



# Marsden

MARITIME HOLDINGS LTD

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Annual Report 2018



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## Financial Calendar

### Annual Shareholders' Meeting

The Annual Meeting of shareholders of Marsden Maritime Holdings Ltd will be held at Forum North, Rust Avenue, Whangarei on Tuesday 16 October 2018 at 11.00am.

### 2019 Interim Profit Announcement

February 2019

### Interim Dividend Payment

March 2019







Preparatory earthworks underway for the Company's new trailer boat storage facility which will offer secure storage for up to 60 trailered boats.



## Executive Review



SIR JOHN GOULTER



GAVIN CARROLL

Marsden Maritime Holdings recorded a net surplus of \$9.398 million for the year ended 30 June 2018, as compared to the previous year end result of \$10.050 million. The current year result was affected by a lower revaluation of the Company's investment property assets.

Underlying earnings or trading surplus (excluding revaluation gains, fair value movements and losses on sale of assets as shown in the statement of comprehensive income) of \$9.343 million was slightly down on that recorded in the previous financial period. The events that contributed to this lower result included, the delayed commencement of the boatyard operations, marketing and promotions thereof, and the costs associated with the change of the Company's Chief Executive.

The Company's overall annual performance was again based on a strong financial contribution from its joint venture, Northport Ltd.

In respect of other business segments, the marina delivered lower than expected earnings, largely as a result of the boat haul-out and servicing facility commencing operation just before the summer holiday season, later than originally anticipated. Farming and property operations achieved anticipated results.



### Cargo Volumes

Overall cargo throughput at Northport was 3,563,000 tonnes (2017 – 3,646,000 tonnes) including log exports of 2,786,000 tonnes (2017 – 2,808,000 tonnes).

The introduction of a seasonal container ship service by Mediterranean Shipping Company (MSC) at Northport increased the handling of containers. In July of this year, MSC advised that this service would now operate year round, a definite boost for Northland exporters.





### Property Holdings

Strong marketing in the last year has generated a heightened level of enquiry during the last quarter of the financial year, with a number of negotiations underway at year's end. In addition, a decision prior to year's end to construct four commercial units beside the Company offices at Marsden Point has attracted considerable interest from prospective tenants.

Last year the Company reported that it was marketing for sale a surplus property of 43ha which lay furthest from the port. A successful sale of this property was completed early in the financial year. This sale, coupled with the purchase of the 55ha property noted last year, means we now have a contiguous landholding of 185ha adjacent to Northport.

This consolidation of property has enabled the Company to confirm more detailed plans for future land development. This exercise has brought a number of benefits, including a better understanding of future infrastructure needs (e.g. roading), more targeted marketing to industries of interest, and articulating our vision and value propositions to prospective tenants.



### Marina & Commercial Complex

The new haul-out and servicing facilities, which have been a key focus for marketing during the year, are operating well. Completion of the project and subsequent start of operations were delayed due to training and final consent requirements which adversely impacted the anticipated period of operation within the year.

Steady custom has increased the availability of marine services at the hardstand with boat building, painting, rigging upholstery/canvas-making available, as well as chandlery, marine mechanics and electricians. Pressure on Auckland marinas and maintenance facilities continues to work in our favour and we are fielding a satisfying level of enquiry from vessel owners and service providers alike.



The Company has decided to purchase a 20-tonne hydraulic trailer, as originally intended, to cater for smaller pleasure boats and its arrival is expected towards the end of the calendar year. The new equipment will complement the existing 80 tonne trailer and ensure that our facilities can attract a wider range of customers.

Berth occupancy has experienced strong growth and the commercial complex remains fully tenanted. The balcony at the fishing club/café and bar has been extended, improving appearance and capacity for both venues and allowing all weather activity.

The Company has established a secure self-storage facility near the marina, with both high cube and standard height 20ft containers available for rent. The facility has experienced a good level of custom from the local market.



## Executive Review continued

### Board & Management Changes

Director Peter Griffiths resigned from the Board in March 2018 and Tony Gibson was appointed by the Board the following month. In March 2018, Graham Wallace resigned as Chief Executive Officer. The Board of Directors oversaw a robust recruitment process and a new Chief Executive, Felix Richter, was appointed to the role and commenced in August.

### Dividend

The Company will pay a fully imputed final dividend of 9.00 cents per share on 14 September 2018. This compares to the final dividend paid last year of 8.75 cents and brings the total dividend distribution for the year to 15.75 cents per share (2017 – 15.00 cents per share).

### Outlook

Increased awareness of the benefits of doing business at Marsden Point should generate improved returns, notwithstanding the possibility of a slight reduction in export log volumes through Northport. Large scale horticulture development in Northland is likely to support more diversified export cargoes.

The Government's Upper North Island Supply Chain Strategy (referred to in the half-year report as a Port Study) is now underway and is expected to examine the potential of Northport and the Company's hinterlands in greater detail than previous port studies. The broader Strategy is expected to consider other transport infrastructure needs which could be expected to have ramifications for improved State Highway access between Auckland and Whangarei. A separate study into the future of the North Auckland rail line may also impact future transport infrastructure investments.

Looking ahead, should lower business confidence have a dampening effect on development nationally, we remain confident that other elements – including Auckland congestion, the America's Cup, and the Government's regional development programme – will all continue to operate in the Company's favour.



**Sir John Goulter** KNZM, JP  
CHAIRMAN



**Gavin Carroll**  
ACTING CHIEF EXECUTIVE



## Board of Directors



**Sir John Goulter** KNZM, JP

Chairman Marsden Maritime Holdings Ltd  
Director Northport Ltd  
Director Marsden Cove Canals Management Ltd  
Member Remuneration Committee  
Chair Board Nomination Committee  
Chair Health and Safety Committee

Sir John was first elected to the Board of Marsden Maritime Holdings Ltd in October 2011 and was appointed Chairman in November 2012. Sir John has long-standing experience in both the public and private sectors in New Zealand. He currently is a Director of Northport Ltd and Marsden Cove Canals Management Ltd. He is a former Chair of Metro Performance Glass Ltd, the New Zealand Business and Parliament Trust, NZ Lotteries Commission and United Carriers Group, a former Director of the Reserve Bank of New Zealand, Television NZ Limited, Vector Limited and was the inaugural Managing Director of Auckland International Airport Limited. In 1999 Sir John was recognised as the New Zealand Herald Business Leader of the Year and in 2003 was appointed a Distinguished Companion of the New Zealand Order of Merit (DCNZM) for services to Business and the Community. This honour was re-designated as Knight Companion of the New Zealand Order of Merit (KNZM) in 2009. Sir John is a graduate of Harvard Business School (Advanced Management Program), a Justice of the Peace and a Fellow of the New Zealand Institute of Management. He was inducted as a Laureate into the New Zealand Business Hall of Fame in 2003. Sir John is considered to be an Independent Director.



**Mark Bogle**

Director Marsden Maritime Holdings Ltd  
Member Audit and Risk Committee

Mr Bogle is a qualified Accountant and is a member of Chartered Accountants Australia and New Zealand. He also has a Master of Public Policy degree. He has a background in corporate governance, audit, finance and commerce and has energy and forestry sector experience at Executive or Director level. Mr Bogle is a Director of Habitat for Humanity NZ Ltd and is an Alternate Crown Trustee of the Crown Forestry Rental Trust. Mr Bogle joined the Board in October 2014 and is considered to be an Independent Director.



**Tony Gibson**

Director Marsden Maritime Holdings Ltd  
Member Remuneration Committee  
Chair North Tugz Ltd

Mr Gibson is currently the Chief Executive Officer of Ports of Auckland Ltd. He has more than 30 years' experience in shipping and logistics and has worked in various senior roles in Africa, Asia and Europe, including European Director of Customer Operations, Rotterdam, before being appointed Managing Director, New Zealand and Pacific Islands in 2002. Following a take-over by Maersk, Mr Gibson served as Managing Director of Maersk New Zealand for three years. He is Chairman of North Tugz Ltd, a Director of AMG Consulting Ltd, Seafuels Ltd, Waikato Freight Hub and ERoad Financial Services Ltd. He is also a Director and Shareholder of ERoad Ltd. Mr Gibson joined the Board in April 2018 and is considered to be a Non-Independent Director.



**Susan Huria** ONZM

Director Marsden Maritime Holdings Ltd  
Director Marsden Cove Canals Management Ltd  
Member Audit and Risk Committee  
Chair Remuneration Committee

Ms Huria is a professional Director and a Chartered Fellow of the Institute of Directors. She is Chairman of Veterinary Enterprises Group and a Director of Ngāi Tahu Property and Connexis. Her previous Directorships include Agresearch, where she was Deputy Chair, Radio New Zealand Limited, Housing New Zealand Corporation, Watercare Services, Airways Corporation and Manukau Leisure. Ms Huria joined the Board in October 2009 and is considered to be an Independent Director.



**Murray Jagger**

Director Marsden Maritime Holdings Ltd  
Director Northport Ltd  
Director North Tugz Ltd  
Member Board Nomination Committee

Mr Jagger is a long-standing resident of Northland where he runs a significant dairy and beef farming operation. He has a Diploma in Agriculture from Massey University and is a member of the NZ Institute of Directors. Murray has been a Director of Co-operative Business NZ and a Director of Livestock Improvement Corporation (LIC) since 2000. He is currently a Director of Northport Ltd and North Tugz Ltd, President of the Whangarei Agricultural and Pastoral Society and is an Officer of the Fire Service. Mr Jagger joined the Board in October 2015 and is considered to be an Independent Director.



**Elena Trout**

Director Marsden Maritime Holdings Ltd  
Chair Audit and Risk Committee

Ms Trout is a professional civil engineer with an Engineering New Zealand membership status of Fellow and holds a Masters of Civil Engineering degree from Canterbury University. She has held a number of executive positions in the transport, infrastructure and energy sectors and has over 30 years of experience in the management planning and delivery of large projects. Ms Trout is currently a member of the Electricity Efficiency and Conservation Authority, Independent Director of Harrison Grierson Holdings Ltd, Contact Energy and Ngapuhi Assets Holding Co Ltd. Elena is also an Advisory Member of the Ministry of Defence - Capability Governance Board and former Director of Transpower NZ Ltd and the Electricity Authority. Ms Trout joined the Board in October 2011 and is considered to be an Independent Director.

## Statutory Information

### Auditors

Under Section 19 of the Port Companies Act, 1988, the Auditor-General is the Auditor of the Company and Group. Pursuant to Section 32 of the Public Audit Act 2001, Lloyd Bunyan of the firm Ernst & Young was appointed by the Office of the Auditor-General to undertake the Audit on its behalf.

### Directors' Shareholdings

Pursuant to section 148(1) of the Companies Act 1993 the following are the relevant interests in the Company's shares as advised by the Directors.

	Shares in which the Director has a Beneficial Interest Solely or as a Joint Holder		Shares in which the Director has a Non-Beneficial Interest		Shares held by Associated Persons of the Director	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
J P Goulter	6,000	6,000	–	–	–	–
M Bogle	25,000	25,000	–	–	–	–
T Gibson	–	–	–	–	–	–
S Huria	1,000	1,000	–	–	–	–
M Jagger	–	–	–	–	–	–
E Trout	–	–	–	–	–	–

There were no share transactions during the period 1 July 2017 to 30 June 2018.

### Directors' Interests

The following are particulars of general disclosures of interest by Directors of Marsden Maritime Holdings Ltd holding office at 30 June 2018, pursuant to section 140(2) and section 211(1)(e) of the Companies Act 1993.

