2024

ANNUAL REPORT

MARLBOROUGH airport BLENHEIM

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From the Chair and Chief Executive

Matt Kerr - Chair

Dean Heiford - Chief Executive

During 2024 year Marlborough Airport Limited (MAL) saw strong non-aeronautical revenue, passenger numbers sustained at pre-COVID-19 levels, and the largest dividend paid to date to its shareholder MDC Holdings and ultimately to Marlborough District Council.

The past year also marked a turning point in MAL's journey towards a sustainable future for people and our planet. The airport entered a landmark agreement with Air New Zealand and Wellington Airport to trial the airline's first all-electric aircraft. We are proud to work alongside these partners, playing a pivotal role in keeping Marlburians connected and introducing lower-emissions aircraft to New Zealand.

Also this past year, we asked our closest commercial partners and the community for their feedback on what's important for MAL's sustainable future. This extensive consultation showed that aviation safety, environmental sustainability and sustained financial prosperity are top of mind for our stakeholders. Here's how we have answered in the short-term:

- MAL has met or exceeded all safety targets, as well showing industry leadership by sponsoring and leading a safety forum at the annual NZ Airports Hui in Christchurch last year. MAL was also one of the early trial airports for the Civil Aviation Authority's new Aviation Safety Management System (SMS) which was later certified by the Authority.
- Efforts in environmental sustainability are well underway with the investigation of a solar farm, over 4,000 native plants planted, development of our first comprehensive sustainability policy, and new initiatives with partners to reduce emissions and waste to landfill.

- Financial prosperity has always hinged on our ability to diversify revenue, like other airports, and become less reliant on landing fees and parking revenue. Our negotiations are ongoing with the New Zealand Defence Force to procure adjacent land and increase certainty around commercial developments to future-proof our income streams.

We are excited for the opportunities over the next year and beyond. As the project to extend the airport carpark wrapped up last year (and increased our non-aeronautical revenue), we have begun work behind the scenes for our next project—to reseal our runway and other aeronautical hard services. This major maintenance project, about every 15 years or so, is also an opportunity for us to look at the upgrades required for the next generation of aircraft, a resurfacing of our short-term parking area, and maintenance to airside operations on the apron and taxiway.

Due to an expanded scope of the reseal to include the taxiway and apron, with a resulting cost impact, we have corrected the financial statements for 2023 which allows for a more accurate comparison with prior year's performance.

With the continued support of our ultimate shareholder, the Marlborough District Council, our airport company is poised for the future.

Like every commercial operation, we have emerged in a post-COVID world with a choice – to go back to business as usual, or address our challenges and capitalise on emerging opportunities. We've opted for the latter, and we're excited about what's ahead—and we hope that you'll join us.

M B J Kerr- Chairman

D. Heiford

Dean Heiford – Chief Executive

Review of Operations

Nature of the Business

Marlborough Airport Limited (MAL) is a Council Controlled Organisation which is responsible for domestic passenger and commercial airfield operations at Woodbourne, west of Blenheim. MAL owns a passenger terminal, aircraft hangar, vehicle grooming facility and car parks. These facilities together with the runways and taxiways are sited on land occupied under a licence from the Crown.

Ownership

MAL's sole shareholder is MDC Holdings Limited, a wholly-owned subsidiary of Marlborough District Council.

Performance Measures

2023-24 SOI Results

Objectives	2023 - 2024 Targets	2023 - 2024 Results	
People Be a welcoming gateway for travellers and ensure a safe and healthy environment for staff and airport tenants.	> 318,000 passengers	✗	312,220
	Lost time injuries (Nil)	✓	Nil
	Risk Rating <6.5 (maximum of 25)	✓	3.96 (Low) Achieved
Planet To engage key partners in MAL's sustainability journey with the goal of understanding key areas of partnering to achieve mutual objectives	Completion of a one- to five-year sustainability plan, including long-term sustainability aspirations and aligned metrics.	✗	In progress. The sustainability plan was not adopted until August 2024.

Objectives	2023 - 2024 Targets	2023 - 2024 Results	
Prosperity Manage financial performance to ensure MAL achieves its strategic goals and maintains a financially sustainable business.	NPAT[1] > $90,000 profit	✗	Net profit after tax of $0.058 million
	EBITDAF[2] > $1.05m	✓	$2.368 million
	SH funds/Total assets[3] > 22%	✗	3.62%
	Dividend paid > $450,000	✓	$455,000
Partnerships Work with key Stakeholders to ensure a sustainable future.	New licence agreement successfully negotiated and executed.	✗	A new licence agreement has not yet been finalised.

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

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

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

Safety Management Systems and Health and Safety

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

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

MAL suffers from recreational pilots out of Omaka breaching NZWB controlled airspace, these breaches are minor in nature and quickly rectified by our ATC service but do result in reports to the CAA. The airport has an effective RFS providing Category 4 coverage for all Air NZ passenger flights and an Emergency Response Plan in the unlikely event of an airport emergency or aircraft crash, this plan will be fully rehearsed in 2025. MAL also enjoys high levels of security with an aerodrome that is fully fenced to international airport standards and utilising CCTV and patrols continuously monitors and report any intentional or accidental breaches in security.

Continuous Monitoring, Improvements and Audits

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

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

Development

The new car park at Marlborough Airport opened in September 2023. The expansion provides an additional 290 parking spaces, increasing the capacity for travellers and rental car operators. The airport also extended the duration of free parking from 15 to 30 minutes to allow more time for passenger pick-up and drop-off.

Financial Performance

MAL's 2024 Net Operating Profit After Tax of $0.058 million was $0.035 million below the budget. Revenue was in line with the budget while costs were below budget. The main drivers for these variances are explained below:

	Notes	Year ended 30 June 2024		
		Actual $ '000	**Budget $ '000**	**Variance $ '000**
Income				
Aeronautical	(a)	3,465	3,493	*(28)*
Non-aeronautical	(b)	1,565	1,446	*119*
Financial	(c)	148	97	*51*
Total income		**5,178**	**5,036**	*142*
Expenses				
Operations and maintenance				
Aeronautical	(d)	976	1,871	*(895)*
Non-aeronautical	(e)	1,181	1,383	*(202)*
Other expenses				
Depreciation, impairment and amortisation	(h)	1,118	825	*293*
Employment	(g)	505	458	*47*
Finance	(f)	752	308	*444*
Total expenses		**4,532**	**4,845**	*(313)*
Profit / (Loss) before income tax		**646**	**191**	*455*
Less tax expense / (benefit)	(i)	588	98	*490*
Net Profit / (Loss) after taxation		**58**	**93**	*(35)*

Income

(a) **Aeronautical income** was at the same levels as last year and down on budget. Total Passenger numbers during the period were 312,200, down from 318,517 in 2023. This was approximately 2% lower than budget.

(b) **Non-aeronautical income** was up on last year and up by $0.1 million on budget. This was due mainly to higher parking revenue with the new car park facility.

