever form that may take and whenever it may occur. The loss of cruise revenue has been offset by log exports, which reached record levels during the year.

2.7 Adoption of New Revised Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting period of the Group. These standards are not expected to have a material impact on the current or future reporting periods, nor on foreseeable future transactions.

We have assessed the existing software balances in light of the IFRIC agenda decision in April 2021 and there has been no material impact on the 30 June 2021 financial statements.

2.8 Accounting policies other

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

3 Profit from operations

Revenue recognition policies

Rendering of services

Revenue from rendering of services consists of revenue arising from cruise vessels, log storage, log wharfage, pilotage/towage and berthage. Revenue is measured based on the transaction price specified in the contract with a customer. Group recognises revenue when the performance obligations are satisfied following the transfer of the promised services to customers.

- **Cruise vessels** – Group provides a service of port access for cruise vessels. Revenue on such services is recognised upon the departure of the vessel as this is deemed to be the point at which the performance obligation is satisfied.
- **Log storage** – Group provides a service of log storage. Revenue on such services is recognised over the time period of storage.
- **Log wharfage** – Revenue on log wharfage is recognised upon the date the vessel sails as this is deemed to be the point at which the performance obligation is satisfied.
- **Pilotage/towage** – Revenue on pilotage/towage is recognised upon the transfer of the promised service to customers as this is deemed to be the point at which the performance obligation is satisfied.
- **Berthage** – Revenue on berthage is recognised over the time period of the vessel's stay in the berth.

Rental income

The Group's policy for recognition of revenue from operating leases is described in note 19.2.

3.1 Revenue

For the Financial Year Ended 30 June 2021		Group	
		2021	2020
	Notes	$ '000	$ '000
Revenue from continuing operations			
Revenue from the rendering of services		11,170	11,274
Lease rental investment property (includes marinas)		10,061	9,568
Lease rental other property (includes ferry operations)		10,183	9,388
Interest revenue: Bank deposits/IRD use of money		5	7
		31,419	30,237
Revenue from the rendering of services			
Pilotage and towage		2,151	2,417
Log ships and storage		5,899	4,359
Cruise ship visits		-	1,648
Marina services		1,656	1,392
Port and marine farm services		1,464	1,458
		11,170	11,274
Timing of revenue recognition			
At a point in time		8,509	7,537
Over time		2,661	3,737
		11,170	11,274
Other Income			
Other (expense) / revenue		(19)	25
NZ Government Wage Subsidy		-	521
		(19)	546

3.2 Expenses

Profit before income tax has been arrived at after charging the following expenses		Group	
		2021	2020
	Notes	$ '000	$ '000
Interest costs			
Interest on borrowings and swaps		943	1,056
Interest expense on lease liabilities		22	10
Other finance costs			
(Gain)/loss on derivative financial instruments		(1,096)	310
Total finance costs		(131)	1,376
Depreciation, impairment & amortisation			
Depreciation of non-current assets	8	3,458	3,316
Impairment	8	92	-
Amortisation of non-current assets	10	133	121
		3,683	3,437

3.3 Operations and Maintenance

		Group	
		2021	2020
	Notes	$ '000	$ '000
Other expenditure disclosures			
Audit Fees		69	70
Donations and Sponsorship		86	86
Employer contribution to superannuation		295	294
Operating lease rental properties		21	21
Expenses of investment properties generating income		3,934	3,375
Loss/(gain) on disposal of property, plant & equipment		25	(30)

4 Taxation

Income tax policies

Income tax expense comprises current and deferred tax and is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in the Consolidated Income Statement, except when it relates to transactions recognised in other comprehensive income or items charged or credited directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly into equity respectively.

