Marsden
MARITIME HOLDINGS LTD

Financial Statements

For the Year Ended 30 June 2020

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
Revenue			
Property Revenue		2,896,761	2,163,966
Marina Operations		1,759,386	1,533,128
Share of Joint Venture Company's Net Surplus	11	8,808,199	9,008,104
Revenue from Goods Sold		1,277,878	1,635,766
Farming Revenue		250,092	323,784
Interest and Other Income		124,472	131,011
Total Revenue		15,116,788	14,795,759
Expenditure			
Operational Expenses	5	1,169,021	1,243,049
Cost of Goods Sold		1,128,464	1,442,597
Land Rates and Lease Expenses	6	440,244	560,596
Administrative Expenses	7	1,787,008	1,576,544
Finance Costs	8	441,083	286,294
Depreciation Expense	9	447,824	409,449
Total Expenditure		5,413,644	5,518,529
Trading Surplus		9,703,144	9,277,230
Gain (Loss) on Sale of Property, Plant and Equipment		(19,718)	(3,211)
Revaluation of Investment Property	21	(2,968,013)	603,243
Fair Value Movements	19	(13,193)	(166,697)
Net Surplus Before Taxation		6,702,220	9,710,565
Taxation Expense	10	21,628	19,413
NET SURPLUS AFTER TAXATION		6,680,592	9,691,152
Other Comprehensive Income			
Items that will be recycled through profit and loss			
Cash Flow Hedges - Gain (Loss) taken to Reserves (Northport Ltd)		(258,275)	(427,894)
Income Tax relating to items of Other Comprehensive Income (Northport Ltd)		72,317	119,810
Items that will not be recycled through profit and loss			
Movement in Asset Revaluation Reserve	20(c)	(814,307)	369,588
Share of Movement in Revaluation Reserve (Northport Ltd)		(327,165)	160,008
Other Comprehensive Income for Year		(1,327,430)	221,512
TOTAL COMPREHENSIVE INCOME		5,353,162	9,912,664
(attributable to Owners of the Company)			
Basic and Diluted Earnings Per Share (cents)	17(b)	16.18	23.46

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

	Share Capital $	Retained Earnings $	Asset Revaluation Reserve $	Hedging Reserve (Joint Venture) $	TOTAL $
Closing Equity 1 July 2019	14,688,144	61,808,888	62,988,293	(914,899)	138,570,426
Net Surplus	–	6,680,592	–	–	6,680,592
Other Comprehensive Income	–	–	(1,141,472)	(185,958)	(1,327,430)
Total Comprehensive Income	–	6,680,592	(1,141,472)	(185,958)	5,353,162
Transactions with owners in their capacity as owners:					
Dividends Paid	–	(6,608,106)	–	–	(6,608,106)
Closing Equity 30 June 2020	14,688,144	61,881,374	61,846,821	(1,100,857)	137,315,482
Closing Equity 1 July 2018	14,688,144	58,622,589	62,458,697	(606,815)	135,162,615
Net Surplus	–	9,691,152	–	–	9,691,152
Other Comprehensive Income	–	–	529,596	(308,084)	221,512
Total Comprehensive Income	–	9,691,152	529,596	(308,084)	9,912,664
Transactions with owners in their capacity as owners:					
Dividends Paid	–	(6,504,853)	–	–	(6,504,853)
Closing Equity 30 June 2019	14,688,144	61,808,888	62,988,293	(914,899)	138,570,426

The accompanying notes form an integral part of these Financial Statements.

Consolidated Balance Sheet

As at 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	20	30,337,630	28,959,992
Investment Property	21	78,229,012	76,043,000
Investment in Joint Venture Company (Northport Ltd)	18	46,269,310	46,719,234
Other Investments	19	448,557	461,750
		155,284,509	152,183,976
Current Assets			
Cash and Deposits	12	144,503	306,322
Receivables and Prepayments	13	309,214	579,895
Inventory		72,302	95,471
		526,019	981,688
TOTAL ASSETS		155,810,528	153,165,664
EQUITY AND LIABILITIES			
Equity			
Share Capital	17(a)	14,688,144	14,688,144
Retained Earnings		61,881,374	61,808,888
Asset Revaluation Reserve		61,846,821	62,988,293
Hedging Reserve (Northport Ltd)		(1,100,857)	(914,899)
		137,315,482	138,570,426
Non-Current Liabilities			
Bank Loans	14	16,550,000	12,150,000
Revenue in Advance	15	867,491	802,535
		17,417,491	12,952,535
Current Liabilities			
Payables	16	1,077,555	1,642,703
		1,077,555	1,642,703
TOTAL EQUITY AND LIABILITIES		155,810,528	153,165,664

For and on behalf of the Board of Directors who authorised the issue of this financial report on 27 August 2020.

