

Statement of Financial Performance for the year ended 30 June 2009

The Statement of Financial Performance shows an overall Council operating surplus of \$18,240,000 compared to a 2008-09 Annual Plan surplus of \$8,186,000.

Council 2007/08 Actual \$000s	Group 2007/08 Budget \$000s		Note	Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
INCOME						
38,894	38,823	Rates	3	41,350	41,457	41,385
18,227	18,315	Grants and Subsidies	4	18,570	22,767	22,955
13,630	16,360	Operating Activities Revenue	5	12,410	22,205	26,050
274	(297)	Other Gains/(Losses)	6	112	967	2,457
71,025	73,201	Total Operating Income		72,442	87,396	92,847
OPERATING EXPENDITURE						
10,703	11,433	Employee Benefit Expenses	8	12,403	12,287	13,067
13,974	14,289	Depreciation and Amortisation	9	13,374	14,872	15,154
39,613	41,764	Expenditure on Operating Activities	10	36,518	38,403	40,319
2,112	2,525	Finance costs	11	1,961	3,594	4,124
66,402	70,011	Total Operating Expenditure		64,256	69,156	72,664
4,623	3,190	Net surplus/(deficit) before taxation		8,186	18,240	20,183
0	52	Income Tax Expense	12	0	0	111
4,623	3,138	Net surplus/(deficit) after taxation		8,186	18,240	20,072

The accompanying notes form an integral part of these financial statements.

Balanced Budget Statement of Financial Performance for the year ended 30 June 2009

Council 2007/08 Actual \$000s		Note	Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s
71,025	Operating Income		72,442	87,396
66,402	Operating Expenditure		64,256	69,156
4,623	Accounting Surplus(deficit)		8,186	18,240
Less				
1,954	Capital Rates Income		2,218	2,294
9,074	Capital Grants and Subsidies		8,716	9,751
1,096	Other Capital Grants, Donations and Contributions		1,987	11,791
(3,984)	Operations funded from Reserve funds		1,198	(3,039)
Plus				
5,731	Depreciation not Funded		5,420	5,912
(2,214)	(Decrease)/Increase in Council deficit		513	(3,355)
0	Balanced Budget - Operating Income agrees to Operating Expenditure		0	0

The accompanying notes form an integral part of these financial statements.

Explanation of Council's Balanced Budget Requirement

Council is required under the provisions of the LGA 2002 (s.101) to manage its revenues, expenses, assets, liabilities, investments and general dealings prudently and in a manner that promotes the current and future interests of its community. The LGA 2002 (s.100) requires that local authorities "balance the books". This means Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses (break even).

Statement of Financial Position as at 30 June 2009

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Note	Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
CURRENT ASSETS						
5,133	4,465	Cash and Cash Equivalents	13	364	249	274
8,854	9,387	Trade and Other Receivables	14	9,370	9,995	10,351
214	254	Inventories	15	202	159	205
1,406	1,406	Investments	16	2,140	1,252	1,252
155	155	Derivative Financial Instruments	17	448	0	0
1,828	1,828	Non-current Assets Held for Sale	18	0	908	908
17,590	17,495	Total Current Assets		12,524	12,563	12,990
CURRENT LIABILITIES						
256	256	Deposits Held	19	345	200	200
9,143	9,475	Trade and Other Payables	20	9,147	8,372	8,679
2,037	2,072	Employee Benefit Liabilities	21	2,411	2,005	2,005
9,000	9,000	Borrowings	22	0	3,150	3,150
76	76	Provision for Other Liabilities	23	0	137	137
0	0	Derivative Financial Instruments	17	(46)	281	281
20,512	20,879	Total Current Liabilities		11,857	14,145	14,452
(2,922)	(3,384)	Net Working Capital		667	(1,582)	(1,462)
NON-CURRENT ASSETS						
758	758	Trade and Other Receivables	14	1,146	566	566
1,684,528	1,719,754	Property Plant and Equipment	24	1,864,287	1,726,988	1,758,137
637	637	Intangible Assets	25	0	789	789
869	8,904	Biological Assets	26	0	1,154	10,897
20,309	322	Investments	16	20,299	20,310	321
1,707,101	1,730,375	Total Non-Current Assets		1,885,732	1,749,807	1,770,710
NON-CURRENT LIABILITIES						
15,000	18,733	Borrowings	22	27,031	15,000	18,733
120	120	Employee Benefit Liabilities	21	322	152	152
1,356	1,356	Provision for Other Liabilities	23	1,296	1,251	1,251
0	143	Deferred Tax Liability	12	0	0	325
0	28	Derivative Financial Instruments	17	0	1,618	1,811
16,476	20,380	Total Non-Current Liabilities		28,649	18,021	22,272
1,687,703	1,706,611	Net Funds Employed (Equity)		1,857,750	1,730,204	1,746,976

