



Port Marlborough

# 2020 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 2020.

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 2020 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 2020.

### 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	
	2020	2019
\$100,000 - \$110,000	4	3
\$110,000 - \$120,000	3	3
\$120,000 - \$130,000	-	1
\$130,000 - \$140,000	2	-
\$140,000 - \$150,000	1	2
\$150,000 - \$160,000	2	-
\$170,000 - \$180,000	1	1
\$180,000 - \$190,000	1	1
\$200,000 - \$210,000	1	1
\$210,000 - \$220,000	-	1
\$220,000 - \$230,000	2	-
\$320,000 - \$330,000	-	1
\$350,000 - \$360,000	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	2020
K B Taylor (Chairman)	\$63,700
A R Besley	\$31,850
I R Boyd	\$34,885
P S Drummond	\$31,850
M B Kerr	\$34,885
J C Moxon	\$31,850
M F Fletcher (paid to Marlborough District Council)	\$31,850

### 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  
Southern Cross Medical Care Society, Healthcare  
Trust and Hospitals Limited, Director / Trustee

Andrew Besley

Black Dog Vineyards Limited (consultancy), Director /  
Shareholder

Ian Boyd

Aroona Holdings Pty Limited (and subsidiaries),  
Director  
AustOn Corporation Pty Ltd, Director  
Busselton Farms Pty Ltd, Director  
Capel Farms Pty Limited, Director  
OTPP NZ Forest Investments Limited, CEO  
Primary Growth Pty Ltd  
Wood Industry Development and Education Trust,  
Trustee

Peter Drummond

P S Drummond Ltd, Chairman  
Appliance Connexion Ltd, Chairman  
NARTA Australia Pty Ltd, Director  
Watercare Harbour Clean Up Trust, Chairman  
Whip Around Ltd, Chairman

Martin Fletcher

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

Matt Kerr

Kakapo Bay Forests (2004) Ltd, Director  
Marlborough Grape Growers Cooperative, Director  
Saints Investments Limited, Director  
WK Advisors and Accountants Ltd, Director

Jennifer Moxon

Fisher Funds Management Limited, Director  
Marlborough Skills Leadership Group, Board Member  
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 2020, 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 32 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

The Board reviewed its committee structures last year. The Audit and Risk Committee previously comprised of all Directors was restructured to a smaller group chaired by Matt Kerr. This Committee supports the Board in its oversight of the Company's financial reporting processes, the independent auditors, and the

Company's compliance with legal and regulatory requirements; along with overview of wider business risk.

A new Board Health and Safety Committee was established to further support the Company's focus and commitment and advancement in this area. The group includes all Directors and is chaired by Ian Boyd.

### 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 2020.

### Approval by Directors

The Directors are pleased to present the Financial Statements of Port Marlborough New Zealand Limited for the year ended 30 June 2020 on pages 6 to 32.

### Authorisation for issue

The Board of Directors authorised the issue of these Financial Statements on 25 September 2020.



K B Taylor Chairman



M B J Kerr Director

For and on behalf of the Board of Directors

## AUDIT REPORT



## Independent Auditor's Report

To the Readers of Port Marlborough New Zealand Limited Group's Financial Statements for the Year Ended 30 June 2020

The Auditor-General is the auditor of Port Marlborough New Zealand Limited group (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 31, that comprise the consolidated statement of financial position as at 30 June 2020, 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 2020; 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 25 September 2020. 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.

**Impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in note 2.5 to the financial statements. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- ***Investment property***

Note 9.2 on page 21 describes the significant uncertainties highlighted by the valuer, related to estimating the fair values of the company's Investment property.

**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 Group'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 an 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 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

25 September 2020

## CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 30 June 2020

		Group	
		2020	2019
	Notes <sup>1</sup>	\$ '000	\$ '000
Revenue	3.1	30,237	30,680
Other income	3.1	546	24
Investment Property Revaluation	9	(6,867)	1,990
Operations and Maintenance	3.3	(8,092)	(7,927)
Employee benefits expense	22.6	(7,488)	(6,924)
Depreciation, impairment & amortisation expense	3.2	(3,437)	(2,819)
Finance Costs	3.2	(1,376)	(1,854)
Subvention payments		(861)	(228)
Profit before income tax		2,662	12,942
Income tax expense	4.1	571	(3,568)
Profit/(loss) after income tax		3,233	9,374