Director	Interest	Position
Sir John Goulter KNZM, JP	Northport Ltd	Director
	Opua Commercial Estate Ltd	Director/Shareholder
	Packard House Ltd	Director/Shareholder
	Marsden Cove Canals Management Ltd	Director (appointed 31 March 2018)
	Metro Performance Glass Ltd	Chairman (resigned 20 November 2017)
Mark Bogle	MSB Investments Ltd	Director/Shareholder
	Trading Enterprises Incorporated Ltd	Director/Shareholder
	Habitat for Humanity NZ Ltd	Director
	Habitat for Humanity (Northland) Ltd	Director
	Crown Forestry Rental Trust	Alternate Crown Trustee
Tony Gibson	Ports of Auckland Ltd	Chief Executive Officer
	North Tugz Ltd	Chair
	AMG Consulting Ltd	Director
	Seafuels Ltd	Director
	Waikato Freight Hub	Director
	ERoad Financial Services Ltd	Director
	ERoad Ltd	Director/Shareholder
Susan Huria ONZM	Huria Anders Ltd	Director/Shareholder
	Maori Television Remuneration Committee	Chairman
	Veterinary Enterprises Group	Chairman
	Marsden Cove Canals Management Ltd	Director
	Ngāi Tahu Property Ltd	Director
	Connexis	Director
	Susan Huria & Associates Ltd	Director/Shareholder
Murray Jagger	Manaia View Farms Ltd	Director
	Livestock Improvement Corporation	Director
	Cooperative Business NZ Inc	Director
	Ben Jagger Rallysport Ltd	Director
	Whangarei Agricultural and Pastoral Society	President
	Northport Ltd	Director (effective 1 February 2018)
	North Tugz Ltd	Director (effective 15 June 2018)
Elena Trout	Electricity Efficiency and Conservation Authority	Member
	Harrison Grierson Holdings Ltd	Director
	Contact Energy	Director
	Ministry of Defence - Capability Governance Board	Advisory Member
	Ngapuhi Assets Holding Co Ltd	Director (appointed 1 August 2017)
	Unitec	Member



## Directors' Remuneration and Benefits

Fees paid to Directors of the Company during the 12 month period were as follows:

	Marsden Maritime Holdings Ltd			Northport Ltd
	Director Fees	Consultancy Fees	Other	Director Fees
J P Goulter	61,875	–	417	29,043
M Bogle	31,208	–	417	–
P W Griffiths *	22,834	–	417	–
S Huria	34,125	–	417	–
M Jagger	31,208	–	417	9,792
E Trout	39,125	–	417	–
T Gibson **	8,003	–	–	–
	<u>\$228,378</u>	<u>–</u>	<u>\$2,502</u>	<u>\$38,835</u>

\* Resigned 31 March 2018

\*\* Commenced 1 April 2018

## Net Tangible Assets per Security

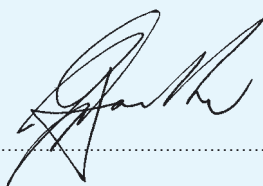
Net tangible assets per security as at 30 June 2018: \$3.27 (30 June 2017: \$3.16).

## Remuneration of Employees


The number of employees whose total annual remuneration including salary, employer's contributions to superannuation and health schemes, and other sundry benefits received in their capacity as employees exceeded \$100,000 was within the specific bands as follows:

Remuneration Range \$	Number of Employees	
	2018	2017
100,001 – 110,000	–	–
110,001 – 120,000	1	1
120,001 – 130,000	–	–
130,001 – 140,000	1	1
140,001 – 150,000	1	–
150,001 – 160,000	–	–
160,001 – 170,000	–	–
170,001 – 180,000	–	–
180,001 – 190,000	–	–
190,001 – 200,000	–	–
200,001 – 210,000	–	–
210,001 – 220,000	–	–
220,001 – 230,000	1	–
230,001 – 240,000	–	–
240,001 – 250,000	–	1

Signed:



Chairman



Director

Dated 24 August 2018



# Corporate Governance Statement

The Board of Marsden Maritime Holdings Limited ("Marsden Maritime" or "the Company") plays an essential role in setting and overseeing the effective execution of the Company's strategic direction, with a clear focus on the creation of long-term value for shareholders.

The Marsden Maritime Board ("the Board") is responsible for the Company's governance framework, which is recorded in the governance policies, Board Committee charters and management policies. The Company's corporate governance framework takes into consideration contemporary standards in New Zealand including the NZX Listing Rules, NZX's Corporate Governance Best Practice Code (the NZX Code) and the Financial Markets Authority's Corporate Governance in New Zealand, Principles and Guidelines (collectively the "Principles").

The Board confirms that the Company's governance practices largely comply with the Recommendations in the NZX Code and have done so for the period since the NZX Code was implemented on 1 October 2017. There are exceptions in regard to Recommendation 2.5 (Measurable objectives for diversity) and 3.6 (Takeover Offer Protocol). For each of these exceptions an explanation of the alternative governance practices the Company has adopted to address the NZX code recommendation is given.

Marsden Maritime's corporate governance documents and related information are available on the Governance section of the Company's website [www.marsdenmaritime.co.nz](http://www.marsdenmaritime.co.nz).

This statement as approved by the Board is current as of 30 June 2018.

## Principle 1 – Ethical Behaviour

*Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.*

### Code of Ethics

The Board is committed to ensuring the Company maintains best-practice standards of corporate governance, business behaviour and accountability to ensure that it always operates in a transparent, fair and ethical way.

The Company has a Board-approved Code of Ethics Policy that sets out the ethical and behavioural standards expected of its Directors and employees. The purpose of the Code of Ethics is to underpin and support the values that govern individual and collective behaviour. The Code of Ethics is intended to guide decisions so that they are consistent with the Company's values, business goals and legal obligations. It sets out the minimum expectations of behaviour and procedures for reporting any breaches.

### Security Trading Policy

The Company's Securities Trading Policy and Guidelines apply to all Directors, executives and employees and is additional to the legal prohibitions on insider trading in New Zealand. The policy provides guidance and rules for trading in Marsden Maritime's securities listed on the NZX.

## Principle 2 – Board Composition and Performance

*To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.*

### Board Charter

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in the Board Charter. The Charter distinguishes between the responsibilities of the Board and those matters that are delegated to management. Further detail is provided in a set of delegated authorities that clearly define the responsibilities delegated to management and those retained by the Board. The delegated authorities are subject to review and approval by the Board annually. The Chief Executive has responsibility for the proper exercise of and compliance with the delegation policies.

The Board meets its responsibilities by receiving reports and plans from management and through its annual work programme. The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

### Board Composition, Appointments, Independence and Operation

The composition of the Board is governed by the Company's Constitution which also details how Directors are appointed and removed from office.

The Board determines on a case-by-case basis who, in its view, are independent Directors. The guidelines set out in the NZX Listing Rules (para.3.3.1) are used for this purpose.

As at 30 June 2018 the Board comprised six non-executive directors, five of whom were independent. A profile of each director is included in the Annual Report. Further details are available from the Company's website.

The following Directors held office during the 12 months to 30 June 2018:

Director	Status	Date Appointed	Last Re-Elected	Date Ceased
Sir John Goulter	Board Chairman Chair Board Nom. Committee Independent Director	Oct 2011	Oct 2016	–
Mark Bogle	Independent Director	Oct 2014	Nov 2017	–
Tony Gibson	Non-Independent Director	Apr 2018	–	–
Peter Griffiths	Independent Director	Oct 2010	Oct 2016	Mar 2018
Susan Huria	Chair Rem. Committee Independent Director	Oct 2009	Oct 2015	–
Murray Jagger	Independent Director	Oct 2015	–	–
Elena Trout	Chair Audit & Risk Com. Independent Director	Oct 2011	Nov 2017	–

The Board Nomination Committee has delegated responsibility for the process of identifying suitable candidates for appointment and reappointment to the Board.



At each Annual Shareholders' Meeting, one third of the Directors retire by rotation and are eligible to stand for re-election, along with any appointments made since the previous annual meeting.

Directors are encouraged to undertake continuing professional development to maintain their skills and knowledge. The Board reviews its performance as a whole on an annual basis. Each Committee undertakes an annual review of its performance and provides a report to the Board.

### Diversity

Marsden Maritime recognises the wide-ranging benefits diversity brings to an organisation and its workplace. The Company has a Diversity Policy which records the Company's commitment to an inclusive workplace that embraces and promotes diversity. The Policy and practices are overseen by the Board. The Company is not compliant with the NZX Code as regards setting measurable objectives for diversity. The Board does not consider it appropriate to set measurable diversity objectives as the Company has fewer than 10 employees. When a management role is to be filled it is the Company's policy to appoint the best person available.

When a Board appointment is made it is the Board's policy to ensure that, where possible, diversity is sustained.

#### Gender Composition of the Board and Management as at 30 June

	2018		2017	
	Number	%	Number	%
<b>Directors</b>				
Female	2	33	2	33
Male	4	67	4	67
<b>Management</b>				
Female	2	50	2	40
Male	2	50	3	60

Note: For the purposes of the above analysis "Management" includes any employee who reports directly to the Board or the Chief Executive.

### Principle 3 – Board Committees

*The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.*

The Board has four standing committees, being the Audit and Risk Committee, the Remuneration Committee, Board Nomination Committee and the Health and Safety Committee. Each Committee operates under a Charter approved and regularly reviewed by the Board. Committees do not have delegated authority to make decisions but make recommendations to the Board.

#### Audit and Risk Committee

This Committee was established to assist the Board with overseeing all matters relating to risk and financial management, accounting, audit and reporting.

The Committee comprises three Directors: Elena Trout (Chair), Mark Bogle and Susan Huria. All members are independent directors and Mr Bogle is a member of Chartered Accountants Australia and New Zealand. The Board Chairman attends meetings in an ex officio capacity.

#### Remuneration Committee

The Committee has the role of considering matters related to remuneration and human resources. It undertakes an annual review of Management's performance and remuneration levels. The Committee also develops the Company's remuneration policy and recommends to the Board the distribution of the shareholder approved directors' fee pool.

This Committee comprises Susan Huria (Chair), Sir John Goulter and Tony Gibson.

#### Board Nomination Committee

The purpose of the Board Nomination Committee is to assist the Board with identifying potential directors that will contribute to the ongoing success of the Company and discharge their duties under the law diligently and efficiently.

This Committee comprises Sir John Goulter (Chair) and Murray Jagger.

#### Health and Safety Committee

The Committee operates as a committee of the full board and meets at each Board meeting. The Committee's charter is incorporated in the Company's Health and Safety Policy. The purpose of the Committee is to support the Board in meeting its responsibility for the Company's health and safety outcomes.

The responsibilities of the Committee include:

- overseeing the establishment of HSE policies and recommending targets for HSE performance
- ensuring the Company has appropriate resources and practices to operate the business safely
- monitoring the effectiveness of the Company's Health and Safety management system, and
- periodically reviewing the Company's overall management of Health and Safety risk and identifying continuous improvement opportunities.

#### Board and Committee Meeting Attendance

The full Board met 10 times between 1 July 2017 and 30 June 2018.

Special purpose meetings are held as required. The following table outlines the number of meetings attended by Directors in the period under review:

	Full Board		Board Committees	
	Board Meeting	Health & Safety	Audit	Remuneration
J P Goulter	10	10	4*	3
M Bogle	10	10	4	–
T Gibson	2	2	–	–
P W Griffiths	6	6	–	2
S Huria	9	9	4	3
M Jagger	9	9	–	1
E Trout	10	10	4	–

\* Ex Officio

Refer to table on page 8 for information in regards to director appointments and cessations.



## Corporate Governance Statement continued

### Principle 3 – Board Committees continued

#### Takeover Protocols

After taking into consideration the nature of the Company's predominant shareholding structure, the Board has determined that a takeover offer for Marsden Maritime Holdings is highly unlikely. Therefore, the establishment of takeover protocols is deemed to be unnecessary at this time.

