Marsden
MARITIME HOLDINGS LTD

Consolidated Financial Statements

For the Year Ended 30 June 2021

Consolidated Statement of Profit or Loss

For the Year Ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Income			
Lease revenue		3,152,607	2,896,761
Marina operations		2,237,239	1,759,386
Revenue from goods sold		1,499,707	1,277,878
Other income		333,466	370,879
Operating income		**7,223,019**	6,304,904
Expenses			
Operating expenses	3.1	(1,627,027)	(1,386,453)
Cost of goods sold		(1,308,712)	(1,128,464)
Land rates and lease expenses	3.2	(415,496)	(440,244)
Administrative expenses	3.3	(1,817,120)	(1,569,576)
Depreciation		(530,218)	(447,824)
Other expenses		–	(19,718)
Operating expenses		**(5,698,573)**	(4,992,279)
Revaluation of investment property	4	3,654,874	(2,968,013)
Fair value movements	13	2,399	(13,193)
Operating profit/(loss)		**5,181,719**	(1,668,581)
Finance income		783	3,685
Finance expenses	3.4	(423,846)	(441,083)
Net finance expenses		**(423,063)**	(437,398)
Share of profit from joint venture	6	9,524,855	8,808,199
Profit before income tax		**14,283,511**	6,702,220
Income tax benefit /(expense)	12	(23,581)	(21,628)
Net profit after tax (attributable to owners of the company)		**14,259,930**	6,680,592
Basic and diluted earnings per share (cents)	11.2	34.53	16.18

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Net profit after tax		**14,259,930**	6,680,592
Other comprehensive income			
Items that will be recycled through profit and loss			
Cash flow hedges - gain (loss) taken to reserves (Northport Ltd)		689,104	(258,275)
Income tax relating to items of other comprehensive income (Northport Ltd)		(192,949)	72,317
	6	**496,155**	(185,958)
Items that will not be recycled through profit and loss			
Movement in asset revaluation reserve net of tax	5	1,224,521	(814,307)
Share of movement in revaluation reserve (Northport Ltd)	6	3,498,508	(327,165)
		4,723,029	(1,141,472)
Total other comprehensive income		**5,219,184**	(1,327,430)
Total comprehensive income for the period		**19,479,114**	5,353,162
(attributable to owners of the company)			

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2021

	Share Capital $	Retained Earnings $	Asset Revaluation Reserve $	Hedging Reserve (Joint Venture) $	TOTAL $
Balance at 1 July 2020	**14,688,144**	**61,881,374**	**61,846,821**	**(1,100,857)**	**137,315,482**
Net profit after tax	–	14,259,930	–	–	14,259,930
Other comprehensive income	–	–	4,723,029	496,155	5,219,184
Total comprehensive income	**–**	**14,259,930**	**4,723,029**	**496,155**	**19,479,114**
Dividends to shareholders	–	(6,608,106)	–	–	(6,608,106)
Balance at 30 June 2021	**14,688,144**	**69,533,198**	**66,569,850**	**(604,702)**	**150,186,490**
Balance at 1 July 2019	**14,688,144**	**61,808,888**	**62,988,293**	**(914,899)**	**138,570,426**
Net profit after tax	–	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**
Dividends to shareholders	–	(6,608,106)	–	–	(6,608,106)
Balance at 30 June 2020	**14,688,144**	**61,881,374**	**61,846,821**	**(1,100,857)**	**137,315,482**

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

Consolidated Balance Sheet

As at 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Assets			
Non-current assets			
Investment property	4	93,445,450	78,229,012
Property, plant and equipment	5	31,823,561	30,337,630
Investment in joint venture company (Northport Ltd)	6	51,493,721	46,269,310
Other investments	13	450,956	448,557
Total non-current assets		**177,213,688**	155,284,509
Current assets			
Cash and deposits		153,510	144,503
Receivables and prepayments	7	278,096	309,214
Inventory		93,733	72,302
Total current assets		**525,339**	526,019
Total assets		**177,739,027**	155,810,528
Equity			
Share capital	11.1	14,688,144	14,688,144
Retained earnings		69,533,198	61,881,374
Asset revaluation reserve		66,569,850	61,846,821
Hedging reserve (Northport Ltd)		(604,702)	(1,100,857)
Total equity		**150,186,490**	137,315,482
Liabilities			
Non-current liabilities			
Bank loans - non current portion	9	13,950,000	16,550,000
Revenue in advance	10	1,747,390	867,491
Total non-current liabilities		**15,697,390**	17,417,491
Current liabilities			
Payables	8	1,855,147	1,077,555
Bank loans - current portion	9	10,000,000	–
Total current liabilities		**11,855,147**	1,077,555
Total liabilities		**27,552,537**	18,495,046
Total equity and liabilities		**177,739,027**	155,810,528

For and on behalf of the board of directors who authorised the issue of this financial report on 26 August 2021.