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2020

		Group	
		2020	2019
	Notes <sup>1</sup>	\$ '000	\$ '000
Profit for the year		3,233	9,374
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	-	18,554
Income tax relating to revaluation of property, plant and equipment	4.3	-	(5,079)
Total Comprehensive Income for the year net of tax		3,233	22,849
Comprehensive income attributable to equity holders of the parent		3,233	22,849

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2020

		Group	
		2020	2019
	Notes <sup>1</sup>	\$ '000	\$ '000
Equity at beginning of the year		150,945	131,751
Total Comprehensive income for the year, Net of tax		3,233	22,849
Dividends	17	(3,424)	(3,655)
Balance at end of the year		150,754	150,945

<sup>1</sup> Notes to the financial statements are included on pages 9 to 31

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020	Group		
	Notes	2020 \$ '000	2019 \$ '000
CURRENT ASSETS			
Cash and cash equivalents	21.2	2,473	1,524
Trade and other receivables	5	5,543	2,711
Inventories	6	324	335
Current Tax receivable	4.2	-	78
Total current assets		8,340	4,648
NON-CURRENT ASSETS			
Property, plant and equipment	8	103,064	104,400
Investment property	9	91,353	92,611
Trade and other receivables	5	57	-
Other intangible assets	10	407	488
Total non-current assets		194,881	197,499
Total assets		203,221	202,147
CURRENT LIABILITIES			
Trade and other payables	11	5,220	3,330
Current tax liabilities	4.2	65	-
Other current liabilities	13.2	150	-
Total current liabilities		5,435	3,330
NON-CURRENT LIABILITIES			
Borrowings from MDC Holdings Limited	12	29,000	27,500
Deferred tax liabilities	4.3	15,169	17,905
Other non-current liabilities	13.2	2,863	2,467
Total non-current liabilities		47,032	47,872
Total liabilities		52,467	51,202
Net Assets		150,754	150,945
EQUITY			
Capital and other equity instruments	14	13,588	13,588
Revaluation reserve	15	58,262	58,262
Retained earnings	16	78,904	79,095
Total Equity		150,754	150,945

K B Taylor Chairman  
For and on behalf of the Board of Directors

M B J Kerr Director



## CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year Ended 30 June 2020

		Group	
		2020	2019
	Notes	\$ '000	\$ '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		29,055	30,040
Wage subsidy NZ Government		521	-
Interest received		7	19
Payments to suppliers and employees		(15,365)	(14,467)
Interest and other costs of finance paid		(1,100)	(1,205)
Subvention Payment		(228)	(239)
Income tax paid (net of refunds)		(2,022)	(3,061)
Net cash provided by/(used in) operating activities	21.1	10,868	11,087
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		18	39
Payment for property, plant and equipment		(2,893)	(1,672)
Payment for investment property		(4,980)	(5,380)
Payment for intangible assets		(40)	(66)
Net cash provided by/(used in) investing activities		(7,895)	(7,079)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of borrowings		1,500	-
Payment for lease		(100)	-
Dividends paid		(3,424)	(3,655)
Net cash used in financing activities		(2,024)	(3,655)
Net increase in cash and cash equivalents		949	353
Cash and cash equivalents at the beginning of the financial year		1,524	1,171
Cash and cash equivalents at the end of the financial year	21.2	2,473	1,524

## NOTES TO THE FINANCIAL STATEMENTS

### For the Financial Year Ended 30 June 2020

#### 1 Company information

The Consolidated Financial Statements comprise the activities of Port Marlborough New Zealand Limited (PMNZL) 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 2020.

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 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 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 2020, and the comparative information presented in these Financial Statements for the year ended 30 June 2019.

##### 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 marking 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 COVID-19 Pandemic Impacts

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 (a novel Coronavirus) to be a pandemic. Subsequently New Zealand declared a State of National Emergency at 12:21 hours 25 March 2020 and this remained in force until 12:21 hours 13 May 2020.

New Zealand introduced a four-tier alert system in March 2020 to manage and minimise the risk of COVID-19 in New Zealand, with the highest Alert Level 4 effectively being a lock-down of individual households and all non-essential services. (Health and emergency services, supermarkets, utilities and goods transport services remained operative.)