(c) **Financial income** was up considerably on budget due to favourable swap positions and higher interest rates on cash reserves. This is offset by a lower than anticipated investment property revaluation movement.

Expenses

(d) **Aeronautical** operations and maintenance costs were under budget due to the pricing for the runway reseal project coming in under the amount expected. This meant that no additional provision was made in the current year compared to a budgeted $1.0 million.

(e) **Non-aeronautical** operations and maintenance costs were down by $0.2 million from the budget due to rental payments on Defence land lease treated under NZ IFRS 16 this year. For details refer to Note 22.

(f) **Finance costs** were over budget for the year, due to significant increases in interest rates, borrowings, loss from fair value of interest rate swaps and interest expense of Defence land lease under NZ IFRS 16.

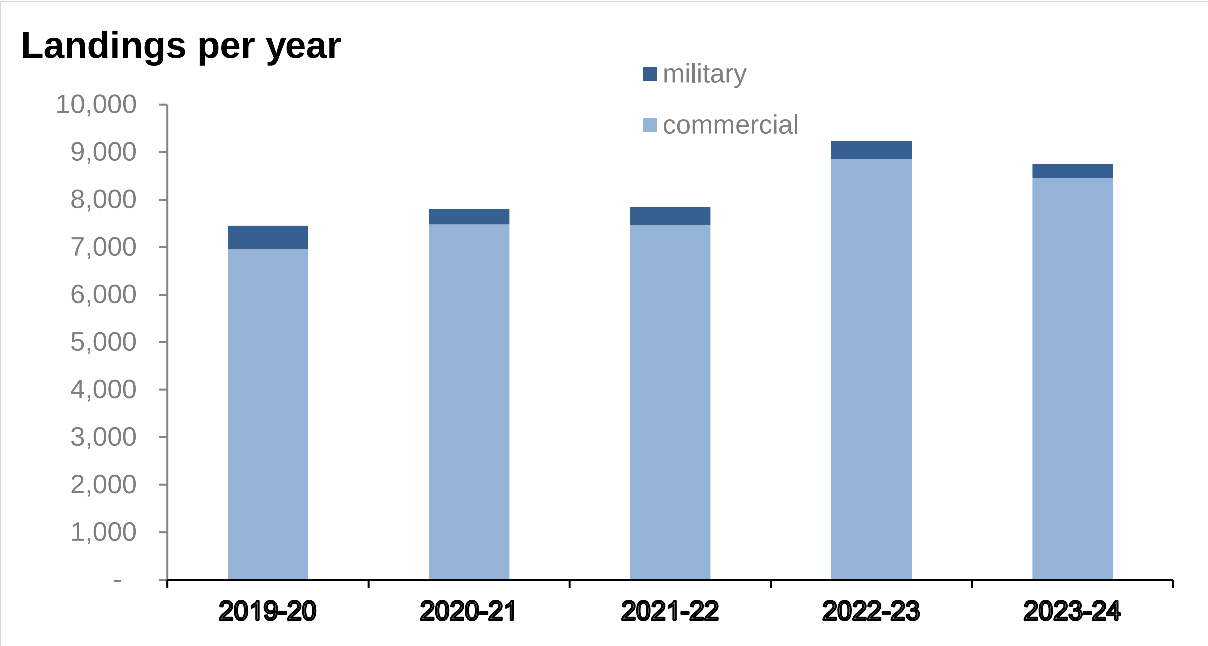
(g) **Employment expenses** were essentially on budget.

(h) **Depreciation and amortisation expense** was higher than budget due to completion of the car park extension and depreciation on right of use assets on Defence land lease.

(i) **Tax expense** is higher than budget primarily due to the impact of removing tax depreciation deductions for industrial and commercial buildings with an estimated tax useful life of 50 years or more, with effect from 2024/25 income tax year as required by the Taxation Act.

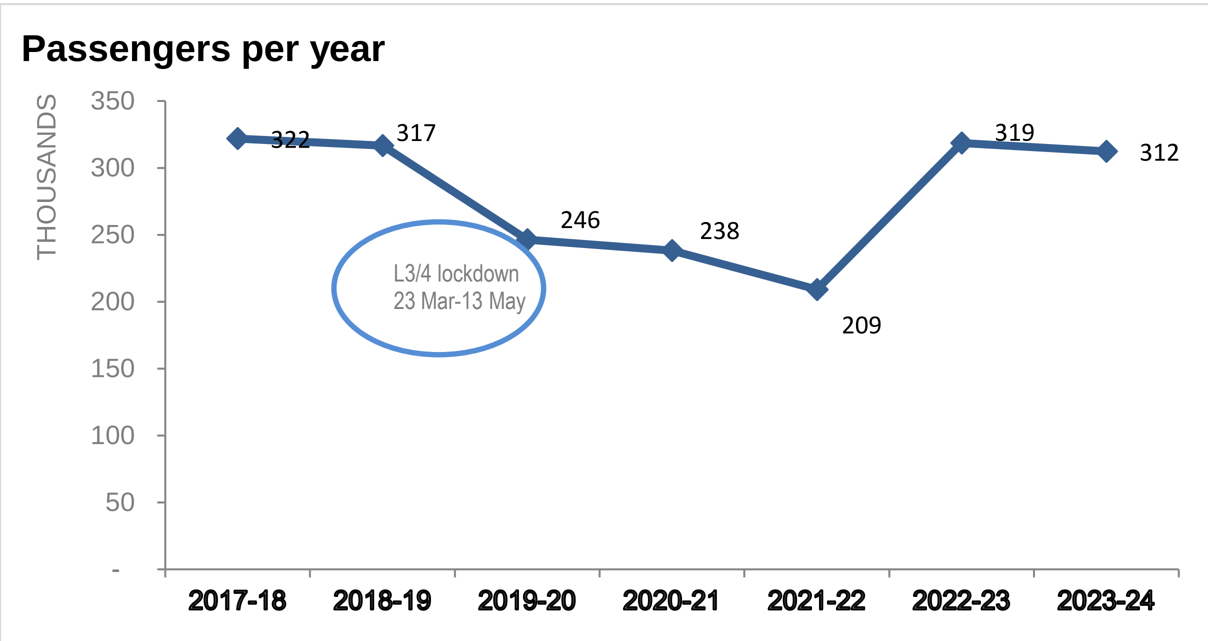
Aircraft and Passenger Activity

Number of Passengers and aircraft landings in Marlborough



Total landings were down by 5% on the previous year from 9,227 to 8,754 in 2024. Military landings totalled 300 for the year and are currently not charged under the licence agreement MAL holds with the New Zealand Defence Force (NZDF).

Total passenger movements decreased by 2% down from 318,517 in 2023 to 312,220 this year.