Chairman

Director

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Cash from Customers		6,605,024	6,370,909
Dividends Received		8,745,000	9,190,322
Interest Received		5,957	16,458
		15,355,981	15,577,689
Cash was applied to:			
Cash Paid to Suppliers and Employees		(4,222,512)	(5,229,725)
Interest Paid	8	(499,362)	(286,294)
Income Tax Paid		(21,628)	(19,413)
		(4,743,502)	(5,535,432)
NET CASH FLOW FROM OPERATING ACTIVITIES		10,612,478	10,042,256
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Property, Plant and Equipment		–	–
		–	–
Cash was applied to:			
Purchase of Property, Plant and Equipment		(2,729,208)	(1,932,418)
Purchase of and improvements to Investment Property		(5,836,983)	(7,443,576)
		(8,566,191)	(9,375,994)
NET CASH FLOW FROM INVESTING ACTIVITIES		(8,566,191)	(9,375,994)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
BNZ Bank Facility		4,400,000	6,100,000
		4,400,000	6,100,000
Cash was applied to:			
Payment of Dividends	17(c)	(6,608,106)	(6,504,853)
		(6,608,106)	(6,504,853)
NET CASH FLOW FROM FINANCING ACTIVITIES		(2,208,106)	(404,853)
NET INCREASE (DECREASE) IN CASH HELD		(161,819)	261,409
ADD OPENING CASH BALANCE		306,322	44,913
CLOSING CASH BALANCE	12	144,503	306,322

The accompanying notes form an integral part of these Financial Statements.

Consolidated Operating Cash Flow Reconciliation

For the Year Ended 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
NET SURPLUS AFTER TAXATION		6,680,592	9,691,152
Add (Subtract) Non-Cash Items:			
Depreciation Expense	9	447,824	409,449
(Gain) Loss on Sale of Property, Plant and Equipment		19,718	3,211
Revaluation of Investment Property	21	2,968,013	(603,243)
Other Fair Value Movements	19	13,193	166,697
Share of Joint Venture's Retained Surplus	11	(63,199)	182,218
		3,385,549	158,332
Add (Subtract) Working Capital Items:			
Movement in Receivables and Prepayments		270,681	239,327
Movement in Payables		(565,148)	1,079,877
Movement in Inventory		23,169	(53,544)
		(271,298)	1,265,660
Movement in Revenue in Advance		64,956	(6,756)
Non-Operating Items included in Working Capital Movements above		752,679	(1,066,132)
NET CASH FLOW FROM OPERATING ACTIVITIES		10,612,478	10,042,256

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 1

GENERAL INFORMATION

1.1 Reporting Entity

The financial statements are for Marsden Maritime Holdings Limited (Marsden Maritime or the Company) and the joint venture company Northport Limited (the Group). The Company is incorporated and domiciled in New Zealand, is registered under the Companies Act 1993 and is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed with NZX Limited with its ordinary shares quoted on the NZX Main Board.

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.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) and the Financial Markets Conduct Act 2013. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other guidance as issued by the External Reporting Board, as appropriate for profit-oriented entities, and with International Financial Reporting Standards.

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. All financial information is presented in New Zealand Dollars.

1.3 Joint Venture

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.

1.4 Basis of Consolidation

The Group financial statements are prepared by consolidating the financial statements of all entities that together comprise the consolidated entity, being the Parent and its joint venture interest. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee.

1.5 New Standards, Amendments and Interpretations

NZ IFSRS 16 'Leases'

The Group has adopted NZ IFRS 16 effective from 1 July 2019. No adjustment to the financial statements has been necessary for the initial adoption of the standard.

1.6 COVID-19 Impact

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the COVID-19 outbreak. Following the ensuing period of economic and social disruption the Group has continued to operate in the normal course of business. As a result the Group's operations were not materially impacted and the business was able to maintain a normal level of operations throughout this period. The ongoing situation is being monitored closely. It is expected that the Group's service offering, customer base and liquidity position will enable the Group to operate through this time of economic uncertainty resulting from COVID-19. Refer to Note 3.3 for COVID-19's impact on asset revaluation.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Revenue Recognition

Revenue is recognised when (or as) a performance obligation is satisfied by transferring promised goods or services to a customer. The transfer occurs when the customer obtains control of the value created from goods or services.