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Chairman Director

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Cash flows from operating activities			
Receipts from customers		8,188,207	6,605,024
Dividends received		8,307,101	8,745,000
Interest received		783	5,957
Payments made to suppliers and employees		(5,205,845)	(4,222,513)
Interest paid	3.4	(534,894)	(499,362)
Income tax paid		(23,581)	(21,628)
Net cash flow from operating activities		**10,731,771**	10,612,478
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,119,109)	(2,729,208)
Purchase of and improvements to investment property		(10,395,549)	(5,836,983)
Net cash flow from investing activities		**(11,514,658)**	(8,566,191)
Cash flows from financing activities			
Proceeds from borrowings		7,400,000	4,400,000
Payment of dividends	11.3	(6,608,106)	(6,608,106)
Net cash flow from financing activities		**791,894**	(2,208,106)
Net increase/(decrease) in cash held		**9,007**	(161,819)
Opening cash balance		**144,503**	306,322
Closing cash balance		**153,510**	144,503

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

Consolidated Operating Cash Flow Reconciliation

For the Year Ended 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Net profit after tax		**14,259,930**	6,680,592
Non-cash items			
Depreciation expense		530,218	447,824
Gain/(loss) on sale of property, plant and equipment		–	19,718
Revaluation of investment property	4	(3,654,874)	2,968,013
Other fair value movements	13	(2,399)	13,193
Share of profit from joint venture	6	(1,229,748)	(63,199)
		(4,356,803)	3,385,549
Movements in working capital			
Change in receivables and prepayments		31,118	270,681
Change in payables		777,592	(565,148)
Change in inventory		(21,431)	23,169
		787,279	(271,298)
Movement in revenue in advance		**879,899**	64,956
Non-operating items included in working capital movements above		**(838,534)**	752,679
Net cash flow from operating activities		**10,731,771**	10,612,478

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

1. General information

1.1 Reporting entity

The financial statements are for Marsden Maritime Holdings Limited, a registered port company under the Port Companies Act 1988, (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 236 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 been prepared on the going concern basis, although at balance date the Company had negative working capital of $11,329,808. This primarily arose due to a $10,000,000 tranche of the Company's funding being due to expire on 31 March 2022, which is within 12 months from balance date and therefore is classified as a current liability. The Company expects to renew this facility for at least another three years in the normal course of business. Given this, and based on the fact the Company has $7,000,000 of undrawn funding available and is able to pay its debts as they become due in the normal course of business the Directors are satisfied the Company can continue as a going concern.

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 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.

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.

1.4 Critical 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:

Asset revaluation	pages 11-14
Estimation of useful lives of assets	page 14
Tax losses	page 20

1.5 Accounting policies

The Group has elected to present the previously reported Consolidated Statement of Comprehensive Income as two separate statements, the Consolidated Statement of Profit or Loss and the Consolidated Statement of Consolidated Statement of Comprehensive Income. The aggregation and order of the line items that equate to net profit after tax has also been changed. Whereas previously the share of profit from joint venture was included in revenue it is now displayed below the operating profit/(loss) total. The main purpose of this change was to give greater transparency to the operating profit /(loss) of the Group achieved by its non-port related operations.

No changes to accounting policies have been made during the year, and policies have been consistently applied to all years presented. There were no new standards, interpretations and amendments effective from 1 July 2020 that would have a material impact on the Group.

Significant accounting policies have been included throughout the notes to the financial statements.

Other relevant policies are provided as follows:

1.5 Accounting policies (continued)

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.

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.

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 not entered into any leases as a lessee.

(iii) *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.

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.

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.

Fair value 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

Financial assets at amortised cost 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 less impairment 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.

Impairment of Assets

The carrying amounts of the Group's property, plant and equipment, intangibles and investments in joint ventures 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).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

2. 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 & 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 have been consistently applied across all segments.