Corporate Governance Statement

Directors' commitment

The Board of Directors (the Board) are responsible for the corporate governance of MAL. Corporate governance encompasses the direction and control of the business by the Directors and the accountability of the Directors to the shareholder, MDC Holdings Limited (MDCH), for MAL's performance and compliance with laws and standards. This summary provides an overview of MAL's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board is appointed by the shareholder to supervise the management of MAL. The Board establishes MAL's objectives, strategies for achieving objectives, and the overall policy framework within which MAL's business is conducted and monitors management's performance.

The Board also ensures that appropriate procedures are in place to provide for effective internal control; including an annual review of MAL's Operational and Airspace Risk Register.

Board operations and membership

The Board comprises five to six Directors, including the Chairman. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources. Directors' Interest Register is set out on page 47-49 of this report.

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

Risk management

The Board has overall responsibility for MAL's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets and longer-term strategic plans are prepared and agreed by the Board. Financial statements and operational reports are prepared monthly and reviewed by the Board.

Statement of Intent

In accordance with Schedule 8 of the Local Government Act 2002 the Board submits a draft Statement of Intent (SOI) for the coming financial year. The SOI sets out MAL's overall objectives, intentions, and financial and performance targets. The SOI is approved by the shareholder, MDCH.

For MAL's 2023-24 SOI results see the Performance Measures section of this report.

Directors' Responsibility Statement

The Directors are responsible for ensuring that the Financial Statements present fairly, in all material respects, the financial position, the financial performance and cash flows for the year ended 30 June 2024.

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

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of MAL and facilitate compliance of the statements with the Financial Reporting Act 2013.

The Directors consider that adequate steps have been taken to safeguard the assets of MAL and to prevent and detect fraud and other irregularities.

The Directors have approved and are pleased to present the Financial Statements of Marlborough Airport Limited for the year ended 30 June 2024 on pages 15 to 46.

The Board authorised the issue of these Financial Statements on 28 January 2025.

M B J Kerr– Chairman

J R Boswell – Director

On behalf of the Directors of Marlborough Airport Limited.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF MALBOROUGH AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Marlborough Airport Limited (the 'Company'). 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 and the performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 15 to 46, that comprise the income statement as at 30 June 2024, the statement of comprehensive income, the statement of changes in equity, statement of financial position and statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policies and other explanatory information; and

- the performance information of the Company on pages 3 to 4.

In our opinion:

- the financial statements of the Company on pages 15 to 46:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2024; 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 IFRS Accounting Standards (NZ IFRS); and

- the performance information of the Company on pages 3 to 4 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives, for the year ended 30 June 2024.

Our audit was completed on 28 January 2025. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 2, 5 to 11 and 47 to 50 but does not include the financial statements and performance information, and our auditor's report thereon.

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

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

Independence

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

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

Dring

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

Financial Statements

Income Statement
for the financial year ended 30 June 2024

	Notes	2024 $ '000	2023 Restated $ '000
Revenue from contracts and operations	3.1	5,030	4,614
Interest revenue	3.1	143	140
Gains / (Losses)	3.1	5	(25)
Operations and maintenance	3.2	(2,662)	(2,963)
Finance costs	3.2	(752)	(539)
Depreciation, impairment and amortisation	7,9	(1,118)	(926)
Profit / (Loss) before income tax expense		**646**	**301**
Income tax expense / (benefit)	4.1	588	75
Total profit / (loss) for the year after tax		**58**	**227**

Statement of Comprehensive Income
for the financial year ended 30 June 2024

	Notes	2024 $ '000	2023 Restated $ '000
Total profit / (loss) for the year after tax		**58**	**227**
Comprehensive income, net of tax			
Items that will not be classified to profit or loss:			
Gain on revaluation of property, plant and equipment	7	906	-
Income tax relating to revaluation of property, plant and equipment	4.3	(254)	-
Total comprehensive income / (loss) attributable to equity holders		**710**	**227**

Notes to the Financial Statements are included on pages 19 to 46 and are an integral part of, and should be read in conjunction with, these Financial Statements. Refer to Note 22 for details on the errors that resulted in restating figures.

Statement of Changes in Equity
for the financial year ended 30 June 2024

	Share Capital $ '000	Retained Earnings Restated $ '000	Revaluation Reserve $ '000	Total Equity Restated $ '000
For the year ended 30 June 2024				
Restated Equity as at 1 July 2023	**1,171**	**(3,374)**	**2,998**	**795**
Profit after tax	-	58	-	**58**
Other comprehensive income	-	-	652	**652**
Dividends	-	(455)	-	**(455)**
Equity as at 30 June 2024	**1,171**	**(3,765)**	**3,650**	**1,056**

	Share Capital $ '000	Retained Earnings Restated $ '000	Revaluation Reserve $ '000	Total Equity Restated $ '000
For the year ended 30 June 2023 Restated				
Restated Equity as at 1 July 2022	**1,171**	**(503)**	**2,998**	**3,664**
Correction of errors *	-	(3,095)	-	**(3,095)**
Restated Equity as at 1 July 2022	**1,171**	**(3,598)**	**2,998**	**569**
Profit after tax	-	227	-	**227**
Other comprehensive income	-	-	-	**-**
Equity as at 30 June 2023	**1,171**	**(3,374)**	**2,998**	**795**

*Refer to Note 22 for errors that resulted in restatement.

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Statement of Financial Position as at 30 June 2024

	Notes	2024 $ '000	2023 Restated $ '000	2022 Restated $ '000
Current assets				
Cash and cash equivalents		795	969	921
Trade and other receivables	5	651	484	411
Derivative financial instruments	12.2	9	8	0
Total current assets		**1,455**	**1,461**	**1,332**
Non-current assets				
Property, plant and equipment	7	12,825	11,047	9,333
Right of use asset	9	10,087	10,000	9,667
Investment property	8	565	560	580
Deferred tax assets	4.3	1,238	1,774	1,442
Derivative financial instruments	12.2	50	126	142
Total non-current assets		**24,765**	**23,507**	**21,164**
Total assets		**26,220**	**24,968**	**22,496**
Current liabilities				
Trade and other payables	11	589	991	155
Lease liability	14	142	132	120
Provisions	13	9,278	-	-
Borrowings	15	1,623	1,562	1,778
Current tax liability	4.2	22	242	13
Total current liabilities		**11,654**	**2,927**	**2,066**
Non-current liabilities				
Provisions	13	-	9,374	8,649
Borrowings	15	2,885	1,458	1,257
Lease liability	14	10,626	10,414	9,955
Total non-current liabilities		**13,511**	**21,246**	**19,861**
Total liabilities		**25,165**	**24,174**	**21,927**
Net assets		**1,056**	**795**	**569**
Equity				
Share capital and other equity instruments	16	1,171	1,171	1,171
Asset revaluation reserve		3,650	2,998	2,996
Retained earnings	17	(3,765)	(3,374)	(3,598)
Total equity		**1,056**	**795**	**569**

M B J Kerr – Chairman

J R Boswell - Director

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Statement of Cash Flows
for the financial year ended 30 June 2024