4.1 Reconciliation of income tax

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Financial Statements as follows:

	Group	
	2021	2020
	$ '000	$ '000
Profit before income tax expense	19,628	2,662
Tax at current rate 28%	5,496	746
Plus/(less) tax adjustments:		
Reinstatement of building depreciation	-	(614)
Non-deductible expenses	4	4
Non-taxable income	(1,061)	(87)
Group loss available for offset	(761)	(620)
Income tax expense on the Income Statement, comprising	3,678	(571)
Current tax expense	1,902	2,165
Deferred tax expense/(credit)	1,776	(2,736)
	3,678	(571)

4.2 Current tax asset / (liability)

	Group	
	2021	2020
	$ '000	$ '000
Balance at beginning of the year	(65)	78
Current tax expense	(1,902)	(2,165)
Income tax paid (net of refunds)	2,369	2,022
Balance at end of the year	402	(65)

Current tax policies

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 the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

4.3 Deferred tax liability

The deferred tax liability balance reported in the Consolidated Statement of Financial Position arises from the following temporary differences:

	Derivative Financial Instruments $'000	Property, plant and equipment $'000	Investment property $'000	Intangible assets $'000	Provisions $'000	Totals $'000
Balance at 30 June 2019	(691)	15,145	3,511	133	(193)	17,905
Recognised in:						
Profit or loss	(87)	(1,019)	(1,557)	(24)	(49)	(2,736)
Balance at 30 June 2020	(778)	14,126	1,954	109	(242)	15,169
Recognised in:						
Profit or loss	307	(445)	1,923	(23)	14	1,776
Balance at 30 June 2021	(471)	13,681	3,877	86	(228)	16,945

Deferred tax policies

- Recognised on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes
- Generally recognised for all taxable temporary differences, however, not recognised for the initial recognition of goodwill
- Recognised to the extent that taxable profits will be available for when the temporary differences are reversed and utilised
- Calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis. With the exception of buildings, Port Marlborough does not intend to sell any investment property and does not have a history of doing so. On this basis deferred tax has been allocated against the underlying asset classes.

4.4 Imputation credit account balances

	Group	
	2021 $ '000	2020 $ '000
Available directly and indirectly to shareholders of the Parent Company, through the Parent Company	16,390	15,259

5 Trade and other receivables

	Group	
	2021 $ '000	2020 $ '000
Current	1,584	3,173
Past due 1-30 days	575	657
Past due 31-60 days	37	214
Past due greater than 60 days	258	441
	2,454	4,485
Loss allowance	(50)	(50)
Trade receivables	2,404	4,435
Other receivables	114	943
Rent concession provision	63	30
Prepayments	228	135
Total trade and other receivables	2,809	5,543
Rent concession provision		
Total provision	103	87
Less current provision	(63)	(30)
Non-current rent concession provision	40	57

Trade and other receivables policies

Trade receivables are measured on initial recognition at fair value. The Group has measured the loss allowance for trade receivables at an amount equal to lifetime ECL (expected credit losses). The expected credit losses on trade receivables are estimated using a provision matrix, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 12 months because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. With the exception of rental rebates provided, there has been no material impact on receivables as a consequence of COVID-19.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Allowances are recognised in the Consolidated Income Statement.

6 Inventories

	Group	
	2021	2020
	$ '000	$ '000
Goods held for maintenance: at cost	306	324

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.

7 Subsidiaries

The Company has the following subsidiaries:

	Country of incorporation	Nature of business	2021	2020
Waikawa Marina Trustee Limited	New Zealand	Trustee	100%	100%
PMNZ Marina Holdings Limited	New Zealand	Non Trading	100%	100%

Port Marlborough New Zealand Limited is the head entity within the consolidated group. Port Marlborough New Zealand is 100% owned by MDC Holdings Limited, which in turn is 100% owned by Marlborough District Council, the ultimate parent entity. From a financial perspective, both the level of investment ($200) and trading activity of subsidiaries is negligible.