### Principle 4 – Reporting and Disclosure

*The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosure.*

The Company believes that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders. Oversight of the Company's financial reporting is applied through the Audit and Risk Committee.

#### Continuous Disclosure Policy

The Board has adopted the NZX Continuous Disclosure Rules to ensure that all material matters are released to the financial markets in a clear and timely manner.

#### Financial/Non-Financial Disclosure

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company. Interim and full-year financial statements are prepared in accordance with relevant reporting standards.

### Principle 5 – Remuneration

*The remuneration of Directors and senior management should be transparent, fair and reasonable.*

Marsden Maritime's approach to remuneration aims to attract, motivate and retain talented employees at all levels of the Company and seeks to align the interests of its shareholders and employees, whilst driving performance and growth in shareholder value and return.

#### Directors Remuneration

Directors are remunerated in the form of directors' fees which are paid within an aggregate annual pool amount approved by shareholders.

The Board reviews its fees every three years to ensure the Company's non-executive Directors are fairly remunerated for their services, recognising the time commitment together with the level of skill and experience required to fulfil the role, and to enable the Company to attract and retain talented non-executive Directors. The process involves benchmarking against a group of industry peer companies including other designated NZ Port Companies.

Non-executive Directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. No retirement entitlements are payable.

Directors Fees paid to the non-executive Directors of the Company for the financial year ended 30 June 2018 are shown in the Statutory Information section on page 7 of this report.

#### Chief Executive Remuneration

The composition of the Chief Executive's remuneration is as follows:

- Base or fixed remuneration – determined by the scope of the role and the level of knowledge, skill and experience required of the individual.
- Short-term incentive plan – this comprises an annual incentive, based on a percentage of the fixed remuneration, dependent on the achievement of key performance targets.

All short-term incentives are paid at the discretion of the Board.

Remuneration for the years ended:

	2018	2017
Salary	175,000	187,500
Other benefits *	22,475	27,825
Short term incentive (both amounts paid in the 2018 financial year)	32,000	30,000
	<b>229,475</b>	<b>245,325</b>

\* Other benefits include company motor vehicle, medical insurance and Kiwisaver.

The amounts shown in the above table for 2018 are for remuneration that relates to Mr Wallace's period of employment during the financial year ended 30 June 2018.

### Principle 6 – Risk Management

*Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.*

#### Risk Management Framework

The Company's risk management framework integrates risk management into the Company's operations and formalises risk management as part of the Company's internal control and corporate governance practices.

#### Key Risks

##### Business

The Company's senior management are required to regularly identify the major risks affecting the business, record them in a risk management register and develop strategies to mitigate these risks. The Audit & Risk Committee regularly reviews the Company's risk profile and risk management register and receives reports on the operation of risk management policies and procedures. Significant risks are discussed at each Board meeting, or as required.

The Company maintains insurance policies that it considers adequate to meet its insurable risks. As part of risk management, the Company has a comprehensive Treasury Policy that sets out the procedures to minimise financial market risk.

#### **Health and Safety**

The Company considers the health and safety of its employees, contractors, clients and authorised visitors to its premises to be of utmost importance. The Board oversees the implementation of the Company's Health and Safety Policy.

The Board closely monitors a series of key lag and lead indicators including hazard reporting, incidents/ near misses, safety briefings held, training sessions, contractor inductions and audits undertaken.

#### **Environmental**

The Company recognises there are risks associated with particular parts of its operation, which could potentially have a detrimental impact on the environment. Once identified, these risks are mitigated by putting preventive measures in place and also ensuring adequate resources are available to respond to an environmental harm event.

### **Principle 7 – Auditors**

*The Board should ensure the quality and independence of the external audit process.*

Ensuring the quality and independence of the external audit process is of utmost importance to the Board. The Audit and Risk Committee monitors the external audit programme and processes on behalf of the Board.

#### **External Auditors**

The external auditor meets at least once a year with the Audit & Risk Committee without management present and the auditor also has a direct line of communication to the Chair of the Audit & Risk Committee on any matters that require discussion. The auditor may call a meeting of the Audit & Risk Committee at any time.

To ensure the independence of the Company's external auditor is maintained, the Board has determined that the external auditor should not provide any services not permitted under International Federation of Accountants regulations.

Pursuant to the Public Audit Act 2001, the Office of the Auditor-General is the auditor of the Company. The Office of the Auditor-General appoints an audit firm and partner to carry out the annual audit on their behalf. The lead audit partner is rotated every five years, consistent with NZX Listing Rules requirements. The lead audit partner or a representative from Ernst & Young attends the Annual Shareholders' Meeting and is available to answer questions about the audit process, the Company's accounting policies and the independence of the auditor.

### **Internal Audit**

The Company has internal processes and controls that are considered to be appropriate for the size and complexity of the organisation. The Audit & Risk Committee carefully considers the auditor's management report which lists its key findings and recommendations about significant matters arising from the audit.

### **Principle 8 – Shareholder Relations**

*The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.*

Marsden Maritime seeks to ensure that investors understand the Company's activities by communicating effectively with them and giving them access to clear and balanced information.

The key information channels used by the Company are periodic market announcements released first to NZX, the annual and interim reports, the Company's website and the Annual Shareholders Meeting.

#### **Access to Information**

Annual and Interim reports, NZX releases, governance policies and a variety of corporate information is posted onto the Company's website. Each shareholder receives a hard copy of the Company's annual and interim reports. Shareholders can elect to receive their dividend remittance statements electronically.

#### **Voting Rights**

Marsden Maritime's commitment to timely and balanced disclosure is set out in its Continuous Disclosure Policy and includes advising shareholders on any major decisions. Where voting on a matter is required, the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual Shareholders' Meeting either in person or by emailing the company with a question to be asked.

Marsden Maritime will normally conduct voting at its Annual Shareholders' Meetings by the way of show of hands which is considered the more appropriate method given the Company's shareholding structure.



## Sustainability Reporting

We have initiated a process of formalising our approach to managing the Company's environmental, social and governance ("ESG") impacts. As part of this process the Company is transitioning to a more transparent and formalised reporting framework. In subsequent years the Company will look to develop its approach further to better quantify, highlight and improve its ESG practises.

### Environment

Marsden Maritime takes responsibility for minimising the impact of our operations on the environment. We build environmental considerations into our development and operational plans and we encourage environmentally responsible behaviour from our staff and tenants.

### Biodiversity

As an official Arrivals & Departures Port, Marsden Cove Marina helps the Customs Service and the Ministry for Primary Industries to protect the integrity of New Zealand's borders. We facilitate monitoring and enforcement of programmes to control non-native species that may pose a potential threat to New Zealand's wildlife, ecosystems and the primary industries that rely upon them.

Marsden Maritime has made a significant contribution to the fight against Mediterranean fanworm, a marine pest that favours sheltered, shallow waters. Over the past three years Marsden Maritime has committed \$100,000 annually to this cause. Regrettably the pest has become established within some of the region's waterways and throughout many parts of the upper North Island. Nonetheless Marsden Maritime continues to monitor and remove fanworm at its marina and provides vessel cleaning and maintenance facilities that help reduce the chance of its spread.

### Water Quality / Environmental Compliance

Marsden Maritime is committed to protecting the quality of water involved in its activities on land, the foreshore and in the Marsden Cove Marina. From the outset, Marsden Maritime has had in place the infrastructure and systems needed to ensure that stormwater run-off from its land holdings is appropriately managed in order to mitigate any potential negative impacts on nearby natural waterways and the wider marine environment.

A series of ecologically friendly storm water filtration ponds are used to capture water destined for the ocean. A permanent monitoring site uses advanced testing equipment to continually measure water temperature, pH, turbidity and dissolved oxygen levels at five minutes intervals. In the ten years this testing regime has been in place, Marsden Maritime has achieved a 100% record of compliance with water quality consent conditions.







Marsden Cove Marina's commitment to minimising the chance of hazardous spills into the marine environment includes:

- Fully contained washdown facilities at its newly completed hardstand;
- Stringent controls on fuel dock operations;
- Staff training and certification in the handling and disposal of dangerous goods;
- High pressure shut-down systems to reduce the chance of fuel spills;
- In the event of spills, state of the art spill kits are available to mitigate the impact on the environment.

### People & Community

Marsden Maritime aims to manage its business in a way that will produce positive outcomes for all stakeholders including customers, employees, shareholders, suppliers and the public. We are also strongly committed to acting in a socially responsible manner with all stakeholders and to our neighbours.

### Health & Safety

We are committed to a zero-harm philosophy. Marsden Maritime considers the health and safety of its staff, contractors, clients and visitors to its facilities to be of utmost importance. Key to achieving this is the creation of a strong safety culture backed up with appropriate training, resources and procedures.

We work hard to ensure that Health and Safety considerations receive appropriate priority in the design, operation and maintenance of all Marsden Maritime owned (or leased) property and equipment and we encourage our people throughout the organisation to play their part in identifying and raising potential issues.

### Corporate Performance

Our business exists to develop and manage a suite of assets centred within the Greater Marsden Point Area. Our long-term investment horizon is consistent with the nature of our business and our asset base.





## Sustainability Reporting continued



### Communication & Engagement

We recognise the importance of being connected to our stakeholders, particularly our tenants, in order to function effectively. We have a duty to act as a responsible and respectful landlord, developer, employer, listed company, asset owner and neighbour.

We acknowledge Patuharakeke Te Iwi Trust Board Inc. as representatives of Patuharakeke Hapū. We are committed to ongoing engagement with the hapu to help us better understand any cultural impacts of our proposed developments.

Our active membership in the Ruakaka Economic Development Group (REDG) demonstrates our commitment to communication within our local community. The REDG provides a platform for local business representatives to discuss ideas and speak collectively on major issues affecting the area.

Our shareholders are encouraged to attend Marsden Maritime's annual meeting which is generally held each year in October. Our website, announcements and annual reports are publicly available to keep both our investors and the wider public informed about our activities.

### Economic Impact

Marsden Maritime is a significant landowner at Marsden Point and we are proud to be a key contributor to the area's business development. We have interests in supporting Northport, the Marsden Cove Marina, vessel repair and maintenance services, retail opportunities, general business and industrial land use. Our ownership and management of our assets puts us in a unique position to support the future growth and prosperity of our region.

### Sustainable Growth

The Company's strategy centres on the progressive development of its land and marina holdings. Diversification within the scope of our core business operations helps to insulate our business from concentration risk. Our recent investment in the vessel haul-out and hardstand facility recognised the potential to diversify our business to attract tenants and to build the marine industry sector.

### Sustainable Returns

Effective management and considered development of our asset base enables us to generate sustained returns for our shareholders with our goal being to continually improve earnings and dividend streams.





MARSDEN MARITIME HOLDINGS LTD

# Financial Statements

For the Year Ended 30 June 2018

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# Auditor's Report



Chartered Accountants

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARSDEN MARITIME HOLDINGS LIMITED

The Auditor-General is the auditor of Marsden Maritime Holdings Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Lloyd Bunyan, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements of the Group on his behalf.

### Opinion

We have audited the consolidated financial statements of the Group on pages 19 to 46 that comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

### Basis for opinion

We conducted 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 Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

In addition to the audit we have carried out tax compliance and advisory services which are compatible with those independence requirements. Other than the audit and these services we have no relationship with, or interests in, Marsden Maritime Holdings Limited or any of its subsidiaries.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of the audit report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Valuation of land and investment properties

#### Why significant

The valuations of land and investment properties, carried at \$19.3m and \$67.0m respectively, are important to our audit as they represent significant judgment areas and a significant percentage (61%) of the total assets of the Group. The valuations of land and investment property are subjective and are highly dependent on assumptions and estimates.