	2024 $ '000	2023 Restated $ '000
Cash flow from operating activities		
Receipts from customers	4,752	4,480
Payments to suppliers and employees	(3,175)	(1,706)
Interest and other costs of finance paid	(659)	(513)
Income tax paid (net of refunds)	(529)	(164)
Subvention payment	-	-
Net cash provided by / (used in) operating activities	**389**	**2,097**
Cash flow from investing activities		
Payments for property, plant and equipment	(1,606)	(2,049)
Payments for intangibles	-	-
Interest received	143	140
Proceeds from sale of property, plant and equipment	-	(1)
Dividends received	-	-
Net cash provided by / (used in) investing activities	**(1,463)**	**(1,908)**
Cash flow from financing activities		
Repayment of lease liability	(134)	(127)
Advance / (repayment) of related party borrowings	1,488	(15)
Dividends paid	(455)	-
Net cash provided by / (used in) financing activities	**899**	**(142)**
Net increase / (decrease) in cash and cash equivalents	**(175)**	**48**
Cash and cash equivalents at the beginning of the financial year	969	921
Cash and cash equivalents at the end of the financial year	**795**	**969**

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Notes to the Financial Statements

1. Company information

Marlborough Airport Limited (MAL) is a profit-orientated company incorporated in New Zealand. It operates Marlborough's principal airport at Woodbourne, west of Blenheim. MAL is a reporting entity for the purposes of the Financial Reporting Act 2013 and its Financial Statements comply with that Act, the Companies Act 1993 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

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

2. Material accounting policies

The following material accounting policies have been adopted in the preparation and presentation of the Financial Statements for the year ended 30 June 2024, and the comparative information presented in these Financial Statements for the year ended 30 June 2023.

2.1 Statement of compliance

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to IFRS Accounting Standards (NZ IFRS) – Tier 2 and other applicable financial reporting standards as appropriate for profit-oriented entities that apply the reduced disclosure regime (RDR). MAL qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. MAL has elected to apply NZ IFRS (RDR) and has applied the disclosure concessions.

2.2 Basis of preparation

The going concern assumption has been applied even though 2024-25, with the commitment to reseal the runway, will see a significant funding requirement. Consideration has been given by directors to the following factors in arriving at this decision. The company has received assurances of continued financial support from Council through its shareholder, MDC Holdings Limited, who have committed to providing the necessary financial support and funding to cover the costs of the Airport's reseal programme cash outflows.

MDC Holdings Limited have committed to not requiring repayment of current debt in the next 12 months and discussions have begun regarding the timing and scope of reseal works.

Based on these factors, the directors believe that the application of the going concern assumption is appropriate and that the company will be able to continue its operations and meet its liabilities as they fall due where needed.

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

These Financial Statements have been prepared exclusive of GST, except receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The Financial Statements have been prepared on the basis of historical cost, except for:

- Property, plant and equipment and Investment property which are revalued in accordance with the accounting policies set out in notes 7 and 8.

- Certain non-current assets and derivative instruments (interest rate swaps) that are measured at revalued amounts or fair values at the end of each reporting period as disclosed in the notes to the Financial Statements

- Historical cost is generally based on the fair values of the consideration given in exchange for assets. The categories of financial instruments and corresponding valuation techniques are listed under note 21.

2.3 Statement of cash flows policies

Operating activities include cash received from all income sources of MAL and record the cash payments made for the supply of goods and services.

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

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

Cash and cash equivalents comprise of cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash balances not available for use Nil (2023: Nil).

2.4 Accounting estimates and judgements

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

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

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

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

2.5 New standards adopted

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

2.6 New standards and interpretations issued but not yet effective

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

2.7 Changes in accounting policies

There have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these Financial Statements.

2.8 Specific accounting policies

Specific accounting policies are contained within the relevant notes.

3. Profit from operations

3.1 Revenue

Revenue from operations consisted of the following items:

	2024 $ '000	2023 $ '000
Revenue from contracts:		
Landing charges	3,465	3,461
Rental lease and concessions	466	420
Total revenue from contracts	3,931	3,881
Other operating revenue:		
Parking	859	550
Investment property rental income	47	47
Outgoings recovered	193	136
Total revenue from operations	**5,030**	**4,614**
Interest revenue:		
Bank deposits and interest rate swaps	143	140
Total revenue attributable to operations	**5,173**	**4,754**
Gains and (losses)		
- on fair value of investment property	5	(20)
- on sale or disposal of fixed assets	-	(5)
Total gains and (losses)	**5**	**(25)**

Revenue recognition policies

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

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

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

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

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

3.2 Expenses

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

	2024 $ '000	2023 Restated $ '000
Operations and maintenance		
Operating expenses	1,227	1,035
Rescue fire services	550	550
Management fees	151	145
Impairments - expected credit loss	60	-
Expenses from investment property	-	15
Repairs and maintenance	673	1,218
Total operations and maintenance	**2,662**	**2,963**
Finance costs		
Interest expense - related party loans	279	135
Bank charges	5	5
Loss or (gain) on fair value of interest rate swaps	75	8
Interest expense - lease liability	393	391
Total finance costs	**752**	**539**

Expense recognition policies

Interest expense - Interest expenses are accrued on a time basis using the effective interest method.

Interest paid is classified as an expense consistently with the Statement of Financial Position classification of the related debt. During the year MAL's Interest rates ranged between 5.78% and 6.24% (2023: 2.27% and 6.10%).

4. Taxation

4.1 Reconciliation of income tax

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

	2024 $ '000	2023 Restated $ '000
Profit / (loss) before income tax expense	**646**	**301**
Tax at current rate 28%	**181**	**85**
Plus/(less) tax adjustments:		
Removal of tax depreciation on commercial buildings	371	-
Non-deductible items	36	(10)
Income tax expense / (benefit) recognised in the Income Statement	**588**	**75**
Comprising:		
Current tax expense	307	407
Deferred tax credit	281	(332)
Total tax expense	**588**	**75**

*On 28 March 2024 the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Act passed into law. The Act removed tax depreciation deductions for industrial and commercial buildings with an estimated tax useful life of 50 years or more, with effect from 2024/25 income tax year. Application of the enacted tax law has resulted in a $371k increase in the recognition of deferred tax expense in the Income Statement and a corresponding increase to the deferred tax liability recognised in the Statement of Financial Position.

4.2 Current tax asset/ (liability)

	2024 $ '000	2023 Restated $ '000
Balance at the beginning of the year	**(242)**	**(13)**
Current tax expense	**(306)**	**(406)**
Prior year adjustment	**-**	**-**
Income tax paid (net of refunds)	526	177
Balance at the end of the year	**(22)**	**(242)**

4.3 Deferred tax balances

The deferred tax (asset) / liability balance reported in the Statement of Financial Position arises from the following temporary differences:

Deferred tax liability/(asset)	Property, plant and equipment $ '000	Investment property $ '000	Provisions Restated* $ '000	Leases Restated* $ '000	Derivative financial instruments $ '000	Totals Restated $ '000
Balance at 30 June 2022	**1,033**	**19**	**(2,427)**	**(107)**	**40**	**(1,442)**
Recognised in:						
Profit or loss	(78)	1	(206)	(46)	(3)	(332)
Balance at 30 June 2023	**955**	**20**	**(2,633)**	**(153)**	**37**	**(1,774)**
Recognised in:						
Other comprehensive income	254	-	-	-	-	254
Profit or loss	331	1	8	(38)	(20)	281
Balance at 30 June 2024	**1,540**	**21**	**(2,625)**	**(191)**	**17**	**(1,238)**

*Refer to Note 22 for errors that resulted in restatement.