8 Property, plant and equipment

GROUP	Freehold land at fair value $'000	Freehold 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 less depreciation $'000	Work in progress at cost $'000	Totals $'000
Gross carrying amount							
Balance at 30 June 2019	19,865	18,767	10,471	51,269	9,543	342	110,257
Additions	-	-	-	-	-	2,002	2,002
Disposals	-	-	(12)	-	(213)	-	(225)
Transfers from capital WIP	-	547	127	60	523	(1,257)	-
Balance at 30 June 2020	19,865	19,314	10,586	51,329	9,853	1,087	112,034
Additions	-	-	-	-	-	2,016	2,016
Disposals	-	-	(52)	-	(146)	-	(198)
Transfers from capital WIP	-	10	1,454	187	1,000	(2,651)	-
Balance at 30 June 2021	19,865	19,324	11,988	51,516	10,707	452	113,852

GROUP	Freehold land at fair value $'000	Freehold 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 less depreciation $'000	Work in progress at cost $'000	Totals $'000
Accumulated depreciation / amortisation and impairment							
Balance at 30 June 2019	-	1	-	324	5,532	-	5,857
Disposals	-	-	-	-	(203)	-	(203)
Depreciation expense	-	541	471	1,592	712	-	3,316
Balance at 30 June 2020	-	542	471	1,916	6,041	-	8,970
Disposals	-	-	(2)	-	(144)	-	(146)
Depreciation expense	-	566	557	1,599	736	-	3,458
Impairment loss	-	-	92	-	-	-	92
Balance at 30 June 2021	-	1,108	1,118	3,515	6,633	-	12,374
Net book value							
Balance at 30 June 2020	19,865	18,772	10,115	49,413	3,812	1,087	103,064
Balance at 30 June 2021	19,865	18,216	10,870	48,001	4,074	452	101,478

8.1 Port Marlborough New Zealand Limited property, plant and equipment policies

- Freehold land
- Buildings
- Improvements
- Wharves infrastructure
- Plant, equipment, furniture and vehicles
- Work in progress

Freehold land and buildings are initially stated at cost, and subsequently revalued to fair value by an independent valuer and by reference to the asset's highest and best use, less any subsequent accumulated depreciation and 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.

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.

Improvements – properties for production, rental or administrative purposes, or for purposes not yet determined – are carried at fair value.

Wharves infrastructure are recorded at valuation established using depreciated replacement cost, plus additions at cost less accumulated depreciation and impairment losses (if any).

All other items of property, plant and equipment are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

Depreciation commences when the asset is ready for use and is charged to the Consolidated Income Statement on all Property, Plant and Equipment other than land and work in progress, over their estimated useful lives using the straight-line method. The useful lives and estimated residual values are reviewed at each balance date and amended if necessary.

Depreciation on revalued assets is charged to the Consolidated 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 Consolidated Income Statement.

The following estimated useful lives of major classes of assets are used in the calculation of depreciation rates:

Buildings	30-100 years
Improvements	20-50 years
Wharves infrastructure	10-50 years
Plant, equipment, furniture and vehicles	2-20 years

8.1.1 Valuation basis

An independent valuation of PMNZ land, buildings, improvements and wharf infrastructure is performed on a three-yearly basis. The latest review was at balance date, 30 June 2019. The valuation was performed by Crighton Anderson Property & Infrastructure Limited t/a Colliers International, independent registered valuers and associates of the NZ Institute of Valuers, with engineering input from Opus. 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.

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 15). Management's assessment is that there has been no material movement in value in the twenty-four months since the last valuation at 30 June 2019. The key assumptions used in making this judgement are set out below:

- Minimal impact on replacement cost valuations due to the low inflation environment
- No technology changes that would have impacted significantly on replacement cost methodology
- No physical damage has occurred to facilities which affects either their operation or remaining life of assets

- Majority of COVID-19 monetary impact related to cruise trade, the company does not hold specialised cruise assets

8.1.2 Fair value model

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

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

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
- Optimised Depreciated Replacement Cost Value (ODRC)
- Investment Value – Rental Capitalisation
- Investment Value – Discounted Cash Flow