	30 JUNE 2021				
	Port Related Operations $	Property Holdings $	Marina and Commercial $	Other Activities $	TOTAL $
Revenue					
Rental revenue from external customers	–	2,486,516	341,887	–	2,828,403
Rental revenue from joint venture	–	324,204	–	–	324,204
Other revenue from external customers	–	109,268	3,961,144	–	4,070,412
Total segment revenue	**–**	**2,919,988**	**4,303,031**	**–**	**7,223,019**
Other income and expenditure					
Share of profit from joint venture	9,524,855	–	–	–	9,524,855
Revaluation of investment property	–	3,582,421	72,453	–	3,654,874
Fair value movements	–	2,399	–	–	2,399
Finance income	–	–	–	783	783
Finance expense *	–	–	–	(423,846)	(423,846)
Depreciation expense	–	(52,561)	(409,852)	(67,805)	(530,218)
Other expenses/losses	–	(801,524)	(2,675,514)	(1,691,317)	(5,168,355)
Income tax expense	–	–	–	(23,581)	(23,581)
Total other income and expenditure	**9,524,855**	**2,730,735**	**(3,012,913)**	**(2,205,766)**	**7,036,911**
Net profit after tax	**9,524,855**	**5,650,723**	**1,290,118**	**(2,205,766)**	**14,259,930**
Total segmental assets	**51,493,721**	**96,928,976**	**28,046,733**	**1,269,598**	**177,739,027**
Total segmental liabilities	**–**	**1,202,641**	**2,083,796**	**24,266,100**	**27,552,537**
Non-current asset additions					
Property, plant and equipment	–	878,618	477,682	23,335	1,379,635
Investment property	–	5,685,488	5,697,397	–	11,382,885

* 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 2021

	30 JUNE 2020				
	Port Related Operations $	Property Holdings $	Marina and Commercial $	Other Activities $	TOTAL $
2. SEGMENT REPORTING (continued)					
Revenue					
Rental revenue from external customers	–	2,307,676	264,881	–	2,572,557
Rental revenue from joint venture	–	324,204	–	–	324,204
Other revenue from external customers	–	295,554	3,112,589	–	3,408,143
Total segment revenue	**–**	**2,927,434**	**3,377,470**	**–**	**6,304,904**
Other income and expenditure					
Share of profit from joint venture	8,808,199	–	–	–	8,808,199
Revaluation of investment property	–	(3,511,680)	543,667	–	(2,968,013)
Fair value movements	–	–	–	–	–
Finance income	–	–	–	3,685	3,685
Finance expense *	–	–	–	(441,083)	(441,083)
Depreciation expense	–	(50,914)	(332,274)	(84,354)	(467,542)
Other expenses/losses	–	(881,622)	(2,229,271)	(1,427,037)	(4,537,930)
Income tax expense	–	–	–	(21,628)	(21,628)
Total other income and expenditure	**8,808,199**	**(4,444,216)**	**(2,017,878)**	**(1,970,417)**	**375,688**
Net profit after tax	**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 liabilities	**–**	**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 2021

	30 June 2021 $	30 June 2020 $
3. EXPENSES		
3.1 Operating Expenses		
Employee related benefits	535,161	394,100
Repairs and maintenance	387,453	321,414
Insurance	250,545	217,432
Electricity	111,737	76,619
Marketing expenses	58,606	75,880
Other operational expenses	283,525	301,008
	1,627,027	1,386,453
3.2 Land rates and lease expenses		
Land rates	400,496	389,388
Lease expenses	15,000	50,856
	415,496	440,244
3.3 Administrative expenses		
Employee related benefits	707,484	603,585
Directors' fees	282,595	264,048
Auditor remuneration - audit fees	90,384	87,032
- other fees *	5,250	5,500
Donations	2,144	761
Share registry expenses	93,842	90,937
Professional fees	311,553	300,486
Other administrative expenses	323,868	217,227
	1,817,120	1,569,576

* This comprises fees associated with tax compliance.

	30 June 2021 $	30 June 2020 $
3.4 Finance expenses		
Interest on debts and borrowings	534,894	499,362
Less capitalised borrowing costs	(111,048)	(58,279)
	423,846	441,083

The average weighted borrowing cost rate for capitalisation to property, plant and equipment, was 2.16% for the current period (2020: 3.40%).