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

Revenue from Marine Services provided are recognised over the financial periods in which the customer receives the benefit provided by performance of the service. This can be either over the period the service is rendered or upon delivery depending on the marine service provided.

Farming and goods sold revenues are recognised when the performance obligation is satisfied at a point in time, generally upon delivery.

2.2 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.

2.3 Property, Plant and Equipment

Property Plant and Equipment comprises land and other fixed assets held for use in the production or supply of services. 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 and Amenities	5-50 years
Plant and Equipment (including vehicles)	2-25 years

Underground fuel tanks related to the Group's fuel facility that have been classified as Plant and 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.

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Investment Property

Investment properties are held to earn rental income or for long term capital appreciation. After initial recognition at cost including directly attributable acquisition costs, investment properties are measured at fair value, on the basis of valuations made by independent valuers on at least an annual basis. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise.

Subsequent expenditure is charged to the asset's carrying amount 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.

Investment properties under construction are carried at cost until it is possible to reliably determine their fair value, from which point they are carried at fair value less costs to complete.

Gains or losses on the disposal of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the period in which the investment properties are derecognised when they have been disposed.

Transfers from property, plant and equipment to investment property are made 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.

2.5 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.

2.6 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.

2.7 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).

2.8 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.

2.9 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.

2.10 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.

2.11 Receivables

Receivables which generally have a 30 day term are recognised initially at fair value. The Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.12 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.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Cash and Cash Equivalents

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

2.14 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 of 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.

Financial Assets at Amortised Cost

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.

2.15 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.

2.16 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.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 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 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.

2.18 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

As at balance date, the Group had not entered into any leases as a lessee.

(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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 3

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND 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:

3.1 Tax Losses

At the end of the reporting period the Group has accumulated tax losses amounting to $7,055,992 with a tax effect of $1,975,569 (2019: losses $6,600,901 tax effect $1,848,252) 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.

3.2 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.

3.3 Asset Revaluation

Investment Property and Land is revalued annually by an independent valuer. The fair value of these assets is based on market values, being the estimated amount for which the assets 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.

Due to the uncertainty related to COVID-19 that has led to a reduction in the number of real estate transactions and has impacted the availability of market data as at 30 June 2020, the independent valuation of the Group's portfolio as at 30 June 2020 have been reported on the basis of 'valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations. The opinion of value has been determined at the valuation date based on a certain set of assumptions used by the valuer, however these could change in a short period of time due to subsequent changes in the property market.

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.

4.1 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 following table.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 4

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

4.2 Financial Assets

30 June 2020	Market Price Level 1 $	Market Inputs Level 2 $	Non Market Inputs Level 3 $	Total $
Fonterra Co-operative Group Ltd - Shares (Note 19)	448,557	–	–	448,557

30 June 2019	Market Price Level 1 $	Market Inputs Level 2 $	Non Market Inputs Level 3 $	Total $
Fonterra Co-operative Group Ltd - Shares (Note 19)	461,750	–	–	461,750

4.3 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 2020, the Company had access to funding facilities with the BNZ totalling $20,500,000 (2019: $20,500,000) of which $16,550,000 was drawn down at this date (2019: $12,150,000). 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 2020	On Demand $	Less than 3 Months $	3 to 12 Months $	Over 12 Months $
Interest-bearing loans and borrowings (includes interest expense)	–	95,000	285,000	16,710,000
Trade and other payables	–	687,424	179,326	–
Total	–	782,424	464,326	16,710,000

Year Ended 30 June 2019	On Demand $	Less than 3 Months $	3 to 12 Months $	Over 12 Months $
Interest-bearing loans and borrowings	–	117,500	352,500	12,410,000
Trade and other payables	–	855,783	299,948	–
Total	–	973,283	652,448	12,410,000

As at 30 June 2020, joint venture company Northport Ltd had access to funding facilities totalling $45,000,000 (2019: $45,000,000) of which a total sum of $6,250,000 remained undrawn at balance date.

4.4 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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 4

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

4.5 Price Risk

Price risk arises from investments in equity securities as detailed in Note 19. 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.

4.6 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 2020 $	30 June 2019 $
Financial Liabilities		
Bank Loan	(16,550,000)	(12,150,000)

* 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 18).

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 and equity.