8.1.3 Cost model

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

	Group	
	2021	2020
	$ '000	$ '000
Freehold land	5,706	5,706
Buildings	5,649	4,417
Improvements	6,741	7,167
Wharf infrastructure	16,671	17,082

9 Investment property

		Group	
		2021	2020
	Notes	$ '000	$ '000
Balance at beginning of financial year		91,353	92,611
Additions		5,538	5,609
Net gain/(loss) from fair value adjustments		8,755	(6,867)
Balance at end of financial year		105,646	91,353

9.1 Investment property policies

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

Where PMNZ lease investment property, at commencement of the lease the right of use asset is measured at cost and is comprised of:

- The initial measure of the corresponding lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs

They are subsequently measured at fair value when the asset meets the definition of investment property.

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 price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Income Statement for the period in which they arise.

9.2 Valuation basis

Investment properties were valued at 30 June 2021 by Crighton Anderson Property & Infrastructure Limited t/a Colliers International, independent registered valuers and associates of the NZ Institute of Valuers.

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.

The Valuers included the following commentary in their valuation report:

> **"Market Risk:** The ongoing social and economic impact of COVID-19, both domestically and on a global basis, is providing elevated market risk at the current time.
>
> In some markets there is more certainty regarding 'post-COVID pricing' than others due to the subsequent transactional evidence, however there is increased latent risk across all asset classes and property sectors due to the impact of the pandemic. This risk relates to how the future will play out over the coming weeks, months and even years. As such this is not a variable that can be explicitly priced.
>
> As per the accepted definition, a market value is "as at the valuation date" and is based on events and evidence up to that date. It reflects the sentiment at that point in time and the value on that day. Given these comments we note the current economic conditions and latent potential volatility should be considered by the reader(s) of this report and factored into future considerations when referring to this valuation.
>
> **COVID-19 Alert Level Comment:** The Alert System was introduced in March 2020 to manage and minimise the risk of COVID-19 in New Zealand, with Alert Level 4 being a full lockdown and Alert Level 1 only having border closures and minimal other requirements. The country was placed in Alert Level 4 on 25 March 2020, eventually moving down through Alert Level 3 on 27 April 2020 to Level 2 on 13 May 2020 and finally Alert Level 1 on 8 June 2020.
>
> There have been subsequent periods of increased levels in August 2020 and February/March 2021 in which Auckland was moved back up to Alert Level 3 and the balance of the country to Alert Level 2 before working back down to Alert Level 1 status.
>
> **Significant Valuation Uncertainty:** The market that Area 701, Sanford Area and Marine Farms, within the Havelock Marina is transacted in is being impacted by the uncertainty that the COVID-19 outbreak has

caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer(s) could not reasonably have been aware of as at the date of valuation). We do not accept responsibility or liability for any losses arising from such subsequent changes in value.

Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically."

At each reporting date, the valuation reports are provided to the CFO for review. The review focuses on checking material movements and ensuring all additions and disposals are captured.

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.

9.3 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 per certificates of title is 84.8672 hectares.

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

- Comparable Sales approach
- Optimised Depreciated Replacement Cost value (ODRC)
- Investment value – Rental capitalisation
- Investment value – Discounted cashflow

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

	Group	
	2021	2020
Property	$ '000	$ '000
Picton Marina	6.35%	7.10%
Waikawa Marina	6.50%	8.00%
Havelock Marina	7.90%	8.75%

Variations in the discount rate adopted reflect investment strength of each of the respective marinas. In the case of rental capitalisation for commercial property, rates adopted ranged between 5.54% and 9.5% (2020: 6.00% and 9.5%).