Policy

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
4. INVESTMENT PROPERTY		
Opening Carrying Value	**78,229,012**	76,043,000
Current Year Movements		
Land Development and Improvements	8,041,666	4,329,174
Other/Subsequent Improvements	768,904	36,509
Investment Property in Progress	2,572,315	799,012
Transferred from Property, Plant & Equipment	143,500	–
Movement in Lease Incentives	35,179	(10,670)
Revaluation (recognised in profit and loss)	3,654,874	(2,968,013)
Closing Carrying Value	**93,445,450**	78,229,012

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 2021, 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 2021 Range	30 June 2020 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	\$75 - \$110 per m^2
		Discount rate	7.50-8.50%	9.00%
		Capitalisation rate	6.875%	7.50%
		Exit yield at 10 years	7.50%	7.50%
Marsden Cove Marina	DCF method	Discount rate	9.75%	9.75%
		Long term licence reversion discount factor	90.00%	90.00%
Marsden Cove commercial complex	DCF method	Annual rental cash flow	\$569,000 - \$837,000	\$299,000 - \$354,000
		Exit yield at 10 years	7.25%	7.25%
		Discount rate	8.50%	8.50%

* Excludes undeveloped land and land designated for a transport corridor which is valued at \$30 to \$100 per m^2 (2020 \$30 to \$100 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.

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 realisability of its investment property.

The Group has recently been made aware of potential issues with the structural integrity of some of the concrete piles at the Marsden Cove Marina. The Group has commissioned an independent inspection of all the marina piles to understand the extent of this issue. The findings of this inspection will be reported to the Directors by November 2021. Depending on the outcome of this work, there may be an impact on the fair value of the marina.

4. **INVESTMENT PROPERTY** (continued)

Significant Accounting Judgement, Estimate and Assumption

Investment Property 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.

Policies

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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	Freehold Land $	Building and Amenities $	Plant and Equipment $	Capital Work Progress $	TOTAL $
5. PROPERTY, PLANT AND EQUIPMENT					
Cost or valuation					
Balance at 1 July 2019	20,222,933	7,842,075	2,295,619	229,711	30,590,338
Additions	291,260	1,737,343	234,995	395,889	2,659,487
Transferred from capital work in progress	23,047	–	1,237	(24,284)	–
Disposals	–	–	(44,238)	–	(44,238)
Revaluation	(814,307)	–	–	–	(814,307)
Balance at 30 June 2020	**19,722,933**	**9,579,418**	**2,487,613**	**601,316**	**32,391,280**
Additions	26,804	196,612	363,158	793,061	1,379,635
Transferred from capital work in progress	51,072	10,084	1,670	(62,826)	–
Transferred to investment property	(143,500)	–	–	(109,769)	(253,269)
Disposals	–	–	(2,462)	(334,738)	(337,200)
Revaluation	1,224,521	–	–	–	1,224,521
Balance at 30 June 2021	**20,881,830**	**9,786,114**	**2,849,979**	**887,044**	**34,404,967**
Accumulated Depreciation					
Balance at 1 July 2019	–	(1,022,720)	(607,626)	–	(1,630,346)
Depreciation expense	–	(280,260)	(167,564)	–	(447,824)
Disposals	–	–	24,520	–	24,520
Balance at 30 June 2020	**–**	**(1,302,980)**	**(750,670)**	**–**	**(2,053,650)**
Depreciation expense	–	(329,581)	(200,637)	–	(530,218)
Disposals	–	–	2,462	–	2,462
Balance at 30 June 2021	**–**	**(1,632,561)**	**(948,845)**	**–**	**(2,581,406)**
Net book value					
At 31 June 2020	19,722,933	8,276,438	1,736,943	601,316	30,337,630
At 31 June 2021	**20,881,830**	**8,153,553**	**1,901,134**	**887,044**	**31,823,561**

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 2021 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	$118,000 to $220,000

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.

	30 June 2021 $	30 June 2020 $
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	**7,359,929**	7,425,533

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Significant Accounting Judgements, Estimates and Assumptions

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.

Freehold 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.