	30 June 2020 $	30 June 2019 $
+1.0% (100 Basis Points)		
Post Tax Profit and Equity - Higher (Lower)	(165,500)	(81,500)
-0.5% (50 Basis Points)		
Post Tax Profit and Equity - Higher (Lower)	82,750	40,750

4.7 Financial Instruments

The Group has the following categories of financial instruments:

	30 June 2020 $	30 June 2019 $
Financial Assets at Fair Value through Profit and Loss Designated on Initial Recognition		
Fonterra Co-operative Group Ltd - Shares	448,557	461,750
Financial Assets at Amortised Cost		
Cash and Deposits	144,503	306,322
Receivables	152,332	477,538
Financial Liabilities at Amortised Cost		
Payables	(1,077,555)	(1,642,703)
Bank Loans	(16,550,000)	(12,150,000)

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 5

OPERATIONAL EXPENSES

	30 June 2020 $	30 June 2019 $
Repairs and Maintenance	321,414	405,971
Employee Related Benefits	394,100	313,865
Marketing Expenses	75,880	75,956
Farm Operating Expenses	77,071	127,595
Other Operational Expenses	300,556	319,662
	1,169,021	1,243,049

Note 6

LAND RATES AND LEASE EXPENSES

Land Rates	389,388	506,481
Lease Expenses	50,856	54,115
	440,244	560,596

Note 7

ADMINISTRATIVE EXPENSES

Directors' Fees	264,048	247,285
Auditor Remuneration - Audit Fees	87,032	72,247
- Other Fees *	5,500	5,410
Donations	761	3,373
Employee Related Benefits	603,585	610,261
Insurance	217,432	153,509
Share Registry Expenses	90,937	78,073
Professional Fees (excl. Auditor Remuneration)	300,486	188,620
Other Administrative Expenses	217,227	217,766
	1,787,008	1,576,544

* This comprises fees associated with tax compliance.

Note 8

FINANCE COSTS

Interest on debts and borrowings	499,362	338,120
Less capitalised borrowing costs	(58,279)	(51,826)
	441,083	286,294

The average weighted borrowing cost rate for capitalisation to property, plant and equipment, was 3.40% for the current period (2019: 3.86%).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 9
DEPRECIATION EXPENSE

	30 June 2020 $	30 June 2019 $
Buildings and Amenities	280,261	229,004
Plant and Equipment	167,563	180,445
	447,824	409,449

Note 10
TAXATION EXPENSE

	30 June 2020 $	30 June 2019 $
Net Surplus Before Taxation	6,702,220	9,710,565
Prima Facie Tax at 28%	1,876,622	2,718,958
Adjusted for the Tax Effect of:		
Tax Paid Joint Venture Earnings	(14,030)	54,687
Imputed Dividend Receipts	(2,448,600)	(2,573,290)
Revaluation Non-Assessable/Non-Deductable (Income)/Expense	831,072	(125,899)
Capitalised Borrowing Costs Deducted For Tax Purposes	(16,318)	(14,511)
Loss on Disposal of Assets Held for Sale	–	958
Non-Deductible Expenses	19,303	6,317
Carried Forward Losses Not Recognised (Recognised)	(226,421)	(47,807)
	21,628	19,413
Represented by:		
Current Taxation	21,628	19,413
Deferred Taxation	–	–
	21,628	19,413

Note 11
SHARE OF JOINT VENTURE COMPANY'S NET SURPLUS

	30 June 2020 $	30 June 2019 $
Northport Ltd (50% interest)		
Net Surplus before Taxation	11,263,570	12,014,252
Less Taxation	(2,468,463)	(3,019,240)
	8,795,107	8,995,012
Current period write back in respect of previous inter-entity asset sales	13,092	13,092
	8,808,199	9,008,104
Comprising:		
Dividends Received	8,745,000	9,190,322
Share of Retained Surplus for period	63,199	(182,218)
	8,808,199	9,008,104

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 12

CASH AND DEPOSITS

	30 June 2020 $	30 June 2019 $
Current Accounts	144,003	305,922
Cash	500	400
As per Statement of Cashflows	144,503	306,322

Current account deposits held are non-interest bearing.

Note 13

RECEIVABLES AND PREPAYMENTS

	30 June 2020 $	30 June 2019 $
Trade Receivables	84,619	124,169
Related Parties (Note 25(a))	3,696	–
North Port Coolstores (1989) Ltd Earn Out Receivable	–	179,000
GST Refund Due	44,106	124,739
Prepayments	156,882	132,357
Sundry Debtors	19,911	19,630
	309,214	579,895

Note 14

BANK LOANS

	30 June 2020 $	30 June 2019 $
BNZ Loan Facility	16,550,000	12,150,000

As at 30 June 2020 Marsden Maritime Holdings Ltd had secured loan facilities totalling $20,000,000. The facility's maturity dates range from 31 August 2021 to 31 March 2022.