Statement of Changes in Equity for the year ended 30 June 2009

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Note	Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
EQUITY OPENING BALANCES						
357,764	344,894	Accumulated Surplus		383,458	358,185	343,830
17,901	17,901	Special Funds		14,197	22,781	22,781
1,337,494	1,370,686	Revaluation Reserves		1,162,086	1,306,620	1,339,883
210	210	Restricted Reserves		123	128	128
(11)	(11)	Reserve Funds		(12)	(11)	(11)
1,713,358	1,733,680	Total Equity Opening Balance		1,559,852	1,687,703	1,706,611
CHANGES IN EQUITY						
Accumulated Surplus (Retained Earnings)						
(4,880)	(4,880)	Transfer to/(from) Special Funds		(7,303)	(17,651)	(17,651)
82	82	Transfer to/(from) Restricted Reserves		(78)	(1)	(1)
0	0	Transfer to/(from) Reserve funds		0	(1)	(1)
596	596	Transfer to Retained Earnings included in Revaluation Reserve Movement		(13,698)	647	647
4,623	3,138	Surplus/(Deficit) after tax for the year		8,186	18,240	20,072
Special Funds						
4,880	4,880	Transfer from Retained Earnings		7,303	17,651	17,651
Revaluation Reserves						
(30,874)	(30,803)	Revaluations		303,410	23,614	19,646
Restricted Reserves						
(82)	(82)	Transfer to/from Retained Earnings		78	1	1
Reserve Funds						
0	0	Transfer from Retained Earnings		0	1	1
(25,655)	(27,069)	Total Changes in Equity		297,898	42,501	40,365
EQUITY CLOSING BALANCES						
358,185	343,830	Accumulated Surplus		370,565	359,419	346,896
22,781	22,781	Special Funds		21,500	40,432	40,432
1,306,620	1,339,883	Revaluation Reserves	27a	1,465,496	1,330,234	1,359,529
128	128	Restricted Reserves		201	129	129
(11)	(11)	Reserve Funds		(12)	(10)	(10)
1,687,703	1,706,611	Total Equity Closing Balance		1,857,750	1,730,204	1,746,976

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2009

The consolidated cash balance at the end of the year is \$274,000 (2008 : \$4,465,000) comprises cash deposits of \$274,000 (2008 : \$5,168,000) less bank overdrafts of \$0 (2008 : \$703,000).

Council 2007/08 Actual \$000s	Group 2007/08 Actual \$000s		Note	Council 2008/09 Budget \$000s	Council 2008/09 Actual \$000s	Group 2008/09 Actual \$000s
Cash Flow from Operating Activities						
37,781	37,710	Receipts from Rates		41,511	41,087	41,015
11,762	15,201	Receipts from Activities		11,618	10,765	16,164
19,785	19,785	Receipts from Government Grants and Subsidies		18,820	22,978	22,978
273	276	Interest received		165	214	215
755	5	Dividends received		1,000	1,006	6
0	2	Income tax refund		0	0	0
(48,838)	(51,808)	Payments to Suppliers and Employees		(46,949)	(49,642)	(52,521)
(987)	(987)	Grants paid		0	(1,015)	(1,015)
75	55	Net GST paid		0	(444)	(510)
(1,654)	(2,038)	Interest paid		(1,920)	(1,527)	(1,901)
18,952	18,201	Net Cash Flows Operating Activities	28	24,245	23,422	24,431
Cash Flow from Investing Activities						
1,260	1,279	Sale of Property Plant and Equipment		92	2,473	2,512
0	0	Sale of Investments		(89)	1,406	1,406
(15,809)	(15,840)	Purchase of Property Plant and Equipment		(22,854)	(24,686)	(24,840)
(304)	(304)	Purchase of Intangible Assets		0	(342)	(342)
(410)	(411)	Purchase of Investments		0	(1,252)	(1,252)
0	(92)	Forestry Expenditure		0	0	(201)
(15,263)	(15,368)	Net Cash from Investing Activities		(22,851)	(22,401)	(22,717)
Cash Flow from Financing Activities						
0	0	Decrease in Borrowings		(1,317)	(5,850)	(5,850)
(90)	(90)	Net movement in Deposits held		0	(55)	(55)
(90)	(90)	Net Cash Flow from Financing Activities		(1,317)	(5,905)	(5,905)
3,599	2,743	Net Increase(decrease) in Cash		77	(4,884)	(4,191)
1,534	1,722	Cash at beginning of the year		287	5,133	4,465
5,133	4,465	Cash and Cash Equivalents at Year End		364	249	274

The accompanying notes form an integral part of these financial statements.

Explanation of Terms used in the Statement of Cash Flow

Cash and Cash Equivalents is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.

Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash.

Operating activities include all transactions and other events that are not investing or financing activities.

The **GST (net)** component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of Involvement in CCOs and Other Companies

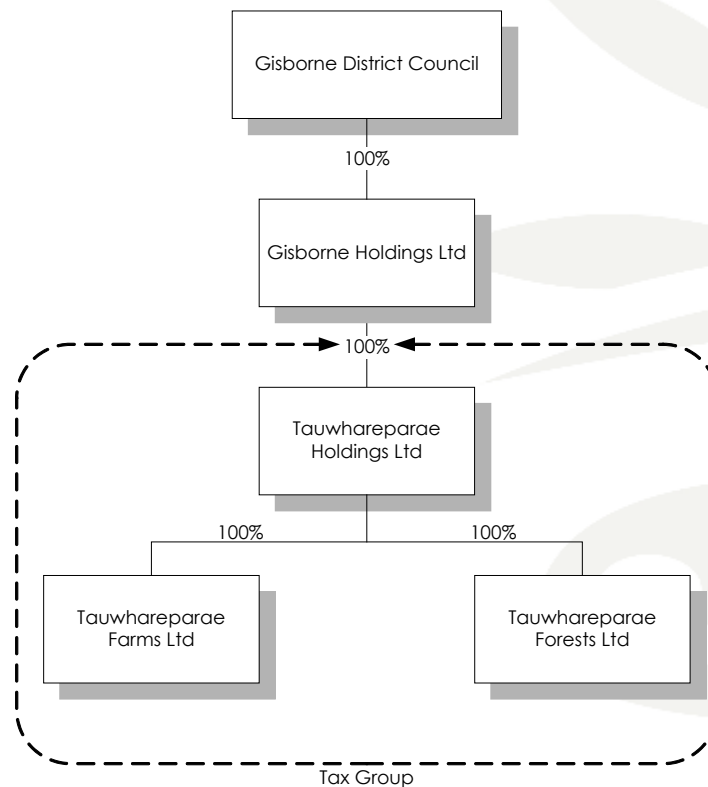
The Council has control over the following entities:

The Gisborne Disaster Relief Trust

The Trust has been established to provide a vehicle for the collection and distribution of funds in support of local disaster relief efforts. The Trust is exempt from CCO status under the provisions of the Local Government Act.

Gisborne Holdings Ltd

This CCO comprises Gisborne Holdings Ltd and its subsidiaries, Tauwhareparae Holdings Ltd, Tauwhareparae Farms Ltd, Tauwhareparae Forests Ltd.



The only trading entity in the group is Tauwhareparae Farms Ltd. Tauwhareparae Farms Ltd is a Port Company under the Port Companies Act 1988 being the original owner of the Port of Gisborne. The Port assets were sold to Eastland Port Investments Ltd in 2003. The Port now trades as Eastland Port Ltd.

The cost to the above enterprise for the financial interest, finance or financial assistance of the Council is as follows:

	Dividends 2009 \$000s	Dividends 2008 \$000s	Interest 2009 \$000s	Interest 2008 \$000s	Total 2009 \$000s	Total 2008 \$000s
Gisborne Holdings Ltd	1,000	750	0	0	1,000	750

Total Cost

The provision of financial assistance by the Gisborne District Council to this organisation and the related companies Tauwhareparae Holdings Ltd, Tauwhareparae Farms Ltd and Tauwhareparae Forests Ltd is by way of share capital. Council also incurred a \$904K interest cost to finance its investment in Gisborne Holdings Ltd.

Performance Targets

The Council's objective in establishing Gisborne Holdings Ltd and its subsidiaries was to provide a commercial vehicle for operating its commercial activities.

Achievements

The performance of Gisborne Holdings Ltd has met the shareholders expectations as defined in the Statement of Intent (SOI). Discussion continues with the directors of Tauwhareparae Farms (TFL) on a reviewed SOI for the farms. The revised SOI will have a renewed focus on improving financial performance and reporting. This is to support TFL's principal objective of operating as a successful business. This entails earning a commercially appropriate return on shareholder's funds having regard to the risk of the business and managing the Tauwhareparae properties in an efficient manner.

Gisborne Holdings reported a net profit after tax of \$2.8M for the year. This compares favorably with the \$735K loss reported the previous year. Cash flow was also positive supporting the \$1M dividend paid to Council. A significant downward movement in land values was a major contributor to the drop in net assets to \$36.9M (2008 \$39.0M).

Income from sheep sales were well up on the previous year. This resulted from both an increase in sales volumes and prices. There was also an increase in cattle sales. The lambing and calving results were 142% lambs docked and 86% calves marked. The TFL Board are hesitant to be too confident in the current economic climate and as a consequence are carefully monitoring costs and reviewing their strategy going forward.