Income tax policies

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in the Statement of Comprehensive Income or directly in Equity.

5. Trade and other receivables

	2024 $ '000	2023 $ '000
Trade and other receivables	**761**	**428**
GST (payable)/receivable	(50)	56
Expected Credit Loss	(60)	-
Balance at the end of the year	**651**	**484**

Trade and other receivables policies

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

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

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

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

6. Impairment policies

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

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

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

For non-revalued assets, impairment losses are recognised as an expense immediately. For revalued assets, other than investment property, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity.

7. Property, plant and equipment (PPE)

	Cost / Fair value	Accumulated depreciation	Carrying amount	Additions	Disposals	Disposals depreciation adjustment	Depreciation	Asset reclassification	Revaluation cost adjustment	Revaluation depreciation adjustment	Cost / Fair value	Accumulated depreciation	Carrying amount
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
	1 July 2022										30 June 2023		
Freehold carpark and land improvements	2,120	0	2,120	12	(1)	0	(177)	-	1	1	2,132	(178)	1,954
Buildings	6,137	0	6,137	47	(16)	1	(383)	-	-	-	6,169	(383)	5,785
Plant and equipment	646	(402)	243	411	(293)	178	(69)	-	-	-	763	(293)	471
Office, furniture and fittings	336	(225)	110	1	(7)	4	(32)	-	-	-	330	(253)	77
Work in progress	723	-	723	2,038	-	-	-	-	-	-	2,761	-	2,761
Total PPE	**9,961**	**(627)**	**9,333**	**2,509**	**(316)**	**184**	**(662)**	**-**	**1**	**1**	**12,155**	**(1,107)**	**11,047**

	Cost / Fair value	Accumulated depreciation	Carrying amount	Additions	Disposals	Disposals depreciation adjustment	Depreciation	Asset reclassification	Revaluation cost adjustment	Revaluation depreciation adjustment	Cost / Fair value	Accumulated depreciation	Carrying amount
	1 July 2023										30 June 2024		
Freehold carpark and land improvements	2,132	(178)	1,954	4,069	-	-	(336)	-	(281)	514	5,919	-	5,919
Buildings	6,169	(383)	5,785	23	-	-	(386)	-	(96)	769	6,095	-	6,095
Plant and equipment	763	(293)	471	293	(5)	2	(97)	-	-	-	1,051	(387)	664
Office, furniture and fittings	330	(253)	77	98	-	2	(30)	-	-	-	428	(281)	147
Work in progress	2,761	-	2,761	(2,761)	-	-	-	-	-	-	-	-	-
Total PPE	**12,155**	**(1,107)**	**11,048**	**1,722**	**(5)**	**4**	**(849)**	**-**	**(377)**	**1,283**	**13,493**	**(668)**	**12,825**

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PPE policies

MAL has the following classes of PPE:

- Freehold car park and land improvements
- Buildings
- Plant and equipment
- Office, furniture and fittings
- Work in progress

Freehold car park and land improvements and Buildings MAL applies the fair value method to these assets in accordance with NZ IAS 16 Property, Plant and Equipment. The assets carrying costs are by reference to the assets highest and best use, less any subsequent accumulated depreciation and impairment losses.

Additions between valuations are recorded at cost. Cost represents the fair value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

All other items of PPE are stated at their cost or deemed cost less any subsequent accumulated depreciation and impairment losses (if any).

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with MAL's accounting policy (refer note 15).

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

Revaluation increments are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the Income Statement, in which case the increase is credited to the Income Statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in the Income Statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings. Future revaluations will be performed with sufficient regularity such that the carrying amount will not differ materially from that which would be determined using fair values at balance date.

Depreciation commences when the asset is ready for use and is charged to Income Statement on all PPE other than work in progress over their estimated useful lives, using the straight-line method

(SL). The useful lives and estimated residual values are reviewed at each balance date and amended if necessary. Depreciation on revalued assets is charged to the Income Statement. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement. The depreciation rates of major classes of assets have been estimated as follows:

- Freehold car park and land improvements	3.0 – 33.3% SL
- Buildings	3.0 – 33.3% SL
- Plant and Equipment	3.0 – 67.0% SL
- Office Furniture and Fittings	3.0 – 25.0% SL

7.1 Valuation basis

It is standard practice for MAL's **Freehold car park and land improvements** and **Buildings** to be valued every three years**.** Due to higher than usual inflation, since the previous valuation as at 30 June 2022, these were valued on 30 June 2024 by WSP, independent registered valuers and associates of the NZ Institute of Valuers who have recent experience in the location and category of the items being valued. The fair values of assets represent the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants. As this is an off-cycle valuation, a method of indexing has been applied to the 30 June 2022 values to arrive at the 30 June 2024 fair value of the assets.

Valuations are updated for subsequent additions at cost, less any subsequent depreciation or impairment losses in the years where the assets are revalued. Any revaluation surplus net of deferred income taxes is credited to the Statement of Comprehensive Income and is shown in Reserves.

7.2 Fair value model

MAL's **Freehold car park and land improvements** and **Buildings** fall into the specialised asset category. In general terms these assets are:

- Only useful to particular uses or users,
- Rarely, if ever, sold on the open market, except as part of a total business, and
- Generally specialised structures located in particular geographical locations for business reasons.

For these assets fair value has been based on optimised depreciated replacement cost (ODRC) due to the limited market based evidence as the item is rarely sold, except as part of a continuing business.

7.3 Cost model

The carrying amount of MAL's **Freehold car park and land improvements** and **Buildings** had they been recognised under the cost model is as follows:

	2024 $ '000	2023 $ '000
Freehold carpark and land improvements	4,993	1,205
Buildings	3,141	3,359

7.4 Capital expenditure commitments

MAL had no capital commitments at balance date. (2023: $1.62 million)

8. Investment property

	2024 $ '000	2023 $ '000
Balance at the beginning of the year	**560**	**580**
Net gain / (loss) from fair value adjustment	5	(20)
Balance at the end of the year	**565**	**560**

Investment property policies

Investment property is property held primarily to earn rentals and/or for capital appreciation and includes MAL's Aircraft hangar. The hangar is located at the airport and leased to a third party. Investment property is stated at its fair value at balance date.

Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise, except when the investment property is transferred from PPE when the initial recognition of gains or losses arising from the changes in fair value is recognised in Other Comprehensive Income.