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 (excluding establishment and line fees) paid during the year ranged from 1.27% to 2.86% (2019: 2.58% to 3.18%).

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

	30 June 2020 $	30 June 2019 $
Opening Balance	802,535	809,291
Marina Berth Licence Sales Proceeds	241,469	171,112
Marina Berth Licence Buy Back	(4,141)	(23,945)
Recognition - Current Period	(172,372)	(153,923)
Closing Balance	867,491	802,535

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 16

PAYABLES

	30 June 2020 $	30 June 2019 $
Trade Creditors	684,356	834,636
Related Parties (Note 25(b))	3,068	21,147
Retentions	179,326	299,948
Other Payables	210,805	486,972
	1,077,555	1,642,703

Note 17

CONTRIBUTED EQUITY

	30 June 2020 $	30 June 2019 $
(a) Share Capital		
Opening / Closing Balance	14,688,144	14,688,144

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 2020 No. Shares	30 June 2019 No. Shares
Opening / Closing Shares on Issue	41,300,651	41,300,651

(b) Earnings per Share

Earnings per share of 16.18 cents per share (2019: 23.46 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 (2019: 41,300,651 shares). Diluted earnings per share has been calculated on the same basis.

	30 June 2020 $	30 June 2019 $
(c) Dividends Paid		
During the financial year the following dividend payments were made:		
Final, 13/09/19 - 9.25 cents/share (14/09/18 - 9.00 cents)	3,820,312	3,717,059
Interim, 27/03/20 - 6.75 cents/share (22/03/19 - 6.75 cents)	2,787,794	2,787,794
	6,608,106	6,504,853

(d) Capital Management

When managing capital, the 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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 18	30 June 2020 $	30 June 2019 $
INVESTMENT IN JOINT VENTURE COMPANY		
(a) Northport Ltd		
200 shares - 50% holding (same shareholding as reported 30 June 2019)		
Balance Date: 30 June		
Main Activity: Port Operations		
Shares Subscribed For	20,000,000	20,000,000
Share of Accumulated Surplus to 30 June	12,277,561	12,227,455
Share of Hedging Reserve	(1,100,857)	(914,899)
Share of Land Revaluation	16,424,319	16,751,484
Elimination re. inter-entity asset sales	(1,331,713)	(1,344,806)
Total Investment in Joint Venture Companies	46,269,310	46,719,234

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

	30 June 2020 $	30 June 2019 $
(b) Summary Financial Information		
Cash and Cash Equivalents	325,482	386,340
Other Current Assets	5,040,869	4,379,550
Current Assets	5,366,351	4,765,890
Non Current Assets	141,675,885	131,515,046
	147,042,236	136,280,936
Current Financial Liabilities (excluding trade and other payables)	1,083,556	866,391
Other Current Liabilities	5,613,075	4,594,922
Current Liabilities	6,696,631	5,461,313
Non-Current Financial Liabilities (excluding trade and other payables)	45,143,560	34,691,543
	51,840,191	40,152,856
Net Assets	95,202,045	96,128,080
Group share of Net Assets 50%	47,601,023	48,064,040
Other Consolidated Adjustments	(1,331,713)	(1,344,806)
	46,269,310	46,719,234
Revenue	39,825,753	42,601,480
Depreciation and Amortisation	4,053,667	3,817,844
Interest Income	14,371	20,818
Interest Expense	1,850,283	1,813,010
Tax Expense	4,936,925	6,038,479
Net Surplus	17,590,214	17,990,023
Other Comprehensive Income	(1,026,246)	(296,151)
Total Comprehensive Income	16,563,968	17,693,872

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 19

OTHER INVESTMENTS

	30 June 2020 $	30 June 2019 $
Fonterra Co-operative Group Ltd - Shares		
Opening Balance	461,750	652,446
Acquisition/(Disposals)	–	–
Fair Value Movements	(13,193)	(190,696)
Closing Balance	448,557	461,750

As at 30 June 2020 the Group held 119,935 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of $3.74 per share. (2019: total holding of 119,935 shares at $3.85 per share).