The Group's policy is to revalue its land and investment properties on an annual basis. A 30 June 2018 valuation, on which the adopted values are based, was performed by an independent valuer. Amongst other matters, these valuations are based on assumptions such as future lease revenues, discount and capitalisation rates and land values per square metre.

Disclosures surrounding these items are included in notes 22 and 23 to the financial statements.

## **Valuation of land and investment properties** continued

### **How our audit addressed the key audit matter**

In obtaining sufficient audit evidence we:

- evaluated the objectivity, independence and expertise of the external valuer;
- compared the key valuation inputs used and the assessed values by property to the previous year's equivalent amounts to determine the principal reasons for changes in assessed values;
- involved our real estate valuation specialists to assess the valuations and the underlying valuation methodology;
- considered the treatment of amounts capitalised in the year in relation to land improvements, their treatment in the financial statements and their impact on the valuation of land; and
- assessed the adequacy of the financial statement disclosures made in respect of the valuation of land and investment properties.

### **Other information**

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, 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.

### **Directors' responsibilities for the consolidated financial statements**

The directors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the entity for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of shareholders taken on the basis of these consolidated 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. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## Auditor's Report continued



Chartered Accountants

### **Auditor's responsibilities for the audit of the consolidated financial statements** continued

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the 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 consolidated 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Lloyd Bunyan  
Ernst & Young  
On behalf of the Auditor-General  
Auckland, New Zealand  
24 August 2018

# Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
<b>Revenue</b>			
Rents & Leases		3,317,100	2,848,442
Share of Joint Venture Company's Net Surplus	11	9,231,842	9,152,126
Revenue from Goods Sold		1,253,488	1,063,041
Revenue from Farming Operations		316,173	286,554
Interest Income		6,798	10,105
Dividends		35,981	35,321
Other		173,324	52,971
<b>Total Revenue</b>		<b>14,334,706</b>	13,448,560
<b>Expenditure</b>			
Operational Expenses	5	1,072,705	764,098
Cost of Goods Sold		1,128,559	959,712
Land Rates & Lease Expenses	6	545,025	470,746
Administrative Expenses	7	1,671,908	1,380,721
Finance Costs	8	273,655	194,912
Depreciation Expense	9	299,489	137,453
<b>Total Expenditure</b>		<b>4,991,341</b>	3,907,642
<b>Trading Surplus</b>		<b>9,343,365</b>	9,540,918
Gain (Loss) on Sale of Property, Plant & Equipment		(44,728)	392
Revaluation of Investment Property	23	43,550	341,223
Fair Value Movements	17, 21	73,836	186,430
<b>Operating Surplus Before Taxation</b>		<b>9,416,023</b>	10,068,963
Taxation Expense	10	18,512	18,568
<b>NET SURPLUS AFTER TAXATION</b>		<b>9,397,511</b>	10,050,395
<b>Other Comprehensive Income</b>			
<i>Items that will be recycled through profit and loss</i>			
Cash Flow Hedges - Gain (Loss) taken to Reserves (Northport Ltd)		(98,983)	253,263
Income Tax relating to items of Other Comprehensive Income (Northport Ltd)		27,715	(70,914)
<i>Items that will not be recycled through profit and loss</i>			
Movement in Asset Revaluation Reserve	22(c)	634,436	344,000
Share of movement in revaluation reserve (Northport Ltd)		1,160,697	(124,770)
<b>Other Comprehensive Income for Year</b>		<b>1,723,865</b>	401,579
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>11,121,376</b>	10,451,974
(attributable to Owners of the Company)			
Basic & Diluted Earnings Per Share (cents)	19(b)	22.75	24.33



# Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

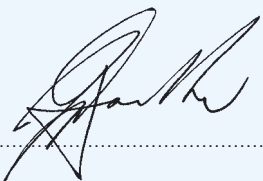
	Share Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Hedging Reserve (Joint Venture) \$	TOTAL \$
Opening Equity 1 July 2017	14,688,144	55,626,680	60,663,564	(535,547)	130,442,841
Net Surplus	–	9,397,511	–	–	9,397,511
Other Comprehensive Income	–	–	1,795,133	(71,268)	1,723,865
<b>Total Comprehensive Income</b>	<b>–</b>	<b>9,397,511</b>	<b>1,795,133</b>	<b>(71,268)</b>	<b>11,121,376</b>
Transactions with owners in their capacity as owners:					
Dividends Paid	–	(6,401,602)	–	–	(6,401,602)
<b>Closing Equity 30 June 2018</b>	<b>14,688,144</b>	<b>58,622,589</b>	<b>62,458,697</b>	<b>(606,815)</b>	<b>135,162,615</b>
Opening Equity 1 July 2016	14,688,144	51,358,376	60,444,334	(717,896)	125,772,958
Net Surplus	–	(10,050,395)	–	–	10,050,395
Other Comprehensive Income	–	–	219,230	182,349	401,579
<b>Total Comprehensive Income</b>	<b>–</b>	<b>(10,050,395)</b>	<b>219,230</b>	<b>(182,349)</b>	<b>10,451,974</b>
Transactions with owners in their capacity as owners:					
Dividends Paid	–	(5,782,091)	–	–	(5,782,091)
<b>Closing Equity 30 June 2017</b>	<b>14,688,144</b>	<b>55,626,680</b>	<b>60,663,564</b>	<b>(535,547)</b>	<b>130,442,841</b>

# Consolidated Balance Sheet

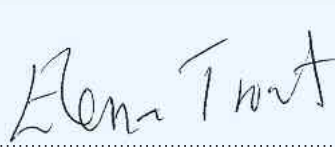
As at 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	22	26,801,696	23,595,663
Investment Property	23	67,020,000	66,360,000
Investment in Joint Venture Company (Northport Ltd)	20	47,049,528	46,061,054
Other Investments	21	652,446	719,610
Earn Out - North Port Coolstores (1989) Ltd (Non-Current Portion)	17	–	111,000
		<b>141,523,670</b>	<b>136,847,327</b>
<b>Current Assets</b>			
Cash & Deposits	12	44,913	134,694
Receivables & Prepayments	13	819,222	715,947
Inventory		41,927	37,189
Earn Out - North Port Coolstores (1989) Ltd (Current Portion)	17	155,000	128,000
		<b>1,061,062</b>	<b>1,015,830</b>
Assets Held for Sale	18	–	4,250,000
		<b>1,061,062</b>	<b>5,265,830</b>
<b>TOTAL ASSETS</b>		<b>142,584,732</b>	<b>142,113,157</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	19(a)	14,688,144	14,688,144
Retained Earnings		58,622,589	55,626,680
Asset Revaluation Reserve		62,458,697	60,663,564
Hedging Reserve (Northport Ltd)		(606,815)	(535,547)
		<b>135,162,615</b>	<b>130,442,841</b>
<b>Non-Current Liabilities</b>			
Bank Loans	14	6,050,000	9,850,000
Revenue in Advance	15	809,291	617,503
		<b>6,859,291</b>	<b>10,467,503</b>
<b>Current Liabilities</b>			
Payables	16	562,826	1,202,813
		<b>562,826</b>	<b>1,202,813</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>142,584,732</b>	<b>142,113,157</b>

For and on behalf of the Board of Directors who authorised the issue of this financial report on 24 August 2018.



Chairman



Director



# Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Cash from Customers		4,975,748	4,558,124
Dividends Received		9,368,781	8,864,784
Interest Received		6,798	10,105
		<u>14,351,327</u>	<u>13,433,013</u>
Cash was applied to:			
Cash paid to Suppliers & Employees		(4,227,690)	(3,682,921)
Interest Paid		(273,656)	(194,912)
Income Tax Paid		(18,513)	(14,181)
		<u>(4,519,859)</u>	<u>(3,892,014)</u>
<b>NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES</b>		<u><b>9,831,468</b></u>	<u><b>9,540,999</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Sale of Property, Plant & Equipment		3,600,000	392
Earn Out Payment re Sale of Joint Venture	17	–	147,000
		<u><b>3,600,000</b></u>	<u><b>147,392</b></u>
Cash was applied to:			
Purchase of Property, Plant & Equipment		(2,784,396)	(7,529,565)
Purchase of and improvements to Investment Property		(535,251)	(1,996,558)
Purchase of Fonterra Shares		–	(40,328)
		<u>(3,319,647)</u>	<u>(9,566,451)</u>
<b>NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES</b>		<u><b>280,353</b></u>	<u><b>(9,419,059)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
BNZ Bank Facility		–	5,655,000
		<u>–</u>	<u>5,655,000</u>
Cash was applied to:			
BNZ Bank Facility		(3,800,000)	–
Payment of Dividends	19(c)	(6,401,602)	(5,782,091)
		<u>(10,201,602)</u>	<u>(5,782,091)</u>
<b>NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES</b>		<u><b>(10,201,602)</b></u>	<u><b>(127,091)</b></u>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<u><b>(89,781)</b></u>	<u><b>(5,151)</b></u>
<b>ADD OPENING CASH BALANCE</b>		<u><b>134,694</b></u>	<u><b>139,845</b></u>
<b>CLOSING CASH BALANCE</b>	12	<u><b>44,913</b></u>	<u><b>134,694</b></u>

# Consolidated Operating Cash Flow Reconciliation

For the Year Ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
NET SURPLUS AFTER TAXATION		9,397,511	10,050,395
<b>Add (Subtract) Non-Cash Items:</b>			
Depreciation Expense	9	299,489	137,453
Deferred Taxation		–	4,387
(Gain) Loss on Sale of Property, Plant & Equipment		44,728	(392)
Revaluation of Investment Property	23	(43,550)	(341,223)
Other Fair Value Movements	17,21	(73,836)	(186,430)
Share of Joint Venture's Retained Surplus	11	100,958	(322,663)
		<u>327,789</u>	<u>(708,868)</u>
<b>Add (Subtract) Working Capital Items:</b>			
Movement in Receivables & Prepayments		(103,275)	(325,813)
Movement in Payables		(639,987)	685,586
Movement in Inventory		(4,738)	(2,474)
		<u>(748,000)</u>	<u>357,299</u>
Movement in Revenue in Advance		191,788	347,495
Non-Operating Items included in Working Capital Movements above		<u>662,380</u>	<u>(505,322)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>9,831,468</u>	<u>9,540,999</u>



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 1

### GENERAL INFORMATION

Marsden Maritime Holdings Ltd ('the Company') is publicly listed on the New Zealand Stock Exchange (NZX). It is registered under the Companies Act 1993 and is domiciled and incorporated in New Zealand. The Group principally consists of Marsden Maritime Holdings Ltd and joint venture company Northport Ltd.

The Group's operations principally comprise of its 50% stakeholding in the deep water port facility at Marsden Point together with its substantial land holdings in the adjacent area. The Group also owns and operates the Marsden Cove marina complex which consists of a 229 berth marina, adjoining commercial complex and boatyard facility.

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all of the years presented unless otherwise stated.

#### Basis of Preparation

Marsden Maritime Holdings Ltd is a reporting entity for the purposes of the Financial Markets Conduct Act 2013.

The Group financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ('NZ GAAP') and the requirements of the Financial Markets Conduct Act 2013. For the purposes of complying with NZ GAAP the entity is a For-Profit entity.

The financial statements have also been prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments as described below.

#### Statement of Compliance

The Group financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'). They also comply with International Financial Reporting Standards.