8.1 Valuation basis

MAL's investment properties were valued on 30 June 2024 by Alexander Hayward Limited, independent registered valuers and associates of the NZ Institute of Valuers. The valuers have experience in the location and category of the items being valued. The fair values are based on market values, being the estimated price for which an asset could be sold on the date of valuation in an orderly transaction between market participants.

8.2 Fair value model

The valuation was undertaken using an investment approach based on an assessment of market rental potential capitalised at current market investment rates analysed from market transactions. The rental capitalisation rate adopted was 7.00% (2023: 7.00%).

9. Right of use asset

	2024 $ '000	2023 Restated $ '000
Gross carrying amount		
Balance at the beginning of the year	**11,002**	**10,404**
Additions / (disposals)	215	598
Balance at the end of the year	**11,217**	**11,002**
Accumulated amortisation and impairment		
Balance at the beginning of the year	**1,002**	**736**
Amortisation	270	266
Adjustment on increase	(142)	
Balance at the end of the year	**1,130**	**1,002**
Net book value at the end of the year	**10,087**	**10,000**

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

The lease liability includes car park lease and defence land lease.

The 2023 figures have been restated for the below reasons:

The car park lease term has been extended to include a 21-year renewal option. MAL was reasonably certain to exercise given the presence of long-term assets owned and developed by MAL on the property during 2023.

The defence force land licence agreement, which contains a lease under NZ IFRS 16, has been recognised for the first time. The lease term for the defence land lease has been matched to the lease term of the car park lease including the 21 year right of renewal. This is because the license is a perpetual lease with no term specified in the contract. The carpark is considered an integral part of the airport operation and will have no practical use if there is no airport operation and therefore it is assumed that the lease term of the Defence land aligns with that of the carpark land lease

For further details on the restatement of prior year values please see Note 22 – Prior period errors.

10. Intangible assets

	2024	2023
Software gross carrying amount:	**$ '000**	**$ '000**
Balance at the beginning of the year	**97**	**112**
Disposals	(55)	(15)
Balance at the end of the year	**42**	**97**
Software accumulated amortisation and impairment:		
Balance at the beginning of the year	**97**	**112**
Amortisation	(55)	(15)
Balance at the end of the year	**42**	**97**
Software net book value at the end of the year		

Amortisation expense is included in the line item 'depreciation, impairment and amortisation expense' in the Income Statement.

Intangible assets policies

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

11. Trade and other payables

	2024	2023
	$ '000	**$ '000**
Trade creditors	268	132
Expenses accrued	191	761
Income in advance	19	20
Payroll liabilities	75	54
Related parties - Interest	36	24
Balance at the end of the year	**589**	**991**

Trade and other payables policies

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

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

12. Derivative financial instruments (interest rate swaps)

Interest rate swap policies

MAL enters into interest rate swaps to manage cash flow interest rate risk. These swaps:

- Are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value.
- Do not qualify for hedge accounting.
- Have fair value changes recognised in the Income Statement.
- Are not used for speculative purposes.

12.1 Interest rate swap contracts

Interest rate contracts are entered into by the parent on behalf of MAL. Under the contracts, MAL agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable MAL to mitigate the risk of changing interest rates on debt held.

The interest rate swaps will either incur an interest expense or interest revenue from the parent, depending on whether the fixed rate is favourable or unfavourable to the variable interest rate at the time. The expense (or revenue) is paid (or received) by MAL directly to (or from) the parent. Similarly, the gains or losses on the revaluation of swaps are passed from the parent through to MAL.

During the year the interest rates for MAL's active swaps ranged between 0.10% and 4.27% (2023: 0.05% and 0.10%).

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

	2024 $ '000	2023 $ '000
Active swap contracts with Westpac bank	**3,250**	**2,250**
Future dated swap contracts with Westpac bank	**2,500**	**4,500**
Total	5,750	6,750

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

	2024 $ '000	2023 $ '000
Interest rate swap asset / (liability) at FVTPL	**59**	**134**
Classified as:		
Current	9	8
Non-current	50	126

The fair value of interest rate swaps is supplied by an independent third party and is based on market values of equivalent instruments at the reporting date and is calculated as the present value of the estimated future cash flows based on observable yield curves. The Board considers that the carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their fair values.

13. Provisions

Provision policies

Provisions are recognised when MAL has a present obligation as a result of a past event and it is probable that MAL will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

13.1 Provision for runway reseal

	2024 $ '000	2023 Restated $ '000
Balance at the beginning of the year	**9,374**	**8,649**
Additions/(Deductions)	(96)	725
Balance at the end of year	**9,278**	**9,374**
Classified as:		
Current	9,278	-
Non-current	-	9,374

Provision is made to reflect MAL's obligation to maintain the hard surfaces (including the Runway, Taxiway and Apron) under their licence agreement with New Zealand Defence Force.

The cash outflows are expected to occur in early 2025. The provision has been estimated taking into account technology changes and is discounted using a discount rate of 5.3%.

The following major assumptions have been made in calculation of the provision:

- The pricing estimate is based on tenders received in October 2024 and is reflective of the information available at 30 June 2024.
- The cash outflows for the runway, taxiway and apron areas will all occur in early 2025.
- An inflation rate, as specified by Treasury, of 2.9%.

The undiscounted cost of the reseal is estimated at $9.386 million.

For details on the restatement of prior year values please see Note 22 – Prior period errors.

14. Lease liability

	2024 $ '000	2023 Restated $ '000
Balance at the beginning of the year	**10,547**	**10,075**
Additions	355	598
Principal repayments	(134)	(127)
Balance at the end of year	**10,768**	**10,546**
Classified as:		
Current	142	132
Non-current	10,626	10,414

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

The lease liability includes car park lease and defence land lease.

The lease liability was measured at the present value of the minimum lease payments, discounted at the incremental borrowing rate applicable to that lease 1 July 2020. The weighted average incremental borrowing cost applied to lease liabilities at 1 July 2020 was 3.69%. The lease term is determined at 42 years which includes one right of renewal option for 21 years. The same lease term has been used for defence land lease as this is a perpetual lease with no lease term specified in the contract.

For details on the restatement of prior year values please see Note 9 – Right of Use Assets and Note 22 – Prior period errors.

15. Borrowings

	2024 $ '000	2023 $ '000
Opening unsecured loans from parent at amortised cost	**3,020**	**3,035**
Plus, drawdown / (Less repayment)	1,488	(15)
Unsecured loans from parent at amortised cost	**4,508**	**3,020**
Classified as:		
Current	1,623	1,562
Non-current	2,885	1,458

Borrowings policies

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing, and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs, and any discount or premium on drawdown.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use/sale, are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

15.1 Loan maturities

A portion of borrowings have been reclassified from non-current to current to comply with accounting standards and the terms of the Matched Funding Facility Agreement, this includes a reclassification of $1,562 in the prior year audited financials. While a portion of the borrowings is classified as current, MDC Holdings Limited (the Shareholder) has no intention to call upon any debt in the 2024/25 financial year as signalled in the Statement of Intent. The loan agreement with the Shareholder will be updated to reflect this. See Note 22 – Prior period errors.