Fair Value Movement in Other Investments	Shares Held	Disclosed Fair Value Per Share 30 June 2020	30 June 2019	Fair Value Movement
Fonterra Co-operative Group Ltd - Shares	119,935	3.74	3.85	(13,193)

Note 20

PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 $	30 June 2019 $
(a) Carrying Values		
Freehold Land		
At Valuation	19,722,933	20,222,933
Buildings and Amenities		
At Cost	9,579,417	7,842,075
Accumulated Depreciation	(1,302,980)	(1,022,720)
Carrying Value	8,276,437	6,819,355
Plant and Equipment		
At Cost	2,487,614	2,295,619
Accumulated Depreciation	(750,670)	(607,626)
Carrying Value	1,736,944	1,687,993
Capital Work in Progress	601,316	229,711
Total Carrying Value	30,337,630	28,959,992

(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 2020 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	$110,000 to $205,000

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 realisablility of its freehold land.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 20 PROPERTY, PLANT AND EQUIPMENT (continued)	30 June 2020 $	30 June 2019 $
(c) Reconciliation by Asset Class		
Freehold Land		
Opening Book Value	20,222,933	19,320,000
Additions	291,260	515,594
Transferred from Capital Work in Progress	23,047	17,751
Revaluation to Reserves	(814,307)	369,588
Closing Carrying Value	19,722,933	20,222,933
Buildings and Amenities		
Opening Book Value	6,819,355	5,772,260
Additions	1,737,343	1,274,136
Transferred from Capital Work in Progress	–	1,963
Depreciation	(280,261)	(229,004)
Closing Carrying Value	8,276,437	6,819,355
Plant and Equipment		
Opening Book Value	1,687,993	1,624,084
Additions	234,995	324,799
Transferred from Capital Work in Progress	1,237	42,288
Transferred to Investment Property	–	(119,523)
Disposals	(19,718)	(3,210)
Depreciation	(167,563)	(180,445)
Closing Carrying Value	1,736,944	1,687,993
Capital Work in Progress		
Opening Book Value	229,711	85,352
Additions	395,889	206,361
Transferred to Freehold Land	(23,047)	(17,751)
Transferred to Buildings and Amenities	–	(1,963)
Transferred to Plant and Equipment	(1,237)	(42,288)
Closing Carrying Value	601,316	229,711
Total Closing Carrying Value	30,337,630	28,959,992

(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	7,425,553	7,111,246

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 21 INVESTMENT PROPERTY	30 June 2020 $	30 June 2019 $
Opening Carrying Value	76,043,000	67,020,000
Current Year Movements		
Land Development and Improvements	4,329,174	1,940,562
Other/Subsequent Improvements	36,509	15,464
Investment Property in Progress	799,012	6,342,890
Transferred from Property, Plant and Equipment	–	119,523
Movement in Lease Incentives	(10,670)	1,318
Revaluation (recognised in Profit and Loss)	(2,968,013)	603,243
Closing Carrying Value	78,229,012	76,043,000

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 2020, 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 2020 Range	30 June 2019 Range
Land and Improvements held for lease	DCF Method, Income Capitalisation and Direct Comparative Approach	Land Available for Lease Value per m^2 *	\$75 - \$110 per m^2	\$80 - \$115 per m^2
		Discount Rate	9.00%	9.00%
		Capitalisation Rate	7.50%	7.50%
		Exit Yield at 10 years	7.50%	7.75%
Marsden Cove Marina	DCF Method	Berth Licence Sell Down Period	–	8 Years
		Discount Rate	9.75%	10.25%
		Long Term Licence Reversion Discount Factor	90.00%	–
Marsden Cove Commercial Complex	DCF Method	Annual Rental Cash Flow	\$299,000 - \$354,000	\$288,000 - \$344,000
		Exit Yield at 10 years	7.25%	7.25%
		Discount Rate	8.50%	9.00%

* Excludes undeveloped land and land designated for a transport corridor which is valued at \$30 to \$100 per m^2 (2019 \$35 to \$110 per m^2).

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. The inputs to the valuation of Marsden Cove Marina changed for the year ended 30 June 2020 to reflect current practise. This year's valuation was based on future cashflows from berth rental and reversion of existing licences rather than a sell down of available berths via licence agreement over a period of time.

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 transport corridor, the Group has no restrictions on the realisablility of its investment property.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 22
DEFERRED TAX ASSET

	30 June 2020 $	30 June 2019 $
Opening Balance	–	–
Items Charged to Profit and Loss	–	–
Closing Balance	–	–
Represented by:		
Investment Property	(1,293,830)	(1,102,652)
Property, Plant and Equipment	(81,979)	12,433
Provisions	8,020	22,587
Deferred Tax Liability	(1,367,789)	(1,067,632)
Deferred Tax Asset (tax effect of losses carried forward)	1,367,789	1,067,632
Net Deferred Tax Asset	–	–

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

Note 23
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.