#### Joint Venture Companies

The Group's investment in its joint venture is accounted for using the equity method of accounting in the consolidated financial statements. A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, investments in the joint ventures are recognised in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss in respect to the Group's net investment in joint ventures.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in profit or loss, and its share of post acquisition movements in reserves is recognised in other comprehensive income of the Group. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Dividends received from joint ventures reduce the carrying amount of the investment.

If the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

#### Segment Reporting

An operating segment is a component of an entity that engages in business activity from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance. The Group has three operating segments and an "Other Activities" category. During the period the Group operated within one geographic segment being the Greater Marsden Point Area.

#### Functional and Presentation Currency

These financial statements are presented in New Zealand Dollars (\$), which is also the functional currency of each entity in the Group.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue Recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services (net of Goods and Services Tax, rebates and discounts).

When an outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a portion of the total services to be provided.

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income over the period of the lease on a straight line basis.

Dividend Income is recognised when the Group's right to receive the payment is established while interest income is recognised on a time-proportion basis using the effective interest method.

Other Revenues, including farming revenues, are generally recognised when the Group's right to receive payment is established.

#### Inventory

Inventory is stated at the lower of cost or net realisable value. The cost of inventories is based on the first-in-first-out principle. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

#### Property, Plant & Equipment

With the exception of freehold land, property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is subject to annual revaluation at "fair value" on the basis of independent valuation.

Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment. This includes any applicable borrowing costs and/or transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are recognised in profit and loss as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss.

Property, plant and equipment, with the exception of freehold land and capital work in progress, is depreciated. The charge for depreciation is calculated using the straight line method to allocate cost, net of residual value, over the estimated useful lives of assets as follows:

Freehold Land	not depreciated
Buildings & Amenities	5-50 years
Plant & Equipment (including vehicles)	2-25 years

Underground fuel tanks related to the Group's fuel facility that have been classified as Plant & Equipment and have an estimated useful life of 40 years.

Residual values and useful lives are reviewed, and adjusted if appropriate at each Balance Sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### Land Revaluations

Any revaluation increment is credited to the asset revaluation reserve included in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss, in which case the increment is recognised in profit and loss.

Any revaluation decrease is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or derecognition of an asset, any associated revaluation reserve balance is transferred to retained earnings.

#### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

#### Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount or fair value less disposal costs. At the time of classification, if an asset was subject to fair value measurement and the assets carrying amount was higher than its current fair value then the difference is offset against reserves. Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit loss. Any increases in the fair value (less disposal costs) are recognised up to the level of any impairment losses that have been previously recognised in land held for sale.



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investment Property

Investment properties are initially measured at cost, including transaction costs. The carrying amount excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with its property plant and equipment policy up to the date of change in use.

#### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### Borrowing Costs

Borrowing costs are recognised as an expense when incurred except for costs associated with the construction of any qualifying asset which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

#### Impairment of Assets

The carrying amounts of the Group's property, plant and equipment, intangibles, investments in joint ventures and receivables, are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

#### Payables

Payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are typically unsecured and usually paid within 30 days of recognition.

#### Dividends

A provision is made in the financial statements for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

#### Employee Benefits

Liabilities for wages and salaries, including annual leave entitlements and any non-monetary benefits are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amount expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### Receivables

Receivables which generally have a 30 day term are recognised initially at fair value with a subsequent impairment provision made where objective evidence indicates a receivable is impaired. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are generally considered objective evidence of impairment. Individual debts that are known to be uncollectable are written off when identified.

#### Prepayments

Prepayments comprise of significant items of expenditure having a benefit to more than one accounting period and are written off over the period to which they relate.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at call with financial institutions, and bank overdrafts.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments

Designation of financial assets and financial liabilities is determined by the purpose of the financial instruments, the policies and practices of management, the relationship with other instruments and the reporting costs and benefits of each designation. These designations are reflected in the financial statements of the Group.

##### *Financial Assets at fair value through profit or loss*

Financial assets at fair value through profit or loss includes financial assets initially designated at fair value through profit or loss and financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial assets held for trading are recognised in the profit or loss.

##### *Financial Liabilities*

Financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

##### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

#### Derivative Financial Instruments and Hedging

Northport Ltd periodically uses derivative financial instruments, such as interest rate swaps, to hedge risk associated with interest rate fluctuation.

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at each balance sheet date to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative contract is designated as a hedging instrument, and if so, the nature of the item being hedged.

##### *Designated Cash Flow Hedges*

At the inception of a designated hedge transaction the relationship between the hedging instrument and hedged item is formally documented, as well as the risk management objectives and strategy for undertaking the transaction. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the hedging instrument's effectiveness will be assessed. Such instruments are expected to be highly effective in achieving offsetting changes and are assessed on an on-going basis to determine whether they have actually been highly effective throughout the financial reporting period(s) for which they were designated.

At each reporting date, all designated cashflow hedges are tested for effectiveness. The ineffective portion of the gain or loss on each hedging instrument is recognised in profit or loss whilst the effective portion is included in other comprehensive income of the relevant entity.

Amounts accumulated in Equity are recycled in the Statement of Comprehensive Income in the period(s) when the hedged item impacts profit or loss. When the forecast transaction that is hedged results in a non-financial asset, the gains or losses previously deferred in Equity are transferred from Equity and included in the initial cost or carrying amount of the asset with the deferred amount ultimately being recognised as depreciation in the case of property, plant and equipment.

If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or its designation as a hedge is revoked (due to ineffectiveness), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

##### *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately via profit and loss. Similarly, if a previously forecast transaction is no longer expected to occur, any amounts accumulated in reserves are immediately reclassified to profit or loss.

#### Other Investments

Other investments are initially recognised at cost and are subsequently restated to their assessed fair value at each reporting date and more frequently, if warranted. Any movement in fair value is immediately recognised in the profit or loss.



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Tax

##### *Current Tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### *Deferred Tax*

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

When the taxable temporary difference is associated with investments in subsidiaries, joint ventures or interests in joint operations, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

When the deductible temporary difference is associated with investments in subsidiaries, joint ventures or interests in joint operations, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### *Taxation Expense*

The income tax expense recognised in the profit and loss includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible expenditure.

##### *Tax Losses*

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### *(i) Group as a lessee*

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

##### *(ii) Group as a lessor*

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### New Accounting Standards and Interpretations

The Group has not elected to early adopt any new standards or interpretations that are issued but not yet effective (refer Note 28).

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 3

### SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions made based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions made. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

#### *Tax Losses*

At the end of the reporting period the Group has accumulated tax losses amounting to \$6,411,291 with a tax effect of \$1,795,162 (2017: losses \$6,040,568 tax effect \$1,691,359) subject to Inland Revenue Department confirmation. Due to the time frame in which assessable income is anticipated to be available to offset such losses the Group has determined that it is appropriate to only recognise losses in the financial statements to a level that directly offsets the deferred tax liability.

#### *Estimation of Useful Lives of Assets*

The estimation of the useful lives of assets has predominantly been based on historical experience. Useful lives are reviewed on an annual basis and adjustments made when considered necessary.

#### *Valuation of Freehold Land*

Freehold Land is revalued annually by an independent valuer. The fair value of the Group's land holdings is based on market values, being the estimated amount for which the land could be exchanged between a willing buyer and a willing seller in an arm's length transaction. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of property.

#### *Valuation of Investment Property*

Investment property is revalued annually by an independent valuer. The fair value of the Group's investment properties is based on market values, being the estimated amount for which the property could be exchanged between a willing buyer and a willing seller in an arm's length transaction. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of investment property.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 4

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks including movements in fair value, liquidity risk, credit risk, price risk, interest rate risk and to a lesser extent foreign exchange risk. The Group's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

#### Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

As at 30 June 2018

#### Financial Assets

Fonterra Co-operative Group Ltd - Shares (Note 21)

North Port Coolstores (1989) Ltd - Earn Out (Note 17)

#### Total

Market Price Level 1 \$	Market Inputs Level 2 \$	Non Market Inputs Level 3 \$	Total \$
652,446	–	–	652,446
–	–	155,000	155,000
<b>652,446</b>	<b>–</b>	<b>155,000</b>	<b>807,446</b>

As at 30 June 2017

#### Financial Assets

Fonterra Co-operative Group Ltd - Shares (Note 21)

North Port Coolstores (1989) Ltd - Earn Out (Note 17)

#### Total

Market Price Level 1 \$	Market Inputs Level 2 \$	Non Market Inputs Level 3 \$	Total \$
719,610	–	–	719,610
–	–	239,000	239,000
<b>719,610</b>	<b>–</b>	<b>239,000</b>	<b>958,610</b>

#### Liquidity Risk

The Group manages its exposure to liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines. As at 30 June 2018, the Company had access to funding facilities with the BNZ totalling \$10,500,000 (2017: \$11,500,000) of which \$6,050,000 was drawn down at this date (2017: \$9,850,000). The present and expected level of cash flow is sufficient to meet repayment requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year Ended 30 June 2018

Interest-bearing loans and borrowings  
(includes interest expense)\*

Trade and other payables

#### Total

On Demand \$	Less than 3 Months \$	3 to 12 Months \$	Over 12 Months \$
–	60,000	180,000	6,220,000
–	208,723	82,280	–
<b>–</b>	<b>268,723</b>	<b>262,280</b>	<b>6,220,000</b>

Year Ended 30 June 2017

Interest-bearing loans and borrowings

Trade and other payables

#### Total

On Demand \$	Less than 3 Months \$	3 to 12 Months \$	Over 12 Months \$
–	97,500	292,500	10,720,000
–	675,363	83,993	–
<b>–</b>	<b>772,863</b>	<b>376,493</b>	<b>10,720,000</b>

\* This is a revolving cash advance facility which is repaid and redrawn typically every 3 months. The final expiry date of this facility is 31 August 2021.

As at 30 June 2018, joint venture company Northport Ltd had access to funding facilities totalling \$45,000,000 (2017: \$45,000,000) of which a total sum of \$11,150,000 remained undrawn at balance date.



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 4

### FINANCIAL RISK MANAGEMENT OBJECTIVES & POLICIES (continued)

#### Credit Risk

Credit Risk arises from the financial assets of the Group, which comprises cash and cash equivalents, trade and other receivables, loans and receivables and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group trades only with recognised, creditworthy parties and as such collateral is not typically required.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time.

No material financial assets are past due as at balance date.

#### Price Risk

Price risk arises from investments in equity securities as detailed in Note 21. The price risk for listed and unlisted securities is immaterial in terms of the possible impact on the Statement of Comprehensive Income or total equity and as such, a sensitivity analysis has not been completed.

#### Interest Rate Risk

The Group's exposure to the risk in changes in interest rates primarily stems from its long-term debt obligations having a floating interest rate.

At balance date, the Company had the following direct\* exposure to variable interest rate risk:

	30 June 2018 \$	30 June 2017 \$
<b>Financial Liabilities</b>		
Bank Loan	(6,050,000)	(9,850,000)

\* The Group also has an indirect exposure to variable interest rate risk via its holding in joint venture entity Northport Ltd. This entity periodically enters into cash flow hedges to hedge the risk associated with fluctuations in interest rates (refer Note 20).

The following sensitivity analysis is based on the Company's exposure to unhedged interest rate risk (with all other variables held constant) as at the end of the reporting period. The analysis below depicts the impact on post tax profit.