Alert Level 4 came into force at 23:59 hours Wednesday 25 March; Level 3 at 23:59 hours Monday 27 April; Level 2 at 23:59 hours Wednesday 13 May; and Level 1 at 23:59 hours Monday 8 June 2020.

At all levels, Port Marlborough continued to supply services to the goods transport and other essential services; however all other activities were significantly disrupted, especially during the higher Alert Levels.

The advent of COVID-19 has led to difficult trading conditions in some sectors from around financial mid-year, evidenced initially in Port Marlborough's business through softening demand for log exports. Implementation of Alert Level 4 controls including lock-down of all but essential services and border closure led to cancellation of several scheduled cruise ship visits, and has put considerable pressure on those commercial tenants whose business are tourism-based.

Overall revenue decrease for the 2020 year combines cruise ship revenue foregone; and rental concessions for targeted tenancies, vulnerable to tourism activity downturn. These decreases will continue through to the 2021 year. Receipt of the Government's COVID-19 Wage Subsidy (\$521,294) has offset employment costs and enabled the Company to maintain all permanent staff employment on full wages and to support a number of our casual staff who we would otherwise have employed in the remaining weeks of the cruise ship season.

In response to COVID-19 the Government also reintroduced tax depreciation on buildings with effect from the 2021 income year. This resulted in a deferred tax asset of \$613,515 being recognised in the current year (please refer to deferred tax balances in note 4.3).

The impacts of the COVID-19 pandemic continue to play out around the globe and bring a significantly higher degree of uncertainty for the year ahead. We anticipate an overall drop in revenue for the 2021 year of around 10%, with greatest impacts in tourism-focused business elements. Notwithstanding this, Port Marlborough's diverse and balanced business portfolio provides a good degree of resilience to the challenges of the current economic environment.

## 2.6 New standards adopted

New and revised NZ IFRSs affecting the reported financial performance and / or financial position.

Impact of application of NZ IFRS 16 Leases

NZ IFRS 16 *Leases* is effective for annual periods beginning on or after 1 January 2019. The Group has applied NZ IFRS 16 from 1 July 2019. When applying the new standard, the Group reviewed:

- Leases where the Group is the lessor and has concluded that these will remain as operating leases under NZ IFRS 16; and
- Leases where the Group is the lessee and has recognised a right of use asset of \$326,000 and a lease liability of \$326,000, using the discount rate of 8.85%, and a lease term of 25 years. The right of use asset relates to ground lease and meets the definition of investment property.

No leases were active at the time of adoption of NZ IFRS 16. On transition there was no impact. Lease commencement is deemed to be the time at which conditions were met for the commencement of lease payments, being January 2020.

Application of this standard by the Group has not materially affected any of the amounts recognised in these financial statements. However, the impact of COVID-19 has resulted in the Group providing rent abatements to tenants, totalling \$288,763. The majority of the rebates (\$201,409) are based on pre-existing contractual obligations to adjust rents for the impact of COVID-19. The Group has recognised these rebates as negative variable lease payments with a reduction to 2020 income. The remaining rebates have been treated as lease modifications and will be spread over the remaining terms of the leases. Refer to note 5.

#### Other forthcoming new or revised accounting standards

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

## 2.7 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 with 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 are 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 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 2020		Group	
	Notes	2020 \$ '000	2019 \$ '000
Revenue from continuing operations			
Revenue from the rendering of services		11,274	12,126
Lease rental investment property (includes marinas)		9,568	9,052
Lease rental other property (includes ferry operations)		9,388	9,483
Interest Revenue: Bank deposits/IRD use of money		7	19
		30,237	30,680
Revenue from the rendering of services			
Pilotage & Towage		2,417	2,626
Log Ships & Storage		4,359	5,006
Cruise Ship Visit		1,648	1,436
Marina Services		1,392	1,417
Port & Marine Farm Services		1,458	1,641
		11,274	12,126
Timing of revenue recognition			
At a point in time		7,537	8,320
Over time		3,737	3,806
		11,274	12,126
Other Income			
Other Revenue		25	24
NZ Government Wage Subsidy		521	-
		546	24