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 and 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 2020

Note 23
SEGMENT REPORTING (continued)

	30 JUNE 2020				
	Port Related Operations $	Property Holdings $	Marina and Commercial $	Other Activities $	TOTAL $
Revenue and Income					
Property Revenue from External Customers	–	2,307,676	264,881	–	2,572,557
Revenue from Joint Venture	–	324,204	–	–	324,204
Revenue from Contracts with Customers	–	295,554	3,112,589	3,685	3,411,828
Share of Joint Venture Company's Net Surplus	8,808,199	–	–	–	8,808,199
Total Segmental Revenue	8,808,199	2,927,434	3,377,470	3,685	15,116,788
Expenditure					
Finance Costs*	–	–	–	441,083	441,083
Depreciation Expense	–	50,914	332,274	64,636	447,824
Other Expenditure	–	868,429	2,229,271	1,427,037	4,524,737
Total Expenditure	–	919,343	2,561,545	1,932,756	5,413,644
Segmental Trading Surplus	8,808,199	2,008,091	815,925	(1,929,071)	9,703,144
Gain (Loss) on Sale of Property, Plant and Equipment	–	–	–	(19,718)	(19,718)
Revaluation of Investment Property	–	(3,511,680)	543,667	–	(2,968,013)
Fair Value Movements	–	(13,193)	–	–	(13,193)
Segmental Net Surplus (Deficit) Before Taxation	8,808,199	(1,516,782)	1,359,592	(1,948,789)	6,702,220
Taxation Expense	–	–	–	21,628	21,628
NET SURPLUS (DEFICIT) AFTER TAXATION	8,808,199	(1,516,782)	1,359,592	(1,970,417)	6,680,592
Total Segmental Assets	46,269,310	86,030,083	22,194,173	1,316,962	155,810,528
Total Segmental Liablilities	–	278,992	1,274,337	16,941,717	18,495,046
Non-Current Asset Additions:					
Property, Plant and Equipment	–	401,355	2,246,635	11,496	2,659,486
Investment Property	–	4,652,944	511,751	–	5,164,695

* 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 2020

Note 23 SEGMENT REPORTING (continued)	30 JUNE 2019				
	Port Related Operations $	Property Holdings $	Marina and Commercial $	Other Activities $	TOTAL $
Revenue and Income					
Property Revenue from External Customers	–	1,548,320	291,442	–	1,839,762
Revenue from Joint Venture	–	324,204	–	–	324,204
Revenue from Contracts with Customers	–	363,965	3,240,995	18,729	3,623,689
Share of Joint Venture Company's Net Surplus	9,008,104	–	–	–	9,008,104
Total Segmental Revenue	9,008,104	2,236,489	3,532,437	18,729	14,795,759
Expenditure					
Finance Costs*	–	–	–	286,294	286,294
Depreciation Expense	–	52,457	291,931	65,061	409,449
Other Expenditure	–	1,026,030	2,505,352	1,291,403	4,822,785
Total Expenditure	–	1,078,487	2,797,283	1,642,759	5,518,529
Segmental Trading Surplus	9,008,104	1,158,002	735,154	(1,624,030)	9,277,230
Gain (Loss) on Sale of Property, Plant and Equipment	–	(3,211)	–	–	(3,211)
Revaluation of Investment Property	–	35,705	567,538	–	603,243
Fair Value Movements	–	(190,697)	–	24,000	(166,697)
Segmental Net Surplus (Deficit) Before Taxation	9,008,104	999,799	1,302,692	(1,600,030)	9,710,565
Taxation Expense	–	–	–	19,413	19,413
NET SURPLUS (DEFICIT) AFTER TAXATION	9,008,104	999,799	1,302,692	(1,619,443)	9,691,152
Total Segmental Assets	46,719,234	85,688,149	19,172,893	1,585,388	153,165,664
Total Segmental Liablilities	–	1,196,409	1,030,913	12,367,916	14,595,238
Non-Current Asset Additions:					
Property, Plant and Equipment	–	1,241,705	1,037,307	41,878	2,320,890
Investment Property	–	8,283,452	15,464	–	8,298,916

* 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 2020

Note 24

OPERATING LEASE COMMITMENTS

	30 June 2020 $	30 June 2019 $
The following future minimum rentals receivable as a lessor existed at year end:		
Less than 1 year	2,720,767	1,942,267
Between 1 - 5 years	7,416,864	5,123,925
Over 5 years	5,260,249	7,798,478
	15,397,880	14,864,670

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 31 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 25

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 which commenced operations in June 2002.