<b>+1.0% (100 Basis Points)</b>		
Post Tax Profit - Higher (Lower)	(20,500)	(58,500)
<b>-0.5% (50 Basis Points)</b>		
Post Tax Profit - Higher (Lower)	10,250	29,250

#### Financial Instruments

The Group has the following categories of financial instruments:

#### Financial Assets at Fair Value Through Profit and Loss Designated on Initial Recognition

Earn Out - North Port Coolstores (1989) Ltd	155,000	239,000
Other Investments	652,446	719,610

#### Loans and Receivables

Cash and Deposit	44,913	134,694
Receivables	734,154	516,272

#### Financial Liabilities at Amortised Cost

Payables	(562,826)	(1,202,813)
Bank Loans	(6,050,000)	(9,850,000)

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 5

### OPERATIONAL EXPENSES

	30 June 2018 \$	30 June 2017 \$
Repairs & Maintenance	353,195	232,846
Employee Related Benefits	290,174	209,261
Marketing Expenses	96,955	33,652
Farm Operating Expenses	86,315	100,865
Other Operational Expenses	246,066	187,474
	<u>1,072,705</u>	<u>764,098</u>

## Note 6

### LAND RATES & LEASE EXPENSES

Land Rates	504,855	426,470
Lease Expenses	40,170	44,276
	<u>545,025</u>	<u>470,746</u>

## Note 7

### ADMINISTRATIVE EXPENSES

Directors' Fees	228,378	199,000
Auditor Remuneration - Audit Fees	70,809	70,317
- Other Fees*	12,468	6,460
Donations	7,263	2,533
Employee Related Benefits	709,695	535,987
Share Registry Expenses	74,169	74,126
Professional Fees (excl. Auditor Remuneration)	173,079	169,680
Other Administrative Expenses	396,047	322,618
	<u>1,671,908</u>	<u>1,380,721</u>

\* This comprises fees associated with tax advice and management training.

## Note 8

### FINANCE COSTS

Interest on debts and borrowings	321,163	231,882
Less capitalised interest	(47,508)	(36,970)
	<u>273,655</u>	<u>194,912</u>

The average weighted interest rate for interest capitalised to property, plant and equipment, was 3.85% for the current period (2017: 4.05%).

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 9****DEPRECIATION EXPENSE**

Buildings &amp; Amenities

Plant &amp; Equipment

30 June 2018  
\$30 June 2017  
\$

160,479

65,405

139,010

72,048

299,489137,453**Note 10****TAXATION EXPENSE****Net Surplus Before Taxation**9,416,02310,068,963

Prima Facie Tax at 28%

2,636,486

2,819,310

Adjusted for the Tax Effect of:

Tax Paid Joint Venture Earnings

39,894

(70,937)

Imputed Dividend Receipts

(2,613,184)

(2,472,250)

Other Non-Assessable Income

(44,494)

(162,765)

Capitalised Interest Deducted for Tax Purposes

(13,302)

(10,352)

Non-Deductible Expenses

1,624

16,024

Carried Forward Losses Not Recognised (Recognised)

11,487

(100,462)

18,51218,568

Represented by:

Current Taxation

18,512

14,181

Deferred Taxation

-

4,387

18,51218,568**Note 11****SHARE OF JOINT VENTURE COMPANY'S NET SURPLUS****Northport Ltd (50% interest)**

Net Surplus before Taxation

12,294,264

12,154,278

Less Taxation

(3,103,942)

(3,071,469)

9,190,3229,082,809

Current period write back in respect of previous inter-entity asset sales

41,520

69,317

9,231,8429,152,126

Comprising:

Dividends Received

9,332,800

8,829,463

Share of Retained Surplus for period

(100,958)

322,663

9,231,8429,152,126**Note 12****CASH & DEPOSITS**

Current Accounts

44,513

134,294

Call Deposits

-

-

Total Funds at Bank

44,513

134,294

Cash

400

400

As Per Statement of Cashflows

44,913134,694



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 13****RECEIVABLES & PREPAYMENTS**

	30 June 2018 \$	30 June 2017 \$
Trade Receivables	67,350	186,507
Related Parties (Note 27(a))	–	8,290
North Port Coolstores (1989) Ltd Earn Out Receivable	225,000	–
GST Refund Due	–	262,697
Sundry Debtors	441,804	58,778
Accrued Rental	–	80,297
Prepayments	85,068	119,378
	<u>819,222</u>	<u>715,947</u>

**Note 14****BANK LOANS**

BNZ Loan Facility	<u>6,050,000</u>	<u>9,850,000</u>
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As at 30 June 2018 Marsden Maritime Holdings Ltd had a secured loan facility of \$10,000,000 (2017: \$10,000,000) with \$6,050,000 (2017: \$9,850,000) being drawn-down. The facility matures in November 2021.

The remainder of the loan facility is able to be drawn-down on request subject to the Company being in compliance with undertakings in respect of the facility.

Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the year ranged from 2.93% to 3.55% (2017: 3.00% to 3.55%).

The loan facility is secured by a first ranking mortgage over all of Marsden Maritime Holdings Ltd's property interests.

**Note 15****REVENUE IN ADVANCE**

Opening Balance	617,503	270,008
Marina Berth Licence Sales Proceeds	315,913	414,522
Marina Berth Licence Buy Back	(3,478)	(4,841)
Recognition - Current Period	(120,647)	(62,186)
Closing Balance	<u>809,291</u>	<u>617,503</u>

Marina berth licences are sold giving the licensee a right to occupy a marina berth for a period that ranges from 5 to 20 years. The proceeds from a sale of a berth are recognised over the particular term of each licence sold.

**Note 16****PAYABLES**

Trade Creditors	180,630	550,650
Related Parties (Note 27(b))	19,736	124,713
Retentions	82,280	83,993
GST Payable	8,357	–
Other Payables	271,823	443,457
	<u>562,826</u>	<u>1,202,813</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 17****EARN OUT - NORTH PORT COOLSTORES (1989) LTD**

Under the terms and conditions of the sale of the stakeholding in North Port Coolstores (1989) Ltd, the Company is entitled to receive additional annual payments based on the actual level of revenues derived by the coolstore business during the 5 year period ending 31 March 2019.

The future value of the remaining receipt has been based on the assumption that revenue for the 2019 financial year will be 24% above the anticipated earn out threshold at the time of sale. A discount rate of 15% has been applied to the anticipated future receipt based on the uncertainty of the level of revenue which will be earned.

	30 June 2018 \$	30 June 2017 \$
Opening Balance	239,000	260,000
Earn Out Payment Receivable	(225,000)	(147,000)
Fair Value Adjustment	141,000	126,000
	<u>155,000</u>	<u>239,000</u>
Current Portion - due within the next 12 months	155,000	128,000
Non-Current Portion - due past the next 12 months	–	111,000
	<u>155,000</u>	<u>239,000</u>

**Note 18****ASSETS HELD FOR SALE**

Fair value of assets held for sale	–	4,300,000
Less expected selling costs associated with sale of assets held for sale	–	(50,000)
	<u>–</u>	<u>4,250,000</u>

As at 30 June 2017 the Company was actively marketing a 43.87 hectare block of land for sale and expecting it to be sold within 12 months of balance date. The block of land was subsequently sold with settlement taking place in November 2017.

**Note 19****CONTRIBUTED EQUITY****(a) Share Capital**

Opening / Closing Balance	<u>14,688,144</u>	<u>14,688,144</u>
---------------------------	-------------------	-------------------

All shares carry equal voting rights and have no par value.

The parent entity, Marsden Maritime Holdings Ltd has an authorised capital of 80,000,000 shares (unchanged from prior year).

	30 June 2018 No. Shares	30 June 2017 No. Shares
Opening / Closing Shares on Issue	<u>41,300,651</u>	<u>41,300,651</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 19

### CONTRIBUTED EQUITY (continued)

#### (b) Earnings per Share

Earnings per share of 22.75 cents per share (2017: 24.33 cents per share) has been calculated as the reported Net Surplus divided by the average number of fully paid shares (calculated on a daily basis) on issue during the period, comprising 41,300,651 shares (2017: 41,300,651 shares). Diluted earnings per share has been calculated on the same basis.

#### (c) Dividends Paid

During the financial year the following dividend payments were made:

Final, 15/09/17 - 8.75 cents/share (16/09/16 - 7.75 cents)

Interim, 23/03/18 - 6.75 cents/share (24/03/17 - 6.25 cents)

3,613,807	3,200,800
2,787,795	2,581,291
<u>6,401,602</u>	<u>5,782,091</u>

#### (d) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Changing market conditions may affect the amount of dividends paid to shareholders. Changing market conditions may also result in the return of capital to shareholders, the issuance of new shares, or result in the sale of assets to reduce debt.

During the reporting period, the Group's joint venture entities fully complied with any externally imposed capital requirements. The Group is not subject to any externally imposed capital requirements.

## Note 20

### INVESTMENT IN JOINT VENTURE COMPANY

#### (a) Northport Ltd

200 shares - 50% holding (same shareholding as reported 30 June 2017)

Balance Date - 30 June

Main Activity: Port Operations

Shares Subscribed For

Share of Accumulated Surplus to 30 June

Share of Hedging Reserve

Share of Land Revaluation

Elimination re. inter-entity asset sales

Total Investment in Joint Venture Companies

20,000,000	20,000,000
12,422,765	12,565,243
(606,814)	(535,547)
16,591,476	15,430,779
(1,357,900)	(1,399,421)
<u>47,049,528</u>	<u>46,061,054</u>

Marsden Maritime Holdings Ltd has a 50% shareholding in the port at Marsden Point which trades as Northport Ltd (2017: 50%), with Port of Tauranga Ltd holding the remaining 50%.



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 20****INVESTMENT IN JOINT VENTURE COMPANY (continued)****(b) Summary Financial Information**

	30 June 2018 \$	30 June 2017 \$
Cash & Cash Equivalents	195,838	206,479
Other Current Assets	4,448,098	3,780,752
Current Assets	4,643,936	3,987,231
Non Current Assets	132,243,427	130,674,916
	136,887,363	134,662,147
Current Financial Liabilities (excluding trade and other payables)*	34,084,709	334,963
Other Current Liabilities	4,315,114	4,358,354
Current Liabilities	38,399,823	4,693,317
Non-Current Financial Liabilities (excluding trade and other payables)	1,672,684	35,047,881
	40,072,507	39,741,198
Net Assets	96,814,856	94,920,949
Group share of Net Assets 50%	48,407,428	47,460,475
Other Consolidated Adjustments	(1,357,900)	(1,399,421)
	<b>47,049,528</b>	<b>46,061,054</b>
Revenue	42,194,532	40,894,265
Depreciation and Amortisation	4,147,864	4,387,984
Interest Income	20,245	21,760
Interest Expense	1,809,020	1,770,880
Tax Expense	6,207,883	6,142,937
Net Surplus	18,380,644	18,165,618
Other Comprehensive Income	2,178,858	115,158
Total Comprehensive Income	<b>20,559,502</b>	<b>18,280,776</b>

\* The current Bank of New Zealand facility expires in March 2019 and had, at balance date, an agreed total funding limit of \$45.0m (2017: \$45.0m). A new facility will be put in place prior to the current one expiring in March.

**Note 21****OTHER INVESTMENTS**

## Fonterra Co-operative Group Ltd - Shares

Opening Balance	719,610	618,852
Acquisition/(Disposals)	–	40,328
Fair Value Movements	(67,164)	60,430
Closing Balance	<b>652,446</b>	<b>719,610</b>

As at 30 June 2018 the Group held 119,935 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of \$5.44 per share. (2017: total holding of 119,935 shares at \$6.00 per share).