Policies

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
6. INVESTMENT IN JOINT VENTURE		
Northport Ltd		
Main activity: Seaport		
Balance date: 30 June		
Shareholding	50%	50%
Balance at 1 July	46,269,310	46,719,234
Share of net profit after tax	9,512,744	8,795,107
Share of current period elimination re. previous inter entity asset sales	12,111	13,092
Share of profit from joint venture	9,524,855	8,808,199
Share of hedging reserve	496,155	(185,958)
Share of revaluation reserve	3,498,508	(327,165)
Share of total comprehensive income	**13,519,518**	8,295,076
Dividends received	(8,295,107)	(8,745,000)
Balance at 30 June	**51,493,721**	46,269,310
Summary financial information		
Cash and equivalents	358,884	325,482
Other current assets	5,574,666	5,040,869
Total current Assets	5,933,550	5,366,351
Total non current assets	145,683,544	141,675,885
Total assets	**151,617,094**	147,042,236
Current financial liabilities (excluding trade and other payables)	882,137	1,083,556
Other current liabilities	5,092,340	5,613,075
Total current liabilities	5,974,477	6,696,631
Non current financial liabilities (excluding trade and other payables)	40,015,975	45,143,560
Total liabilities	**45,990,452**	51,840,191
Net assets	**105,626,642**	95,202,045
Group's share of net assets 50%	**52,813,321**	47,601,023
Other consolidated adjustments	(1,319,600)	(1,331,713)
Investment in joint venture	**51,493,721**	46,269,310
Revenue	44,604,849	39,825,753
Depreciation and amortisation	4,343,446	4,053,667
Interest income	3,312	14,371
Interest expense	1,909,490	1,850,283
Tax expense	6,575,504	4,936,925
Net surplus after tax	19,025,486	17,590,214
Other comprehensive income	7,989,325	(1,026,246)
Total comprehensive income	**27,014,811**	16,563,968

6. **INVESTMENT IN JOINT VENTURE** (continued)

Policies

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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
7. RECEIVABLES AND PREPAYMENTS		
Trade receivables	32,398	84,619
Related parties (Note 16.1)	175	3,696
GST refund due	65,079	44,106
Prepayments	159,033	156,882
Sundry debtors	21,411	19,911
	278,096	309,214

Policies

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.

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.

	30 June 2021 $	30 June 2020 $
8. PAYABLES		
Trade payables	1,062,413	684,356
Related parties (Note 16.2)	–	3,068
Retentions	211,342	179,326
Employee leave provisions	56,066	28,645
Other payables	525,326	182,160
	1,855,147	1,077,555

Policies

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.

Employee Benefits

Liabilities for wages and salaries, including annual leave entitlements and any non-monetary benefits are recognised as a current liability 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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
9. BANK LOANS		
BNZ loan facility - current portion	10,000,000	–
BNZ loan facility - non-current portion	13,950,000	16,550,000
	23,950,000	16,550,000

As at 30 June 2021, the Company had access to funding facilities with the BNZ totalling $31,500,000. A $10,000,000 tranche of the Company's funding facility is due to expire on 31 March 2022. The Company will enter into negotiation with the BNZ closer to the expiry date and expects to renew this expiring tranche in the normal course of business.

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 1.26% to 1.51% (2020: 1.27% to 2.86%).

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

Policy

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.

	30 June 2021 $	30 June 2020 $
10. REVENUE IN ADVANCE		
Balance at 1 July	867,491	802,535
Marina berth licence sales proceeds	1,080,913	241,469
Marina berth licence buy back	(21,909)	(4,141)
Recognition - current period	(179,105)	(172,372)
Balance at 30 June	**1,747,390**	867,491

Marina berth licences are sold giving the licensee a right to occupy a marina berth for a period that ranges from 5 to 30 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 2021

	30 June 2021 $	30 June 2020 $
11. CONTRIBUTED EQUITY		
11.1 Share capital		
Balance at 30 June	**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).

	No. Shares	No. Shares
Total at 30 June	**41,300,651**	41,300,651

11.2 Earnings per share

Earnings per share of 34.53 cents per share (2020: 16.18 cents per share) has been calculated as the reported net profit after tax divided by the average number of fully paid shares (calculated on a daily basis) on issue during the period, comprising 41,300,651 shares (2020: 41,300,651 shares). Diluted earnings per share has been calculated on the same basis.

	30 June 2021 $	30 June 2020 $
11.3 Dividends paid		
During the financial year the following dividend payments were made:		
Final, 25/09/20 - 9.25 cents/share (13/09/19 - 9.25 cents)	3,820,312	3,820,312
Interim, 26/03/21 - 6.75 cents/share (27/03/20 - 6.75 cents)	2,787,794	2,787,794
	6,608,106	6,608,106

Policy

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.