### 3.2 Expenses

Profit before income tax has been arrived at after charging the following expenses		Group	
	Notes	2020 \$ '000	2019 \$ '000
Interest Costs			
Interest on borrowings and swaps		1,056	1,182
Interest expense on lease liabilities		10	-
Other Finance Costs			
Loss on derivative financial instruments		310	672
Total Finance Costs		1,376	1,854
Depreciation, impairment & amortisation			
Depreciation of non-current assets	8	3,316	2,887
Impairment Recovered	8	-	(174)
Amortisation of non-current assets	10	121	106
		3,437	2,819

### 3.3 Operations and Maintenance

	Notes	Group	
		2020 \$ '000	2019 \$ '000
Other expenditure disclosures			
Audit Fees		70	69
Donations and Sponsorship		86	82
Employer contribution to superannuation		294	283
Operating lease rental properties		21	21
Expenses of investment properties generating income		3,375	3,674
(Gain) on disposal of property, plant & equipment		(30)	(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	
	2020 \$ '000	2019 \$ '000
Profit before income tax expense	2,662	12,942
Tax at current rate 28%	746	3,623
Plus/(less) tax adjustments:		
Reinstatement of building depreciation	(614)	-
Non-deductible expenses	4	4
Non-taxable income	(87)	105
Group loss available for offset	(620)	(164)
Income tax expense on the Income Statement, comprising	(571)	3,568
Current tax expense	2,165	2,971
Deferred tax expense/(credit)	(2,736)	597
	(571)	3,568

## 4.2 Current tax asset / (liability)

	Group	
	2020 \$ '000	2019 \$ '000
Balance at beginning of the year	78	(12)
Current tax expense	(2,165)	(2,971)
Income tax paid (net of refunds)	2,022	3,061
Balance at end of the year	(65)	78

### 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 2018	(503)	10,395	2,402	145	(210)	12,229
Recognised in:						
Profit or loss	(188)	(329)	1,109	(12)	17	597
Other comprehensive income	-	5,079	-	-	-	5,079
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

### 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 do not intend to sell any investment property and do 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	
	2020	2019
	\$ '000	\$ '000
Available directly and indirectly to shareholders of the parent company through the Parent company	15,259	14,518

#### 5 Trade and other receivables

	Group	
	2020	2019
	\$ '000	\$ '000
Current	3,173	1,793
Past due 1-30 days	657	392
Past due 31-60 days	214	33
Past due greater than 60 days	441	73
	4,485	2,291
Loss Allowance	(50)	(15)
Trade Receivables	4,435	2,276
Other Receivables	943	303
Prepayments	135	132
	5,513	2,711
Rent Concession Provision	87	-
Less Non-Current portion	(57)	-
Total trade and other receivables	5,543	2,711

#### *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	
	2020	2019
	\$ '000	\$ '000
Goods held for maintenance: at cost	324	335

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	2020	2019
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 2018	19,451	13,403	10,333	44,130	9,299	252	96,868
Additions	-	-	-	-	-	1,672	1,672
Disposals	-	-	-	-	(183)	-	(183)
Transfers from Capital WIP	-	77	177	723	605	(1,582)	-
Revaluation Accum Depn Write Back	-	(1,511)	(815)	(4,116)	-	-	(6,442)
Revaluation movement to Reserve	414	6,787	776	10,577	-	-	18,554
Reclassification transfer from investment properties	-	11	-	(15)	4	-	-
Transfers from investment properties	-	-	-	-	5	-	5
Transfers to investment properties	-	-	-	(30)	(187)	-	(217)
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

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 2018	174	1,000	523	3,030	5,033	-	9,760
Disposals	-	-	-	-	(174)	-	(174)
Depreciation expense	-	512	292	1,412	671	-	2,887
Revaluation Accum Depn Write Back	-	(1,511)	(815)	(4,116)	-	-	(6,442)
Impairment loss recovery	(174)	-	-	-	-	-	(174)
Reclassification	-	-	-	(2)	2	-	-
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
Net book value							
Balance at 30 June 2019	19,865	18,766	10,471	50,945	4,011	342	104,400
Balance at 30 June 2020	19,865	18,772	10,115	49,413	3,812	1,087	103,064

### 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 assets 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 PMNZL 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 twelve 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 cruise related, 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	
	2020	2019
	\$ '000	\$ '000
Freehold land	5,706	5,706
Buildings	4,417	4,369
Improvements	7,167	7,044
Wharf infrastructure	17,082	17,614

## 9 Investment property

	Notes	Group	
		2020	2019
		\$ '000	\$ '000
Balance at beginning of financial year		92,611	84,744
Additions		5,609	5,677
Disposals		-	(12)
Transfer from Property Plant & Equipment	8	-	217
Net gain/(loss) from fair value adjustments		(6,867)	1,990
Balance at end of financial year		91,353	92,611

## 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 2020 by Crighton Anderson Property & Infrastructure Limited t/a 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.