15.2 Security

MAL's related party debt is not secured.

16. Share capital and other equity instruments

	2024 $ '000	2023 $ '000
1,170,726 fully paid ordinary shares (2023: 1,170,726)	**1,171**	**1,171**

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

Equity instruments policies

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by MAL are recorded at the proceeds received, net of direct issue costs. The asset revaluation reserve arises on the revaluation of MAL's freehold car park and land improvements and buildings. When such a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained earnings.

17. Retained earnings

	2024 $ '000	2023 Restated $ '000
Balance at the beginning of the year	**(3,374)**	**(3,598)**
Total (loss) / profit for the year after tax	58	227
Dividends paid	(455)	-
Balance at the end of the year	**(3,765)**	**(3,374)**

18. Operating leases arrangements

18.1 MAL as lessee

Non-cancellable operating lease commitments:

	2024 $ '000	2023 Restated $ '000
Not longer than 1 year	142	132
Longer than 1 year and not longer than 5 years	793	740
Longer than 5 years	9,833	9,675

Lessee policies

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

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

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

Lease arrangements

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

The defence force license agreement has been treated as a lease because the agreement conveys the right to use the land situated at the RNZAF Base Woodbourne.

MAL has the right to direct the use of the asset and obtain substantially all of the economic benefits from the use of the asset. The right to direct the use has been established from MAL's right to manage airport operations and derive economic benefits despite NZDF's rights under the license, which are considered protective in nature.

18.2 MAL as lessor

Maturity analysis of lease payments due:

	2024 $ '000	2023 $ '000
Year 1	547	313
Year 2	126	220
Year 3	10	72
Year 4	-	-
Year 5	-	-
Longer than 5 years	-	-

Lessor policies

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Lease arrangements

Operating leases relate to tenancies with lease terms of up to 6 years, with provision for renewal. All operating lease contracts contain market review clauses in the event that MAL exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Rentals are received from freight shed, terminal rental, ground rental, aircraft hangar, advertising signs and rental car wash facility.

19. Contingent assets and contingent liabilities

19.1 Contingent assets

MAL had no contingent assets or liabilities as at 30 June 2024 (2023: Nil).

20. Related party transactions

20.1 Parent entities

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

20.2 Entities controlled/significantly influenced by the Crown

MAL enters into transactions with government departments, Crown entities, state-owned enterprises and other entities controlled or subject to significant influence by the Crown.

These transactions are not separately disclosed where they:

- Are conducted on an arm's length basis;
- Result from the normal dealings of the parties; and
- Meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown.

20.3 Transactions with related parties

Port Marlborough New Zealand Limited (PMNZL)

PMNZL is a related party to MAL as it has the same parent. MAL received no payments during the year from PMNZL (2023: Nil).

MDC Holdings Limited (MDCH)

Interest is charged on the outstanding related party loan at commercial interest rates. The parent entered into swap agreements with Westpac for MAL. The terms of the loans and swaps between MAL and the parent match the terms set between the bank and the parent (note 12).

Transactions between MAL and parent are as follows, amounts are exclusive of GST where applicable:

	2024 $	2023 $
Amounts paid to MDCH during the year:		
Interest on loans	279	135
Interest received on swaps	102	90
Swap valuation fees	-	1
Amounts payable/(receivable) to/(from) MDCH at balance date:		
Interest on loans	36	24
Interest on swaps	(11)	(14)
Borrowings	4,508	3,020
Swaps (active) held on behalf by MDC Holdings Ltd	3,250	2,250

Marlborough District Council (MDC)

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

	2024 $	2023 $
Services charged by MDC during the year	290	263
Subvention payment	-	-
Services payable to MDC at balance date	-	-
Received from MDC during the year	-	3

Port Marlborough New Zealand Limited (PMNZL)

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

	2024 $	2023 $
Received from PMNZL during the year	-	-

21. Categories of financial instruments

Financial assets / (liabilities)		**Financial assets at amortised cost** **$ '000**	**Financial liabilities at amortised cost** **$ '000**	**Fair Value through Profit and Loss** **$ '000**	**Total** **$ '000**
Cash and cash equivalents		969	-	-	969
Trade and other receivables	5	484	-	-	484
Interest rate swaps	12.2	-	-	134	134
Trade and other payables	11	-	(991)	-	(991)
Lease liability	14	-	(10,547)	-	(10,547)
Related party loans	15	-	(3,020)	-	(3,020)
Balance at 30 June 2023		**1,453**	**(14,588)**	**134**	**(12,971)**
Cash and cash equivalents		795	-	-	795
Trade and other receivables	5	651	-	-	651
Interest rate swaps	12.2	-	-	59	59
Trade and other payables	11	-	(589)	-	(589)
Lease liability	14	-	(10,767)	-	(10,767)

		Financial assets at amortised cost	Financial liabilities at amortised cost	Fair Value through Profit and Loss	Total
Related party loans	15	-	(4,508)	-	(4,508)
Balance at 30 June 2024		**1,446**	**(15,864)**	**59**	**(14,359)**

21.1 Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

21.2 Valuation techniques

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- **Financial assets** and **financial liabilities** with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- **Other financial assets** and **financial liabilities** are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- **Derivative financial instruments** (interest rate swaps), are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

22. Prior period errors

A number of prior period errors have been identified in the 2023 audited financial statements during the current period.

The financial statements have been re-stated to reflect the correct opening position at 1 July 2022 and movements in 2023 for each of the identified errors described below.

22.1 Error 1 - Provisions

A prior period error has been identified in relation to the scope of works included in the provision for the runway reseal and how the provision was calculated.

Prior to the financial year ended 30 June 2023, the provision scope was limited to costs to reseal the runway only with the taxiway and apron being excluded from the provision. In addition to this, the financial model used to calculate the provision in prior periods was incorrectly treating updates to the reseal cost. These errors resulted in an understatement of the provision (liability) and an overstatement of provision expenditure recognised in the financial year ending 30 June 2023.

22.2 Error 2 - Borrowings

A prior period error has been identified in relation to the classification of borrowings.

A portion of the loans from MDC Holdings Limited were incorrectly classified as a non-current liability rather than a current liability.

The error resulted in an understatement of current liabilities in the 2022/23 year and a corresponding overstatement of non-current liabilities.

22.3 Error 3 - Car park lease and right of use asset

A prior period error has been identified in relation to the value of car park lease and Right of use asset.

The right of renewal has been incorrectly excluded from the calculation.

The error resulted in an understatement of liabilities and assets in the 2022/23 year.

22.4 Error 4 - Defence land lease and right of use asset

A prior period error has been identified in relation to the value of Defence land lease and Right of use assets.