11.4 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 2021

	30 June 2021 $	30 June 2020 $
12. TAXATION		
12.1 Taxation expense		
Net surplus before taxation	**14,283,511**	6,702,220
Prima facie tax at 28%	3,999,383	1,876,622
Adjusted for the tax effect of:		
Tax paid joint venture earnings	(340,938)	(14,030)
Imputed dividend receipts	(2,322,630)	(2,448,600)
Revaluation non-assessable/non-deductible (income)/expense	(1,027,428)	831,072
Capitalised borrowing costs deducted for tax purposes	(31,093)	(16,318)
Non-deductible expenses	18,931	19,303
Carried forward losses not recognised (recognised)	(272,644)	(226,421)
Income tax expense	**23,581**	21,628
Represented by:		
Current taxation	23,581	21,628
Deferred taxation	–	–
Income tax expense	**23,581**	21,628
12.2 Deferred tax		
Balance at 1 July	–	–
Items charged to profit and loss	–	–
Balance at 30 June	–	–
Represented by:		
Investment property	(1,465,270)	(1,293,830)
Property, plant and equipment	(130,717)	(81,979)
Provisions	20,598	8,020
Deferred tax liability	(1,575,389)	(1,367,789)
Deferred tax asset (tax effect of losses carried forward)	1,575,389	1,367,789
Net deferred tax asset	–	–

Significant Accounting Judgement, Estimate and Assumption

At the end of the reporting period the Group has accumulated tax losses amounting to $6,654,868 with a tax effect of $1,863,363 (2020: losses $7,055,992 tax effect $1,975,569) 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.

12. **TAXATION** (continued)

Policies

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
13. OTHER INVESTMENTS		
Fonterra Co-operative Group Ltd - Shares		
Balance at 1 July	448,557	461,750
Acquisition/(disposals)	–	–
Fair value movements	2,399	(13,193)
Balance at 30 June	**450,956**	448,557

Fair value movement in other investments	Shares held	Disclosed fair value per share 30 June 2021	Disclosed fair value per share 30 June 2020	Fair value movement
Fonterra Co-operative Group Ltd - Shares	119,935	3.76	3.74	2,399

Policy

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.

Financial Assets

The Group determines the fair value of it's shares in Fonterra Co-operative Group Ltd using market price level 1 inputs.

14. 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.

14.1 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 2021, the Company had access to funding facilities with the BNZ totalling $31,500,000 (2020: $20,500,000) of which $23,950,000 was drawn down at this date (2020: $16,550,000). 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.

	On demand $	Less than 3 months $	3 to 12 months $	Over 12 months $
Interest-bearing loans and borrowings (includes interest expense)	–	125,270	10,325,050	14,470,180
Trade and other payables	–	1,062,413	211,342	–
Balance at 30 June 2021	**–**	**1,187,683**	**10,536,392**	**14,470, 180**
Interest-bearing loans and borrowings (includes interest expense)	–	95,000	285,000	16,710,000
Trade and other payables	–	687,424	179,326	–
Balance at 30 June 2020	**–**	**782,424**	**464,326**	**16,710,000**

As at 30 June 2021, joint venture company Northport Ltd had access to funding facilities totalling $50,000,000 (2020: $45,000,000) of which a total sum of $15,000,000 remained undrawn at balance date.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

14.2 Credit risk

Credit Risk arises from the financial assets of the Group, which comprises cash and cash equivalents, trade and other 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.

14.3 Price risk

Price risk arises from investments in equity securities as detailed in Note 13. 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.

14.4 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 2021 $	30 June 2020 $
Financial liabilities		
Bank Loan	(23,950,000)	(16,550,000)

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 6).

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 post tax impact on profit and equity.

	30 June 2021 $	30 June 2020 $
+1.0% (100 Basis Points)		
Post Tax Profit and Equity - Higher (Lower)	(239,500)	(165,000)
-0.5% (50 Basis Points)		
Post Tax Profit and Equity - Higher (Lower)	119,750	82,750
14.5 Financial instruments		
The Group has the following categories of financial instruments		
Financial assets at fair value through profit or loss Designated on initial recognition		
Fonterra Co-operative Group Ltd - shares	450,956	448,557
Financial assets at amortised cost		
Cash and deposits	153,510	144,503
Receivables	119,063	152,332
Financial liabilities at amortised cost		
Payables	(1,855,147)	(1,077,555)
Bank loans	(23,950,000)	(16,550,000)

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
15. OPERATING LEASE COMMITMENTS		
The following future minimum rentals receivable as a lessor existed at year end:		
Less than 1 year	2,860,062	2,720,767
Between 1 - 5 years	7,494,835	7,416,864
Over 5 years	3,679,960	5,260,249
	14,034,857	15,397,880

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 26 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

16. RELATED PARTY DISCLOSURE

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 2021, received dividends amounting to $8,295,107 (2020: $8,745,000) 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 (2020: $3,542,865).