As a consequence of COVID-19 the valuer has highlighted that there is significant valuation uncertainty, and included the following statement in their valuation report:

“The outbreak of the Novel Coronavirus (COVID-19) was declared as a ‘Global Pandemic’ by the World Health Organisation on 11 March 2020. We have seen global financial markets and travel restrictions and recommendations being implemented by many countries, including New Zealand.

The real estate market that the subject property is transacted in is being impacted by the uncertainty that the COVID-19 outbreak has caused. The landscape and market conditions are changing daily at present. At the date of valuation we consider that there is a significant market 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 could not reasonably have been aware of as at the date of valuation).”

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	
	2020	2019
Property	\$ '000	\$ '000
Picton Marina	7.10%	7.25%
Waikawa Marina	8.00%	8.25%
Havelock Marina	8.75%	8.75%

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 6.00% and 9.5% (2019: 6.65% and 8.5%).

## 10 Other intangible assets

	Group	
	2020	2019
	\$ '000	\$ '000
<i>Software gross carrying amount</i>		
Balance at 30 June, 2019	1,101	1,035
Additions	40	66
Disposals	(67)	-
Balance at 30 June, 2020	1,074	1,101
<i>Software accumulated amortisation &amp; impairment</i>		
Balance at 30 June, 2019	613	507
Amortisation <sup>(i)</sup>	121	106
Disposals	(67)	-
Balance at 30 June, 2020	667	613
Software Net book value at 30 June, 2020	407	488

(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 their estimated useful lives 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	
	2020	2019
	\$ '000	\$ '000
Trade Creditors	1,561	1,381
Property, plant & equipment	1,951	819
Employee expenses	794	805
Related parties		
- Subvention Payments	861	228
- Interest	53	97
	5,220	3,330

### *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*

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave. Provisions are recognised where it is probable they will be settled and can be measured reliably. Provisions are based on current application of remuneration rates.

## 12 Borrowings

	Group	
	2020	2019
	\$ '000	\$ '000
<i>Borrowings from MDC Holdings (parent) secured - at amortised cost</i>		
<i>Classified as:</i>		
Current	-	-
Non-current	29,000	27,500
	29,000	27,500

### *Loan maturities*

Funds have been raised under a loan facility held by 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 \$1,055,588 (2019: 1,181,695). Interest rates ranged between 0.71% and 5.21% (2019: 1.99% 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	
<i>Lease liability</i>	2020	2019
<i>Classified as:</i>	\$ '000	\$ '000
Current	-	-
Non-current	(236)	-
	<b>(236)</b>	<b>-</b>

#### *Lease liabilities policy*

Port Marlborough assess 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	
<i>Interest rate swap asset / (liability) at fair value</i>	2020	2019
<i>Classified as:</i>	\$ '000	\$ '000
Current	(150)	-
Non-current	(2,627)	(2,467)
	<b>(2,777)</b>	<b>(2,467)</b>

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

	Notional amount	Fair value	Interest rate
	\$ '000	\$ '000	
Fixed term remaining			
1 July 2020 - 23 February 2021	5,000	(150)	4.91%
23 February 2021 - 23 February 2025	-	(666)	3.73%
1 July 2021 - 31 March 2024	7,000	(1,276)	5.21%
1 July 2021 - 29 June 2024	5,000	(685)	3.77%
Balance as at 30 June 2020	17,000	(2,777)	
Balance as at 30 June 2019	17,000	(2,467)	

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 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	
	2020	2019
	\$ '000	\$ '000
13,587,650 fully paid ordinary shares (2019: 13,587,650)	13,588	13,588

All shares are of the same class, they 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

	Notes	Group	
		2020 \$ '000	2019 \$ '000
Balance at the beginning of financial year		58,262	44,787
Revaluation increments/(decrements)	8	-	18,554
Deferred tax	4.3	-	(5,079)
Balance at end of financial year		58,262	58,262

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.