10 Other intangible assets

	Group	
	2021	2020
	$ '000	$ '000
Software gross carrying amount		
Balance at 30 June, 2020	1,074	1,101
Additions	33	40
Disposals	-	(67)
Balance at 30 June, 2021	1,107	1,074
Software accumulated amortisation and impairment		
Balance at 30 June, 2020	667	613
Amortisation(i)	133	121
Disposals	-	(67)
Balance at 30 June, 2021	800	667
Software Net book value at 30 June, 2021	307	407

(i) Amortisation expense is included in the line item 'depreciation, impairment and amortisation expense' in the Consolidated Income Statement

Intangible assets policies

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over estimated useful life up to 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

11 Trade and other payables

	Group	
	2021	2020
	$ '000	$ '000
Trade Creditors	2,038	1,561
Property, plant and equipment	148	1,951
Employee expenses	749	794
Related parties		
- Subvention Payments	1,057	861
- Interest	50	53
	4,042	5,220

Trade and other payables policies

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Employee expenses

Accrual is made for benefits owing to employees in respect of wages and salaries, annual leave, and long service leave.

12 Borrowings

	Group	
Borrowings from MDC Holdings (parent) secured - at amortised cost	2021	2020
Classified as:	$ '000	$ '000
Current	-	-
Non-current	31,000	29,000
	31,000	**29,000**

Loan maturities

Funds have been raised under a loan facility held by MDC Holdings Limited (parent). MDC Holdings have signalled their intention to meet the Company's long term funding requirements through their Statement of Corporate Intent.

Interest and security

Term loans incurred an interest expense of $941,281 (2020: 1,055,588). Interest rates ranged between 0.47% and 5.21% (2020: 0.71% and 5.21%). A Negative Pledge Deed has been entered into with MDC Holdings Limited. Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing, and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discount or premium on drawdown.

13 Other financial liabilities

13.1 Lease Liability

	Group	
Lease liability	2021	2020
Classified as:	$ '000	$ '000
Current	-	-
Non-current	(258)	(236)
	(258)	**(236)**

Lease liabilities policy

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

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

Port Marlborough's operating lease contracts contain market review clauses in the event that Port Marlborough exercises its option to renew. Port Marlborough does not have an option to purchase the leased asset at the expiry of the lease period.

13.2 Derivative financial instruments

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 Group 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.

	Group	
Interest rate swap asset / (liability) at fair value	2021	2020
Classified as:	$ '000	$ '000
Current	-	(150)
Non-current	(1,681)	(2,627)
	(1.681)	**(2,777)**

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

Fixed term remaining	Notional amount **$ '000**	Fair value **$ '000**	Interest rate
1 July 2021 - 23 February 2025	5,000	(409)	3.73%
1 July 2021 - 31 March 2024	7,000	(807)	5.21%
1 July 2021 - 29 June 2024	5,000	(465)	3.77%
Balance as at 30 June 2021	17,000	(1,681)	
Balance as at 30 June 2020	17,000	(2,777)	

Fixed rate hedging percentages (maturity profile)	Minimum	Maximum
0 to 2 years	50%	100%
2 years to 5 years	25%	80%
5 years to 10 years	0%	60%

Derivatives policies

The Group enters into derivatives financial instruments (interest rate swaps) to manage interest rate risk. These swaps:

- Are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value. The fair value of the interest rate swaps are determined using inputs supplied by third parties based on quoted prices in active markets for identical assets/liabilities. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves taking into account the effect of credit risk (CVA/DVA).
- Do not qualify for hedge accounting
- Have the changes to the fair value recognised in the Consolidated Income Statement (refer Note 3.2)
- Are not used for speculative purposes

14 Capital and other equity instruments

	Group	
	2021	2020
	$ '000	$ '000
13,587,650 fully paid ordinary shares (2020: 13,587,650)	**13,588**	**13,588**

All shares are of the same class, carry one vote per share and carry the right to dividends.

Equity instruments policies

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

15 Asset revaluation reserve

		Group	
		2021	2020
	Notes	$ '000	$ '000
Balance at the beginning of financial year		58,262	58,262
Transfer to retained earnings	16	(280)	-
Balance at end of financial year		57,982	58,262

The asset revaluation reserve arises on the revaluation of wharves and jetty facilities, operational land and buildings (excluding 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.