Fair Value Movement in Other Investments	Shares Held	Disclosed Fair Value Per Share		Fair Value Movement	Prior Year Fair Value Movement
		30-Jun-18	30-Jun-17		
Fonterra Co-operative Group Ltd - Shares	119,935	5.44	6.00	(67,164)	60,430

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 22

### PROPERTY, PLANT & EQUIPMENT

#### (a) Carrying Values

	30 June 2018 \$	30 June 2017 \$
Freehold Land		
At Valuation	19,320,000	17,400,000
Buildings & Amenities		
At Cost	6,565,976	2,314,114
Accumulated Depreciation	(793,717)	(633,238)
Carrying Value	5,772,259	1,680,876
Plant & Equipment		
At Cost	2,075,205	768,883
Accumulated Depreciation	(451,120)	(331,858)
Carrying Value	1,624,085	437,025
Capital Work in Progress	85,352	4,077,762
Total Carrying Value	<b>26,801,696</b>	<b>23,595,663</b>

#### (b) Revaluation of Freehold Land

The fair value of freehold land, a recurring level 3 fair value measured asset, was determined by using the market comparison method. The valuation has been prepared as at 30 June 2018 using the highest and best use approach while considering various market drivers for land in the Marsden Point area together with limited, recent sales evidence for the area.

The valuation was undertaken by independent valuer Chris Seagar of Seagar & Partners.

#### Significant unobservable valuation input:

#### Range

Price per hectare \$100,000 to \$190,000

Significant increases (decreases) in estimated price per hectare in isolation would result in a significantly higher (lower) fair value. With the exception of a portion of land designated for a transport corridor, the Group has no restrictions on the realisability of its freehold land.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 22****PROPERTY, PLANT & EQUIPMENT (continued)****(c) Reconciliation by Asset Class**

	30 June 2018 \$	30 June 2017 \$
Freehold Land		
Opening Book Value	17,400,000	17,106,000
Additions	666,238	4,250,000
Transferred from Capital Work in Progress	619,326	–
Reclassified as assets held for sale at fair value	–	(4,300,000)
Assets held for sale impairment reducing reserves	–	(87,000)
Revaluation to Reserves	634,436	431,000
Closing Carrying Value	19,320,000	17,400,000
Buildings & Amenities		
Opening Book Value	1,680,876	1,741,667
Additions	1,637,368	4,614
Transferred from Capital Work in Progress	2,614,494	–
Depreciation	(160,479)	(65,405)
Closing Carrying Value	5,772,259	1,680,876
Plant & Equipment		
Opening Book Value	437,025	427,400
Additions	516,246	81,673
Transferred from Capital Work in Progress	831,994	–
Disposals	(22,170)	–
Depreciation	(139,010)	(72,048)
Closing Carrying Value	1,624,085	437,025
Capital Work in Progress		
Opening Book Value	4,077,762	306,381
Additions	73,404	3,846,285
Transferred to Freehold Land	(619,326)	–
Transferred to Buildings & Amenities	(2,614,494)	–
Transferred to Plant & Equipment	(831,994)	–
Transferred to Investment Property	–	(74,904)
Closing Carrying Value	85,352	4,077,762
Total Closing Carrying Value	<b>26,801,696</b>	<b>23,595,663</b>

**(d) Carrying value of Freehold Land if measured at cost**

If Freehold Land were measured at cost less accumulated depreciation and impairment, the respective carrying amounts would be as follows:

At Cost	6,577,901	5,292,337
Accumulated Depreciation and Impairment	–	–
	<b>6,577,901</b>	<b>5,292,337</b>



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 23****INVESTMENT PROPERTY**

	30 June 2018 \$	30 June 2017 \$
Opening Carrying Value	66,360,000	64,045,000
Current Year Movements		
Land Improvements	167,532	386,395
Other/Subsequent Improvements	367,719	1,512,478
Transferred from Capital Work in Progress	–	74,904
Movement in Lease Incentives	81,199	–
Revaluation (recognised in profit and loss)	43,550	341,223
Closing Carrying Value	<b>67,020,000</b>	<b>66,360,000</b>

The Group's investment properties consist of freehold land and improvements situated adjacent to Northport Ltd, as well as the Marsden Cove marina complex.

Investment properties are recurring level 3 fair value measured assets. Fair value has been determined based on valuations performed, in accordance with NZ IAS 40 as at 30 June 2018, by Chris Seagar of Seagar & Partners, an industry specialist in valuing these types of asset. The 'fair value', highest and best use approach has been adopted. The valuation was assessed in accordance with NZ IAS 40 which defines 'fair value' as being 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.

	Valuation Technique	Significant Unobservable Inputs	30 June 2018 Range	30 June 2017 Range
Land and Improvements held for lease	DCF Method, Income Capitalisation and Direct Comparative Approach	Land Available for Lease Value per m <sup>2</sup> *	\$80 - \$115 per m <sup>2</sup>	\$105 - \$125 per m <sup>2</sup>
		Years to Full Tenancy	10 years	10 years
		Discount Rate	9.00%	9.00%
		Capitalisation Rate	7.25%	6.00% - 7.50%
		Exit Yield at 10 years	7.75%	8.00%
Marsden Cove Marina	DCF Method	Berth Licence Sales Rate p.a.	10.00%	5.00% - 15.00%
		Discount Rate	10.50%	11.50%
Marsden Cove Commercial Complex	DCF Method	Annual Rental Cash Flow	\$283,000 - \$341,000	\$244,000 - \$287,580
		Exit Yield at 10 years	7.25%	7.75%
		Discount Rate	9.25%	8.75%

\* Excludes undeveloped land and land designated for a rail transport corridor which is valued at \$35 to \$110 per m<sup>2</sup> (2017 \$35 to \$110 per m<sup>2</sup>).

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The method involves the projection of a series of cash flows from the investment property assets. To this projected cash flow series a discount rate is applied to establish present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Significant increases (decreases) in estimated land value, rent growth and berth sell down rates per annum in isolation would result in a significantly higher (lower) fair value of investment property. Significant increases (decreases) in discount rates and exit yields in isolation would result in significantly lower (higher) fair value.

With the exception of a portion of land designated for a rail transport corridor, the Group has no restrictions on the realisability of its investment property.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 24

### DEFERRED TAX ASSET

Opening Balance

Items Charged to Profit & Loss

Closing Balance

Represented by:

Investment Property

Property, Plant and Equipment

Provisions

Deferred Tax Liability

Deferred Tax Asset (tax effect of losses carried forward)

Net Deferred Tax Asset

30 June 2018 \$	30 June 2017 \$
–	4,387
–	(4,387)
–	–
(982,892)	(822,577)
15,217	26,157
940	8,728
(966,735)	(787,693)
966,735	787,693
–	–

The Company has accumulated tax losses that are only partially recognised in the financial statements (refer Note 3).

## Note 25

### SEGMENT REPORTING

During the reporting period the principal operating segments of the Group comprised:

- Port Related Operations (encompassing the Group's stakeholding in Northport Ltd).
- Property Holdings (comprising the Group's industrial subdivision and farmland at Marsden Point).
- Marina & Commercial (comprising the Group's activities associated with Marsden Cove marina).
- Other Activities (largely comprising of overheads associated with the Company's support functions).

All operations are undertaken in New Zealand. Any inter segment transactions are conducted at arms length at market prices. Accounting policies as detailed in Note 2 have been consistently applied.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 25****SEGMENT REPORTING (continued)****Revenue**

	Port Related Operations \$	Property Holdings \$	Marina & Commercial \$	Other Activities \$	TOTAL \$
Revenue from External Customers	–	1,990,685	2,769,220	6,797	4,766,702
Share of Joint Venture Company's Net Surplus	9,231,842	–	–	–	9,231,842
Other Revenue from Joint Venture	–	324,204	–	11,958	336,162
<b>Total Segmental Revenue</b>	<b>9,231,842</b>	<b>2,314,889</b>	<b>2,769,220</b>	<b>18,755</b>	<b>14,334,706</b>

**Expenditure**

Finance Costs*	–	–	–	273,654	273,654
Depreciation Expense	–	42,567	187,958	68,964	299,489
Other Expenditure	–	908,862	2,080,294	1,429,042	4,418,198
<b>Total Expenditure</b>	<b>–</b>	<b>951,429</b>	<b>2,268,252</b>	<b>1,771,660</b>	<b>4,991,341</b>

**Segmental Trading Surplus**

	<b>9,231,842</b>	<b>1,363,460</b>	<b>500,968</b>	<b>(1,752,905)</b>	<b>9,343,365</b>
Gain (Loss) on Sale of Property, Plant & Equipment	–	(22,558)	–	(22,170)	(44,728)
Revaluation of Investment Property	–	(638,796)	682,346	–	43,550
Fair Value Movements	–	(67,164)	–	141,000	73,836

**Segmental Operating Surplus (Deficit) Before Taxation**

Taxation Expense	–	–	–	18,512	18,512
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**NET SURPLUS (DEFICIT) AFTER TAXATION**

	<b>9,231,842</b>	<b>634,942</b>	<b>1,183,314</b>	<b>(1,652,587)</b>	<b>9,397,511</b>
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**Total Segmental Assets**

	<b>47,049,528</b>	<b>76,453,174</b>	<b>17,374,919</b>	<b>1,707,111</b>	<b>142,584,732</b>
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**Total Segmental Liabilities**

	<b>–</b>	<b>121,083</b>	<b>1,024,220</b>	<b>6,276,814</b>	<b>7,422,117</b>
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**Non-Current Asset Additions:**

Property, Plant & Equipment	–	471,347	2,358,576	63,333	2,893,256
Investment Property	–	117,597	417,654	–	535,251

\* Finance costs are not allocated to individual business segments within the Parent Company.

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 25****SEGMENT REPORTING (continued)**

	30 JUNE 2017				
	Port Related Operations \$	Property Holdings \$	Marina & Commercial \$	Other Activities \$	TOTAL \$
<b>Revenue</b>					
Revenue from External Customers	–	1,812,575	2,129,050	5,605	3,947,230
Share of Joint Venture Company's Net Surplus	9,152,126	–	–	–	9,152,126
Other Revenue from Joint Venture	–	324,204	–	25,000	349,204
<b>Total Segmental Revenue</b>	<b>9,152,126</b>	<b>2,136,779</b>	<b>2,129,050</b>	<b>30,605</b>	<b>13,448,560</b>
<b>Expenditure</b>					
Finance Costs*	–	–	–	194,912	194,912
Depreciation Expense	–	34,639	37,831	64,983	137,453
Other Expenditure	–	857,154	1,572,935	1,145,188	3,575,277
<b>Total Expenditure</b>	<b>–</b>	<b>891,793</b>	<b>1,610,766</b>	<b>1,405,083</b>	<b>3,907,642</b>
<b>Segmental Trading Surplus</b>	<b>9,152,126</b>	<b>1,244,986</b>	<b>518,284</b>	<b>(1,374,478)</b>	<b>9,540,918</b>
Gain (Loss) on Sale of Property, Plant & Equipment	–	–	–	392	392
Revaluation of Investment Property	–	(116,886)	458,109	–	341,223
Fair Value Movements	–	60,430	–	126,000	186,430
<b>Segmental Operating Surplus (Deficit) Before Taxation</b>	<b>9,152,126</b>	<b>1,188,530</b>	<b>976,393</b>	<b>(1,248,086)</b>	<b>10,068,963</b>
Taxation Expense	4,387	–	–	14,181	18,568
<b>NET SURPLUS (DEFICIT) AFTER TAXATION</b>	<b>9,147,739</b>	<b>1,188,530</b>	<b>976,393</b>	<b>(1,262,267)</b>	<b>10,050,395</b>
<b>Total Segmental Assets</b>	<b>46,065,441</b>	<b>79,850,882</b>	<b>14,610,257</b>	<b>1,586,577</b>	<b>142,113,157</b>
<b>Total Segmental Liabilities</b>	<b>–</b>	<b>93,464</b>	<b>1,530,019</b>	<b>10,046,833</b>	<b>11,670,316</b>
<b>Non-Current Asset Additions:</b>					
Property, Plant & Equipment	–	4,297,260	3,852,401	32,912	8,182,573
Investment Property	–	1,116,887	856,890	–	1,973,777

\* Finance costs are not allocated to individual business segments within the Parent Company.



# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 26

### OPERATING LEASE COMMITMENTS

The following future minimum rentals receivable as a lessor existed at year end:

	30 June 2018 \$	30 June 2017 \$
Less than 1 year	1,761,399	1,897,504
Between 1 - 5 years	4,872,932	5,427,005
Over 5 years	8,196,232	9,186,001
	<u>14,830,563</u>	<u>16,510,510</u>

The Group leases land and buildings to a variety of customers within close proximity to the port. These non-cancellable leases have remaining terms of between one month and 32 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

## Note 27

### RELATED PARTY DISCLOSURE

Related party transactions are undertaken on terms equivalent to those that prevail in arms length transactions. Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. The Company transacted with the following related parties during the period:

#### Northport Ltd

This company is jointly owned by the Marsden Maritime Holdings Ltd and Port of Tauranga Ltd. It was established to build a new port facility at Marsden Point and commenced operations in June 2002.

As a shareholder in this entity, the Company, during the year ended 30 June 2018, received dividends amounting to \$9,332,800 (2017: \$8,829,463) together with full imputation credits.

#### North Tugz Ltd

This company is jointly owned by the joint venture entity, Northport Ltd and Ports of Auckland Ltd (a significant shareholder of Marsden Maritime Holdings Ltd). It was established to operate various marine services previously undertaken by the individual respective shareholders.

#### Marsden Cove Canals Management Ltd

Marsden Maritime Holdings Ltd currently holds a 50% interest in this entity which effectively serves as a body corporate for the canal waterways at Marsden Cove. This entity has charitable trust status and as such its stakeholders do not receive any distributions or have any entitlement to a share in the entity's equity. Due to the nature of this entity it has not been consolidated with Marsden Maritime Holdings Ltd in these financial statements.

#### Northland Regional Council

The Northland Regional Council is the major shareholder of Marsden Maritime Holdings Ltd. During the year it received dividend payments totalling \$3,432,511 (2017: \$3,100,007).

#### Directors

Periodically, certain transactions, which are generally not of a material nature, take place between Marsden Maritime Holdings Ltd and companies in which some directors may have an interest or association. Any director involved in a transaction of this nature abstains from voting at the time in accordance with the Company's Constitution.

#### Key Management Personnel

The directors and certain senior management of the Group have been identified as key management personnel by virtue of their authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

Total compensation for key management personnel amounted to \$1,043,501 (2017: \$781,978) comprising directors' fees \$228,378 (2017: \$199,000), salaries \$626,250 (2017: \$482,000), management bonuses \$68,400 (2017: \$46,550) and associated benefits \$120,473 (2017: \$54,428).

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

**Note 27****RELATED PARTY DISCLOSURE (continued)****(a) Related Party Receivables**

Northport Ltd

30 June 2018  
\$30 June 2017  
\$

–

8,290

–

8,290

**(b) Related Party Payables**

Northport Ltd

5,184

3,838

Northland Regional Council

547

486

Marsden Cove Canals Management Ltd

–

108,926

Packard House Ltd (J Goulter)

14,005

10,720

Marsden Maritime Holdings Ltd Employees

–

743

19,736

124,713

**(c) Related Party Transactions****Northport Ltd**

Services provided by Marsden Maritime Holdings Ltd

53,364

91,805

Leases provided by Marsden Maritime Holdings Ltd

324,204

324,204

Services provided to Marsden Maritime Holdings Ltd

122,954

74,576

Services provided to North Tugz Ltd

222,643

224,272

Services provided to Northland Regional Council

5,675

20,045

**North Tugz Ltd**

Services provided by Marsden Maritime Holdings Ltd

1,842

2,875

Asset sales to Marsden Maritime Holdings Ltd

–

19,000

Services provided to Northland Regional Council

34,000

26,000

Services provided to Northport Ltd

5,800,584

5,184,466

**Northland Regional Council**

Services provided to Marsden Maritime Holdings Ltd

32,198

38,380

Services provided to Northport Ltd

138,778

134,041

**Marsden Cove Canals Management Ltd**

Levies charged to Marsden Maritime Holdings Ltd

–

94,718

Services provided by Marsden Maritime Holdings Ltd

35,500

32,993

**Directors of Marsden Maritime Holdings Ltd**

Services provided to Marsden Maritime Holdings Ltd

228,378

199,000

Services provided to Northport Ltd

38,835

41,000

# Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

## Note 28

### NEW AND AMENDED ACCOUNTING STANDARDS NOT YET ADOPTED

	* Application Date of Standard	* Application Date for Group
NZ IFRS 15 Revenue from Contracts with Customers	1-Jan-18	1-Jul-18
NZ IFRS 9 Financial Instruments	1-Jan-18	1-Jul-18
NZ IAS 40 Transfers of Investment Property	1-Jan-18	1-Jul-18
NZ IFRS 16 Leases	1-Jan-19	1-Jul-19

\* designates the end of the applicable annual reporting period.

NZ IFRS 15 Revenue from Contracts with Customers. This standard addresses the recognition of revenue from contracts with customers and is required to be adopted by the Group in the financial statements for the year ending 30 June 2019. It specifies the revenue recognition criteria governing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Marsden Maritime Holdings has assessed the impact of this standard on the Group and no significant changes are expected to the recognition of revenue compared with existing accounting policies.

NZ IFRS 16 Leases. This standard will replace the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets, however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as the current accounting practise. However, as the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. The Group intends to adopt NZIFRS 16 for the financial year ending 30 June 2020 and has yet to assess its full impact.

No other standards, amendments or interpretations that have been issued but are not yet effective are expected to materially impact the Group's financial statements

## Note 29

### CONTINGENT LIABILITIES

At Balance Date the Group was aware of the following Contingent Liabilities:

- To the Bank of New Zealand for a \$75,000 (June 2017: \$75,000) Bond given by them to the New Zealand Stock Exchange.
- A claim for remedial damages of \$128,040 excluding GST has been served on the Company by the owners of the revetment walls that were damaged during the construction of the Company's new boat ramp. The claim has been referred to the insurers of the boat ramp construction contract and as at 30 June 2018 the Company was awaiting confirmation that the claim has been accepted.

## Note 30

### CAPITAL COMMITMENTS

Commitments for capital expenditure at 30 June 2018 amounted to \$379,198 in respect of the development of the Company's new trailer boat park at Marsden Cove (2017: \$1,299,337 in respect of the construction of the Company's new boat ramp and haul-out facility at Marsden Cove). The Group's share of committed capital expenditure in respect of its Joint Venture interests amounted to \$512,408 as at 30 June 2018 (June 2017: \$1,027,060).

## Note 31

### SUBSEQUENT EVENTS

#### Dividends

Joint Venture company Northport Ltd declared a fully imputed ordinary dividend of \$24,702 per share with payment to be made 29 August 2018.

Subsequent to balance date, the Board of Marsden Maritime Holdings Ltd declared a fully imputed ordinary dividend of 9.00 cents per share with payment to be made 14 September 2018.

## Analysis of Shareholdings

### Top 20 Shareholders as at 30 June 2018

	No. of Shares	Percentage
1. Northland Regional Council	22,142,907	53.61%
2. Ports of Auckland Limited	8,218,829	19.89%
3. MFL Mutual Fund Limited – a/c NZCSD	987,102	2.39%
4. Accident Compensation Corporation – a/c NZCSD	900,549	2.18%
5. National Nominees New Zealand Limited – a/c NZCSD	748,744	1.81%
6. Michael Walter Daniel and Nigel Geoffrey Ledgard Burton and Michael Murray Benjamin	600,000	1.45%
7. HSBC Nominees (New Zealand) Limited – a/c NZCSD	540,948	1.30%
8. M A Janssen Limited	430,833	1.04%
9. Citibank Nominees (New Zealand) Limited – a/c NZCSD	221,202	0.53%
10. Fraser Bloomfield Hardie and James William Bloomfield Hardie and Pamela Joan Hardie	205,000	0.49%
11. Neil Stuart Campbell	162,500	0.39%
12. Kennedy Westland Garland	150,241	0.36%
13. Forsyth Barr Custodians Limited	132,378	0.32%
14. BNP Paribas Nominees (NZ) Limited – a/c NZCSD	118,033	0.28%
15. Jonathan Brian Michell	115,000	0.27%
16. Howard Cedric Zingel	107,928	0.26%
17. Christopher Robert Malcolm and Helen Ann Malcolm	100,000	0.24%
18. FNZ Custodians Limited	98,936	0.23%
19. JBWere (NZ) Nominees Limited	94,011	0.22%
20. Bryan Douglas Robertson and Susan Lynette Robertson	88,895	0.21%

### Substantial Security Holders

The Company has 41,300,651 issued voting securities. Northland Regional Council and Ports of Auckland Limited are substantial security holders having a relevant interest which is the same as their registered shareholding.

Holding Size	Number of Shareholders		Shares Held	
1 – 999	340	26.15%	142,336	0.34%
1,000 – 4,999	645	49.61%	1,404,002	3.40%
5,000 – 9,999	147	11.31%	924,581	2.24%
10,000 to 99,999	151	11.62%	2,947,538	7.14%
100,000 and over	17	1.31%	35,882,194	86.88%
	1,300	100.00%	41,300,651	100.00%

Domicile	Number of Shareholders		Shares Held	
Northland	382	29.38%	24,388,045	59.05%
Auckland	444	34.15%	12,500,348	30.27%
Balance of New Zealand	440	33.85%	3,328,243	8.05%
Overseas	34	2.62%	1,084,015	2.63%
	1,300	100.00%	41,300,651	100.00%







## Directory

### Registered Office

Marsden Maritime Holdings Ltd  
8 Marsden Bay Drive  
Marsden Point 0171  
P O Box 196  
Ruakaka 0151  
New Zealand  
Telephone 09 432 5033  
[www.marsdenmaritime.co.nz](http://www.marsdenmaritime.co.nz)

### Auditor

Lloyd Bunyan on behalf  
of the Auditor General

### Banker

Bank of New Zealand

### Solicitors

Heimsath Alexander  
Webb Ross McNab Kilpatrick

### Share Registrar

Computershare Investor  
Services Limited  
Private Bag 92119  
Auckland 1142  
159 Hurstmere Road  
Takapuna, North Shore City 0622  
New Zealand

### Directors

Sir John Goulter KNZM, JP  
(Chairman)  
Mark Bogle  
Tony Gibson  
Susan Huria  
Murray Jagger  
Elena Trout

### Management

Felix Richter  
Chief Executive  
Telephone 09 432 5051 (Direct)

Gavin Carroll  
Financial Controller/  
Company Secretary  
Telephone 09 432 5052 (Direct)

Vibeke Wright  
Business Development Manager  
Telephone 09 432 5053 (Direct)

Brent Wilson  
Marina Complex Manager  
Telephone 09 432 7740  
(Marina Office)

Karri Williams  
Administration Manager  
Telephone 09 432 5033

### Joint Venture

Northport Ltd  
P O Box 44  
Ruakaka 0151  
New Zealand  
Telephone 09 432 5010  
Facsimile 09 432 8749  
[www.northport.co.nz](http://www.northport.co.nz)

### *Managing your shareholding on-line:*

To change your address, update your payment instructions  
and to view your investment portfolio including transactions,  
please visit: [www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

### *General enquiries can be directed to:*

[enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
Private Bag 92119, Auckland 1142, New Zealand  
Telephone +64 9 488 8777 Facsimile +64 9 488 8787  
Please assist our registrar by quoting your CSN or  
shareholder number.



# Marsden

MARITIME HOLDINGS LTD

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