The lease, which commenced in 1992, was not accounted for under NZ IFRS 16. This lease is perpetual, with no specified lease term in the contract. Consequently, the lease term for the car park lease (42 years, including a 21-year right of renewal) has been used to calculate the lease liability and Right of Use asset from 1 July 2019 which is the date of initial application of NZ IFRS 16. The reason for using the lease term of the car park lease is that the car park cannot be used without the Defence land, as the runway and airport terminal are situated on the Defence land. The carpark is considered an integral part of the airport operation and will have no practical use if there is no airport operation and therefore it is assumed that the lease term of the Defence land aligns with that of the carpark land lease

The error resulted in an understatement of liabilities and assets in the 2022/23 year.

22.5 Summary of errors in the 30 June 2023 annual report

Statement of financial performance	Previously reported 2023 $ '000	Error 1 Provision $ '000	Error 2 Borrowings $ '000	Error 3 Car Park Lease $ '000	Error 4 Defence Land Lease $ '000	Restated 2023 $ '000
Operations and Maintenance	3,805	(384)	-	-	(458)	2,963
Finance costs	176	-	-	17	346	539
Depreciation, impairment and amortisation	703	-	-	(12)	235	926
Income Tax expense	6	103	-	-	(34)	75
Surplus/(deficit) after tax	39	281	-	(5)	(88)	227
Statement of financial position						
Current Liabilities						
Lease liability	31	-	-	(16)	117	132
Borrowings	-	-	1,562	-	-	1,562
Non-current Liabilities						
Lease liability	722	-	-	497	9,195	10,414
Provisions	5,836	3,538	-	-	-	9,374
Borrowings	3,020	-	(1,562)	-	-	1,458
Non-Current Assets						
Deferred Tax asset / (liability)	645	990	-	5	134	1,774
Right of use asset	706	-	-	460	8,834	10,000
Equity						
Retained earnings	(466)	(2,543)	-	(21)	(344)	(3,374)

22.6 Summary of errors in 1 July 2022 opening statement of financial position:

Statement of financial position	Previously reported 1 July 2022 $ '000	Error 1 Provision $ '000	Error 2 Borrowings $ '000	Error 3 Car Park Lease $ '000	Error 4 Defence Land Lease $ '000	Restated 1 July 2022 $ '000
Deferred Tax asset / (liability)	244	1,098	-	-	100	**1,442**
Right of use asset	748	-	-	449	8,470	**9,667**
Lease Liability - current	32	-	-	(17)	105	**120**
Borrowings - current	-	-	1,778	-	-	**1,778**
Lease Liability - non-current	753	-	-	481	8,721	**9,955**
Borrowings - non- current	3,035	-	(1,778)	-	-	**1,257**
Provisions	4,727	3,922	-	-	-	**8,649**
Retained earnings	(503)	(2,824)	-	(15)	(256)	**(3,598)**

23. Events after the reporting period

No events after the reporting period.

24. Breach of statutory deadline

The company was required under Section 67(1) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 September 2024. The deadline was missed due to the work to resolve the prior period errors as detailed in note 22.

Statutory Information

Auditors

Nicole Dring of Deloitte Limited, acting on behalf of the Office of the Auditor General is the auditor for MAL for the year ended 30 June 2024.

Dividends

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

Employee remuneration

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

REMUNERATION	NUMBER OF EMPLOYEES	
	2024	2023
$110,000 - $120,000	1	1

Interest register

Directors' remuneration and benefits

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

Directors' transactions

There were no transactions in 2024.

Directors' loans

There were no loans given by MAL to Directors.

Directors' and officers' liability insurance

MAL has arranged Directors' and Officers' Liability Insurance with Vero Liability Insurance Limited. This policy indemnifies Directors for sums they may become legally obliged to pay arising from a wrongful act allegedly committed in their capacity as a Director. The policy does not cover liabilities arising from insider trading, dishonest acts and/or personal profit or advantage to which the Directors are not legally entitled.

Use of Company information

During the year, the Board did not receive any notices from Directors of MAL requesting the use of company information, received in their capacity as Directors, which would not otherwise have been available to them.

Directors' interest in contracts

The following Directors have declared interests in the identified entities. The declaration serves as a notice that the Director may benefit from any transaction between MAL and the identified entities.

Matt Kerr (Chairperson)

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

Jamie Arbuckle *(Resigned on 25 Oct 2023)*

Marlborough District Council	Councillor
New Zealand Parliament	MP
MDC Holdings Limited	Director *(Ceased on 25 Oct 2023)*
Marlborough Harness Racing Club Inc.	Committee Member
New Zealand First (Political Party)	Board Member

Tracy Atkin

MDC Holdings Limited	Director
Rangitane Holdings Limited	Director
Rangitane Investments Limited	Director
Cropsy Technologies Limited	Director
Village to Village Charitable Trust	Trustee/ Board Chair
The Wine Trellis Limited	Shareholder
The Smart Machine Company Limited	Director/ Board Chair
Angel Investors Marlborough	Trustee

Alexandra Barton *(Resigned on 11 Dec 2023)*

MDC Holdings Limited	Director *(Ceased on 11 Dec 2023)*
Barton Food Limited	Director/Shareholder
BDO Marlborough Tasman Limited	Director/Shareholder

BDO New Zealand Limited	Director
BDO New Zealand Nominee Limited	Director/Shareholder
Fairhall Fundraising Inc	Member
Malbec Trust	Trustee
Marlborough Lines Limited	Director
Ngāti Apa ki te Rā Tō Trust Board	
Audit & Risk Subcommittee	Member
Seaview Capital Limited	Director
Village to Village Charitable Trust	Trustee
David Croad	
Marlborough District Council	Deputy Mayor
MDC Holdings Limited	Director
Marlborough Housing for the Elderly Trust	Trustee
Neil and Dianne Croad Family Trust	Trustee
Nadine Taylor	
Marlborough District Council	Mayor
MDC Holdings Limited	Director
Fairhaven Family Trustee	Trustee
G&N Taylor Fishing Trust	Trustee
Legacy Fishing Limited	Director/Shareholder
Legacy Investments 2010 Limited	Director/Shareholder
Rainey Family Trust	Trustee
Woodgate Family Trust	Trustee
Mark Wheeler	
Marlborough District Council	Chief Executive
MDC Holdings Limited	Director
CAMA Trust	Trustee

Company Directory

Directors

M B J Kerr (Chairman)
J Arbuckle (ended 25 Oct 2023)
A M Barton (ended 11 Dec 2023)
T Atkin (started 26 Feb 2024)
D Croad
N Taylor
M S Wheeler

Registered Office

Marlborough District Council
15 Seymour Street
Blenheim

Company Number

517274

CEO

Dean Heiford
Marlborough District Council
Telephone (03) 520 7400

Auditor

Nicole Dring of Deloitte Limited on behalf of the Office of the Auditor General

Banker

Bank of New Zealand
Market Street
Blenheim
Telephone (03) 577 2712

Solicitors

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

Shareholders

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