## 16 Retained earnings

	Notes	Group	
		2020 \$ '000	2019 \$ '000
Balance at the beginning of financial year		79,095	70,683
Profit attributable to members of the parent entity		3,233	9,374
Dividends paid	17	(3,424)	(3,655)
Transfer from capital reserve		-	2,693
Balance at end of financial year		78,904	79,095

## 17 Dividends

	2020 Cents per share	2020 Total \$'000	2019 Cents per share	2019 Total \$'000
Recognised amounts	0.25	3,424	0.27	3,655
Fully paid ordinary shares				

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	
	2020 \$ '000	2019 \$ '000
Property Plant and Equipment	779	112
Investment property	3,366	168

## 19 Leases

### 19.1 Maturity analysis (operating leases as lessee)

	Group	
	2020	2019
	\$ '000	\$ '000
Year 1	-	-
Year 2	-	-
Year 3	10	-
Year 4	31	-
Year 5	31	-
Year 6 onwards	600	-
	672	-

### 19.2 Maturity analysis (operating leases as lessor)

	Group	
	2020	2019
	\$ '000	\$ '000
Year 1	6,467	9,557
Year 2	4,392	5,648
Year 3	3,842	3,638
Year 4	3,584	3,137
Year 5	3,293	2,946
Year 6 onwards	11,483	10,251
	33,061	35,177

#### *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 the 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

### *2020 Group and Parent Contingent assets*

There are no contingent assets (2019: Nil)

### *2020 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	
		2020	2019
	Notes	\$ '000	\$ '000
Profit after tax for the period		3,233	9,374
Loss/(gain) on sale or disposal of non-current assets		(18)	(18)
Loss/(gain) on revaluation of investment property	9	6,867	(1,990)
Gain/(loss) on revaluation of derivative instruments	3.2	310	672
Depreciation, impairment and amortisation of non-current assets	3.2	3,437	2,819
Increase/(decrease) in deferred tax balances	4.3	(2,736)	597
Increase/(decrease) in rent concession	5	(57)	-
Lease interest on lease liabilities		10	-
<i>Changes in net assets:</i>			
<i>(Increase)/decrease in assets:</i>			
Current receivables		(2,832)	(669)
Less investment activities included in receivables		1,742	-
Current inventories		11	(35)
<i>Increase/(decrease) in liabilities:</i>			
Current payables		1,891	724
Less investment activities included in payables		(1,132)	(297)
Current tax		142	(90)
Net cash from operating activities		10,868	11,087

## 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	
	2020	2019
	\$ '000	\$ '000
Cash and cash equivalents	2,473	1,524

Included in this balance are \$Nil (2019: \$18,425) 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 (2019: 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 lengths 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	
	2020	2019
	\$ '000	\$ '000
<i>MDC Holdings Limited</i>		
Loan Finance Costs *	(1,056)	(1,182)
Subvention Payments **	(228)	(239)
Derivate gain/(losses)	(310)	(672)
Dividends Paid	(3,424)	(3,655)
Other Services	(1)	-
<i>Marlborough District Council</i>		
Services Provided	64	55
Harbour and Navigational levies	(494)	(430)
Property lease	(100)	-
Rates and other services	(1,048)	(780)
<i>Marlborough Airport Limited</i>		
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 lent 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	
	2020	2019
	\$ '000	\$ '000
<i>MDC Holdings Limited</i>		
Loan Advance	(29,000)	(27,500)
Derivative	(2,777)	(2,467)
Interest Payable	(53)	(97)
Subvention Payment	(213)	(228)
<i>Marlborough District Council</i>		
Subvention Payment	(648)	-
Payables	(31)	(6)

## 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 (2019: 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 \$79,855 (2019: \$74,147).

## 22.6 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	
	2020	2019
	\$ '000	\$ '000
Employee Benefits	1,241	1,184
Directors Fees	261	240

## 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

At the time of preparation of these Financial Statements there were no post balance date events requiring disclosure (2019: Nil).

## 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
Peter S Drummond	MNZM, CFInstD
Martin F Fletcher	CA, MInstD
Mathew B J Kerr	B.B.S. MInstD, CA
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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[www.portmarlborough.co.nz](http://www.portmarlborough.co.nz)

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

**Legal Advisor:** Radich Law

**Banker:** Bank of New Zealand



**Port Marlborough**