16 Retained earnings

		Group	
		2021	2020
	Notes	$ '000	$ '000
Balance at the beginning of financial year		78,904	79,095
Profit attributable to members of the parent entity		15,950	3,233
Dividends paid	17	(3,642)	(3,424)
Transfer from revaluation reserve	15	280	-
Balance at end of financial year		91,492	78,904

17 Dividends

	2021	2021	2020	2020
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts Fully paid ordinary shares	0.27	3,642	0.25	3,424

In addition, the above cash distributions carried maximum imputation credits. Dividends paid are classified as distributions of profit consistent with the Consolidated Statement of Financial Position classification of related equity instruments.

18 Commitments for expenditure

	Group	
	2021	2020
	$ '000	$ '000
Property Plant and Equipment	482	779
Investment property	18,057	3,366

19 Leases

19.1 Maturity analysis (operating leases as lessee)

	Group	
	2021	2020
	$ '000	$ '000
Year 1	-	-
Year 2	10	-
Year 3	31	10
Year 4	31	31
Year 5	31	31
Year 6 onwards	569	600
	672	**672**

19.2 Maturity analysis (operating leases as lessor)

	Group	
	2021	2020
	$ '000	$ '000
Year 1	10,070	6,467
Year 2	9,509	4,392
Year 3	9,196	3,842
Year 4	5,396	3,584
Year 5	3,361	3,293
Year 6 onwards	9,504	11,483
	47,036	**33,061**

Leasing arrangements and policies

Operating leases as lessor 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 expiry of the lease period. Rentals income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

20 Contingent assets and liabilities

2021 Group and Parent contingent assets

There are no contingent assets (2020: Nil)

2021 Group and Parent contingent liabilities

In the normal course of business the Group is 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.

21 Statement of cash flows

Statement of cash flows policies

Operating activities

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

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

Financing activities

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

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

		Group	
		2021	2020
	Notes	$ '000	$ '000
Profit after tax for the period		15,950	3,233
Loss/(gain) on sale or disposal of non-current assets		25	(18)
Loss/(gain) on revaluation of investment property	9	(8,755)	6,867
Gain/(loss) on revaluation of derivative instruments	3.2	(1,096)	310
Depreciation, impairment and amortisation of non-current assets	3.2	3,683	3,437
Increase/(decrease) in deferred tax balances	4.3	1,776	(2,736)
Increase/(decrease) in non-current rent concession	13	17	(57)
Lease interest on lease liabilities		22	10
Changes in net assets:			
(Increase)/decrease in assets:			
Current receivables		2,734	(2,832)
Less investment activities included in receivables		(1,630)	1,742
Current inventories		18	11
Increase/(decrease) in liabilities:			
Current payables		(1,178)	1,891
Less investment activities included in payables		1,803	(1,132)
Current tax		(467)	142
Net cash from operating activities		12,902	10,868

21.2 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Consolidated Cash Flow Statements can be reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	Group	
	2021 $ '000	2020 $ '000
Cash and cash equivalents	6,000	2,473

Included in this balance are $61,489 (2020: $Nil) of funds held on trust for contractors retention purposes.

Cash and cash equivalents policies

Cash and cash equivalents 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.

21.3 Cash balances not available for use

Cash balances not available for use nil (2020: nil).

22 Related party disclosures

22.1 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. In the normal course of business the Group incurs expenses on an arm's length basis from its ultimate controlling Shareholder Marlborough District Council, and other Companies comprising the MDC Holdings Group.