As a shareholder in this entity, the Company, during the year ended 30 June 2020, received dividends amounting to $8,745,000 (2019: $9,190,322) 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 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 is a limited liability company with 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 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 $3,542,865 (2019: $3,487,508).

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 $899,152 (2019: $952,360) comprising directors' fees $264,048 (2019: $247,285), salaries $518,551 (2019: $593,443), management bonuses $51,525 (2019: $28,619) and associated benefits $65,028 (2019: $83,013).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

Note 25

RELATED PARTY DISCLOSURE (continued)

	30 June 2020 $	30 June 2019 $
(a) Related Party Receivables		
Marsden Cove Canal Management Ltd	3,696	–
	3,696	–
(b) Related Party Payables		
Northport Ltd	488	5,647
Northland Regional Council	2,203	2,049
MMH Directors	377	13,451
	3,068	21,147
Northport Ltd		
Services provided by Marsden Maritime Holdings Ltd	32,075	39,835
Leases provided by Marsden Maritime Holdings Ltd	324,204	324,204
Services provided to Marsden Maritime Holdings Ltd	72,002	306,199
Services provided to North Tugz Ltd	257,865	259,355
North Tugz Ltd		
Services provided to Northland Regional Council	22,500	26,000
Services provided to Northport Ltd	5,503,513	6,314,566
Northland Regional Council		
Services provided to Marsden Maritime Holdings Ltd	39,399	34,920
Services provided to Northport Ltd	207,459	138,001
Marsden Cove Canals Management Ltd		
Levies charged to Marsden Maritime Holdings Ltd	68,022	85,047
Services provided by Marsden Maritime Holdings Ltd	17,995	5,473
Directors of Marsden Maritime Holdings Ltd		
Services provided to Marsden Maritime Holdings Ltd	264,048	247,420
Services provided to Northport Ltd	77,084	62,292

Note 26

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 2019: $75,000) Bond given by them to the New Zealand Stock Exchange.

Note 27

CAPITAL COMMITMENTS

Commitments for capital expenditure at 30 June 2020 amounted to $703,850 in respect of the construction of a seven berth marina extension at Marsden Cove Marina and the supply of a Smartshelter located on the Company's boatyard. (2019: $1,567,284 in respect of the construction of two 4,000m^2 bulk store warehouses on the Company's industrial land). There were no capital expenditure commitments in respect of the Group's Joint Venture interests as at 30 June 2020 (2019: $4,479).

Note 28

SUBSEQUENT EVENTS

Joint Venture company Northport Ltd declared a fully imputed ordinary dividend of $4,795,107 to be paid in two instalments, $4,000,000 on 31 August 2020 and $795,107 on 30 September 2020.

Subsequent to balance date, the Board of Marsden Maritime Holdings Ltd declared a fully imputed ordinary dividend of 9.25 cents per share with payment to be made 25 September 2020.

In early July the Company entered a contract to construct a supermarket development located at Marsden Cove Marina. The development is expected to completed in early 2021 with a total project budget of $5,100,000.

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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 1 to 26 that comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, 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 our 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: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

Ernst & Young provides taxation compliance services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

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.

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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	How our audit addressed the key audit matter
The valuations of land and investment properties, carried at $19.7m and $78.2m respectively, are important to our audit as they represent significant judgment areas and a significant percentage (62%) of the total assets of the Group. The Group engaged independent registered valuers to determine the fair value of these assets at 30 June 2020.The land and investment property valuations require the use of judgments specific to the assets, as well as consideration of the prevailing market conditions. At 30 June 2020 the Land and investment property market, and economy as a whole, were significantly impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the valuation are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. A small difference in any one of the key assumptions, when aggregated, could result in a significant change to the valuation of a property. Amongst other matters, the valuations are based on assumptions such as future lease revenues, discount and capitalisation rates and land values per square metre. Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'significant valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the ssumptions made in the land and investment property valuations and the market conditions at 30 June 2020. As a result, we consider the land and investment property valuations and the related disclosures in the financial statements to be particularly significant to our audit.	In obtaining sufficient audit evidence we: ► evaluated the objectivity, independence and expertise of the external valuer; ► compared the key valuation assumptions used and the assessed values by property to the previous year's equivalent assumptions and 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, including those disclsoures made in respect of the valuation uncertainty disclosed in notes 3.3, 20 and 21.

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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 in the audit or otherwise appears to be materially misstated. If, based on 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 Group 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 Group 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.

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- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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
27 August 2020