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 $995,040 (2020: $899,152) comprising directors' fees $282,595 (2020: $264,048), salaries $579,563 (2020: $518,551), management bonuses $57,000 (2020: $51,525) and associated benefits $75,882 (2020: $65,028).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

	30 June 2021 $	30 June 2020 $
16. RELATED PARTY DISCLOSURE (continued)		
16.1 Related party receivables		
Marsden Cove Canal Management Ltd	175	3,696
	175	3,696
16.2 Related party payables		
Northport Ltd	–	488
Northland Regional Council	–	2,203
MMH Directors	–	377
	–	3,068
16.3 Northport Ltd		
Services provided by Marsden Maritime Holdings Ltd	31,596	32,075
Leases provided by Marsden Maritime Holdings Ltd	324,204	324,204
Services provided to Marsden Maritime Holdings Ltd	44,734	72,002
Services provided to North Tugz Ltd	245,484	257,865
Services provided to Northland Regional Council	21,428	–
16.4 North Tugz		
Services provided to Northland Regional Council	1,000	22,500
Services provided to Northport Ltd	6,286,725	5,503,513
16.5 Northland Regional Council		
Services provided to Marsden Maritime Holdings Ltd	43,304	39,399
Services provided to Northport Ltd	150,622	207,459
16.6 Marsden Cove Canals Management Ltd		
Levies charged to Marsden Maritime Holdings Ltd	88,779	68,022
Services provided by Marsden Maritime Holdings Ltd	7,006	17,995
16.7 Directors of Marsden Maritime Holdings Ltd		
Services provided to Marsden Maritime Holdings Ltd	282,595	264,048
Services provided to Northport Ltd	87,500	77,084

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2021

17. 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 2020: $75,000) Bond given by them to the New Zealand Stock Exchange.

18. CAPITAL COMMITMENTS

Commitments for capital expenditure at 30 June 2021 amounted to $6,614,638 and relate to the construction of three commercial leasehold properties. (2020: $703,850 marina extension and smartshelter). Capital expenditure commitments in respect of the Group's Joint Venture interests as at 30 June 2021 totalled $524,723. (2020: Nil).

19. SUBSEQUENT EVENTS

Joint Venture company Northport Ltd declared a fully imputed ordinary dividend of $6,012,743 to be paid in two instalments, $4,500,000 on 31 August 2021 and $1,512,743 on 30 September 2021.

Subsequent to balance date, the Board of Marsden Maritime Holdings Ltd declared a fully imputed ordinary dividend of 11.25 cents per share with payment to be made on 24 September 2021.

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Ernst & Young
2 Takutai Square
Britomart
Auckland 1010 New Zealand
PO Box 2146 Auckland 1140

Tel: +64 9 377 4790
Fax: +64 9 309 8137
ey.com/nz

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 balance sheet as at 30 June 2021, and the consolidated statement of profit or loss, 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 2021, 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 assurance 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

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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	How our audit addressed the key audit matter
The valuations of land and investment properties, carried at $20.9m and $93.4m respectively, are important to our audit as they represent significant judgment areas and a significant percentage (64%) of the total assets of the Group. The Group engaged independent registered valuers to determine the fair value of these assets at 30 June 2021. The land and investment property valuations require the use of judgments specific to the assets, as well as consideration of the prevailing market conditions. 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.	In obtaining sufficient audit evidence we: ► documented our understanding of the valuation process which involved identifying and assessing management controls over the process; ► evaluated the objectivity, independence and expertise of the external valuer; ► reviewed the instructions provided to the 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; ► agreed a sample of new leases from the underlying tenancy schedule to supporting lease agreements; ► involved our real estate valuation specialists to assess the valuations, underlying valuation methodology and validity of assumptions against market evidence; ► 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.

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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.

- 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.

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- 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
26 August 2021