Transactions involving Parent entities

During the year transactions between Port Marlborough New Zealand Limited and its Parent entities included:

	Group	
	2021 $ '000	2020 $ '000
MDC Holdings Limited		
Loan finance costs *	(942)	(1,056)
Loan finance drawdown	2,000	-
Subvention payments **	(213)	(228)
Derivate gain/(losses)	1,096	(310)
Dividends paid	(3,642)	(3,424)
Other Services	(1)	(1)
Marlborough District Council		
Services Provided	101	64
Harbour and navigational levies	(494)	(494)
Property lease	-	(100)
Rates and other services	(952)	(1,048)
Subvention payments	(648)	-
Marlborough Airport Limited		
Other Services	2	-

*Port Marlborough New Zealand Limited has an arrangement with MDC Holdings Limited whereby the parent enters into interest rate hedging arrangements and obtains borrowings on behalf of Port Marlborough New Zealand Limited. All financing obtained by the parent is on loaned to Port Marlborough New Zealand Limited on a matched funding basis.

** Port Marlborough New Zealand Limited has a tax loss share arrangement with MDC Holdings Limited and Marlborough District Council in exchange for subvention payments. The transactions are cost-neutral for Port Marlborough New Zealand Limited.

22.2 Year end

At year-end the following outstanding balances with parent entities were recorded as an asset / (liability):

	Group	
	2021 $ '000	2020 $ '000
MDC Holdings Limited		
Loan advance	(31,000)	(29,000)
Derivative	(1,681)	(2,777)
Interest payable	(50)	(53)
Subvention payment	(189)	(213)
Marlborough District Council		
Subvention payment	(868)	(648)
Payables	-	(31)

22.3 Subsidiaries

Details of ordinary shares held in subsidiaries are disclosed in Note 7 to the Financial Statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group. During the current and previous financial year Port Marlborough New Zealand Limited provided accounting and administration services to its subsidiaries for no consideration (2020: Nil).

22.4 Guarantees provided or received

Nil

22.5 Directors

Mr KB Taylor is a Director of:

- Southern Cross Medical Care Society, who provided the company employee health insurance for the year totalling $84,672 (2020: $79,855).

22.6 Key management personnel compensation

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

	Group	
	2021	2020
	$ '000	$ '000
Employee Benefits	1,397	1,241
Directors Fees	264	261

22.7 Marina facilities

A number of related parties, including Directors and employees of Port Marlborough New Zealand Limited utilise the Company's marina facilities. All transaction are at standard commercial rates.

23 Events after the reporting period

COVID-19: In response to the Government moving the country to COVID Alert Level 4 on 18 August 2021, the Company is implementing targeted assistance for its commercial property tenants, consistent with the approach it adopted in the prior financial year. This approach enables us to support our local economy and community during these difficult times and is consistent with our strategy of building long term partnerships. There has been no material impact on business trading.

Port Marlborough

COMPANY DIRECTORY

Board of Directors

Keith B Taylor	BSc, BCA, FIA, CFInstD, ONZM	Chairman
Andrew R Besley	MPM, BA (Hons), Dip Acc, Dip Tchg., MInstD	
Ian R Boyd	B.For.Sc., CMInstD, MNZIF	
Colin Crampton	BE Civil (Hons), FEngNZ, Dip BusAdmin	(Appointed 7 December 2020)
Peter S Drummond	MNZM, CFInstD	(Retired 7 December 2020)
Martin F Fletcher	CA, MInstD	
Mathew B J Kerr	B.B.S MInstD, CA	(Retired 7 December 2020)
Warren McNabb	BCom, LLB(Hons), MBA	(Appointed 7 December 2020)
Jennifer Moxon	BA Economics and Psychology, MInstD	

Executive

Rhys Welbourn	MBA, BA (Hons), PG Dip. GIS, Dip Eng (Civil)
Dean Craighead	BCom, CA
Gavin Beattie	BE Mech (Hons) MIPENZ CPEng
Anouk Euzeby	MBA, BA (Hons), IUT (eqv Dip)
Rose Prendeville	B.Tech (I.E), Dip.PM
Troy Tane	

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Telephone (03) 520 3399 Facsimile (03) 579 7695

www.portmarlborough.co.nz

Auditor: Nicole Dring for Deloitte Limited, on behalf of the Office of the Auditor General

Legal Advisor: Bell Gully

Banker: Bank of New Zealand

Port Marlborough